Bored With Your Boardroom? Diversify.

Why corporations would be wise to actively seek out a more diverse group of members.

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A Note From The Editor

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It’s often said that change starts from the top. If that’s true, can someone please tell me why corporate boardrooms seem to be the last bastion of the privileged?

America is composed of diverse individuals. Individuals of different races, genders, sexual orientations and backgrounds are part of our national fabric, and they should be part of our workplace, including the boardroom. (Full disclosure: I may be another white male in his 60s, but I am also gay and from rural America.) So why aren’t they?

The importance of workplace diversity has been proven many times over. It makes good business sense for companies to recruit, train and retain a workforce that reflects a cross-section of the public. It’s not just politically correct—it’s truly valuable to companies: Diversity expands the talent pool. It ensures a wide array of backgrounds, perspectives,

skills and experiences that reflect the way many different people think.

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While companies have broadly woken up to the idea that their worker base should roughly mirror the public, translating this trend to the boardroom has been more difficult. Which is unfortunate, because in my opinion, this is where diversity can make the biggest impact. The world's population does not look like a sea of, say, George Clooneys, and great boards seek out members who lend unique perspectives so they can offer thoughtful, broad-based decisions.

Traditionally, boards were determined by their (mostly male) members and built on country-club relationships. You picked someone you knew and trusted, which generally resulted in – surprise! –the appointment of yet another privileged older man. The decision wasn't intentionally racist or sexist, but the result was a tendency for boards to lack diversity and exclude voices that represent key constituents – employees, regulators, clients and shareholders.

However, we're in the midst of a positive, trickle-up trend: Improved corporate governance has helped upset this good ol' boy network in the 21st century, and shareholder activism, transparency and regulation have become stronger forces. Times are changing, institutions are "woke" and companies don't want to look archaic or get dinged by ISS.

According to "The 2017 Spencer Stuart U.S. Board Index," boards are taking strides to enhance their diversity. For the first time in the report's history, the firm found that more than half of new board members at S&P 500 companies (56 percent) were women and/or minorities. Female representation among new directors rose to 36 percent in 2017, while 20 percent were male or female African-Americans, Hispanic/Latinos or Asians.

Today, the average S&P 500 company board has 10 members and 99 percent contain at least one woman. That sounds like great news, and it is a huge improvement over a decade ago. However, when you add up all those female board members, they account for only 22 percent of the total board positions. There's still a lot of room for growth, guys.

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The job of a corporate board is to a) advise management and b) represent the company's shareholders. When you consider those responsibilities, it's hard to see the benefits of a board whose members can't relate to the life experiences of half their customers, workers or shareholders. Sure, it's possible for a straight, middle-aged white man to feel empathy for a woman who has been trapped in a promotion-proof position, but research shows that companies with more-diverse boards excel in everything from employee retention to product migration and customer satisfaction.

There are so many reasons why a diverse board makes good business sense. Aaron A. Dhir, of York University's Osgoode Hall Law School, concluded having at least three women on a board has significant positive outcomes for a company. *The Harvard Business Review* chronicled Dhir's research, which involved interviews with 23 male and female corporate directors in Norway – a country that requires 40 percent board representation per gender – and identified several positive correlations among those that were balanced. Among them: enhanced dialogue, better decision-making (including more valuable dissent), improved risk mitigation/crisis management, higher-quality management guidance, more orderly work, positive change to the boardroom culture and the behavior of men.

The bottom line: A team of advisors with a range of values and perspectives can best steer a company toward best practices.

When your company is reaching out to the public – such as during a product recall, a disaster, a major restructuring or other significant corporate events – you want advice from leaders who are members of the affected community.

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So, what do you do when the pool of candidates you identify as leaders consists predominantly of white men? Find ways to look beyond your inner circle. If you put out the effort to reach candidates from different walks of life, you will find qualified people who can offer essential viewpoints. Headhunting firms can help, as can universities and trade organizations. But you have to do the work—go out and talk to people. One reason board members hire their friend, lawyer or former competitor is because it's *easier*. But that doesn't make it right, and it's possible to overcome these limitations.

One current example is the Parrish Museum of Art on the East End of Long Island, where I am a trustee. Our museum has worked hard over the last several years to improve our reach into the African-American and Hispanic communities, since the region has a large population of the former and is experiencing rapid growth among the latter group. We brainstormed ways for our art programs to become more inclusive so we could serve these audiences more effectively, and decided to recruit board members from these communities. Last year, we successfully added an African-American trustee and we are working diligently to recruit other diverse board members.

Building a diverse board encourages companies to reach out to the best candidates rather than the most trusted, the obvious or who's convenient. When we are forced to consider a wider range of qualified people outside our sphere of experience, it pushes us to think, to overcome our blind spots.

Diversity just for the sake of checking a box is pointless. Recruiting is about finding a wise person who truly adds something important to the team, not just novelty. An ineffective board member – regardless of his or her uniqueness – can be extremely counterproductive. However, Columbia University's Katherine W. Phillips and others mentioned in the *HBR* story on women directors point out that while diverse boards that are not properly managed may "create distrust and dissatisfaction," homogeneous groups don't come to any better solutions. They only *believe* they do.

The best-case scenario is to create a positive, contributing, hardworking team of individuals with varied experiences and backgrounds. Is it possible to do this with a board consisting of all-white males? Sure, just as it is with one made up of any homogenous group. However, there is little doubt in my mind that a board that is diverse – in terms of experience, skills, gender, race, sexual orientation and other factors – is your best possible bet for management and shareholders. In my 30-plus years of experience, it is worth the effort.

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