

## What we heard from directors

By Amy Hayes

A recent study by Russell Reynolds Associates gathered opinions and statistics from a significant cross section of serving board members about the topic of diversity of perspective, both in general and in the specific case of gender. Respondents had strong opinions about the effect of bringing different perspectives to the boardroom, the qualities most sought in directors, and the paths that lead to the boardroom. Here is what we heard:

- **Having a wide range of perspectives represented in the boardroom is critical to effective corporate governance.**

Having multiple views on the possible outcomes of any action makes for a decision-making process that is more likely to take into account the various risks, consequences and implications of possible actions. "Increasingly, boards are in a fishbowl of scrutiny from investors, the media, non-governmental organizations and so on. The problems that boards are grappling with are too hard for any one person to figure out," one director told us. Another director observed that, "You want directors to have experience in dealing with risk from many angles because you don't know where your risk is going to come from. Having directors from very diverse backgrounds really helps."

- **Being able to draw upon a diverse set of competencies and knowledge is essential if boards are to successfully address the complex issues their companies face.** A board needs to draw upon a range of experiences in understanding opportunities, anticipating challenges and assessing risks. Rarely does a right or wrong answer exist for the many issues a board faces — particularly in an environment where silos defining industries are breaking down, constituencies are globalizing, the effects of technology are accelerating, and risk presents itself in new ways. With these lines blurring, having multiple views on



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the possible outcomes of an action results in a more thoughtful decision-making process.

- **Boards become more appreciative of having a broad perspective as they accumulate experience in dealing with it.**

"Diversity and inclusion are not just the right thing to do but are important to the business agenda," said one director. "Boards are at their best when there is diversity of culture, thinking and perspective." All directors reported that constructively challenging the status quo is healthy. As one woman director with more than two decades of board service recounted, "I helped people move from the notion of 'Being different is bad' to 'Being different is good.' In other words, diversity is not deviant."

- **Strategies to influence gender diversity still are evolving.**

The adage of "who you know" is being replaced with "how you know them." As with most men, the majority of women directors reached their first board seat because someone actively championed them. Whether recommended by a CEO for whom they worked or a board member who saw them in action, new initiates to the boardroom often are introduced by more experienced directors who can vouch for them. It isn't, then, a question of being known by the right people but rather having an opportunity to impress them and be mentored by them.

Women are increasingly making their way into the boardroom, in part because of the greater number of women in the C-suite who make up the pool of eligible candidates. As important, heightened awareness during the past decade of the pitfalls of homogeneity has contributed to more women in the boardroom. We see a trend, its sustainability unknown, that boards are increasingly focusing their recruiting efforts on directors who bring a diverse perspective to the challenging requirements of governance and improved board performance rather than those who are selected because of demographic traits.

Creating a board composed of directors with a broad range of perspectives must be a conscious choice by the nominating committee. The natural tendency to turn to our own networks when looking to identify candidates can easily give rise to self-reinforcing homogeneity. Often, we are not aware of how limited our own networks are when compared with the full universe of qualified candidates.

To be clear, we do not suggest that breadth of perspective is to be desired for its own sake. Diversity without cohesion can result in what one director refers to as a "cacophony of voices." Instead, board members must be able to draw upon a certain foundation of deep business experience and judgment and, more important, must be chosen in ways that align with the strategic needs of the company.

The challenge of the nominating committee is to compose the board so that the creative tension of different perspectives and personalities exists within a coherent framework that serves the needs of the organization. As one director put it, "Good governance, by definition, is having a breadth of perspective. It is about bringing in ideas from elsewhere. A board that is not getting the quality of input it needs will likely have a loose approach to governance and a less disciplined approach to business."

While tremendous progress has been made, there is significant work yet to be done. Notwithstanding many encouraging findings of our study, women often still are approached for boards because they represent a diverse demographic and not because they bring a specific, needed perspective. The good news is that the pool of C-suite women is expanding, and boards are becoming increasingly attuned in their thinking about the importance of maintaining a broad perspective. While our conversations focused on women in the boardroom, we are confident that these findings transcend the gender issue.

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