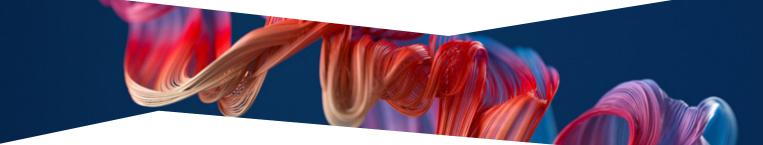
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Six Recommendations for Becoming a More Diverse and Inclusive Board

A board's ability to provide appropriate oversight over strategy and risk — ensuring the strategic plan aligns with the opportunity and the company's ability to exploit that opportunity — requires the right set of skills, experiences and perspectives in the boardroom.

To help ensure that different perspectives are integrated into the boardroom, here are six actionable steps boards can take to begin the process of becoming more diverse and inclusive:

1. Diversity is more than a numbers game — create and promote an inclusive culture in the boardroom

Boards should ensure boardroom policies and procedures reflect an inclusive culture of trust, belonging and respect for all perspectives by creating an environment in which all directors are encouraged to participate and suggest ideas. To help create this environment, boards can provide a robust onboarding program for all first-time directors to help them get comfortable in the new role.

- » Ask: How does the board define its culture and is it where it needs to be in terms of inclusiveness?
- » Ask: Who is our board culture going to attract?
- » Ask: What is the board's working definition of inclusiveness?

2. Use the annual assessment process to evaluate the board's contribution, drive refreshment and raise performance

Having the right diverse group of directors on the board is the single most important factor in good governance. Boards should continually consider whether they have the optimum composition given the company's strategic direction, and also regularly evaluate the contributions of individual directors as part of the board effectiveness assessment. The annual assessment process serves as a mechanism for surfacing and addressing issues and can be a catalyst for refreshing the board as new needs arise.

- » Ask: What are the costs of our status quo?
- » Ask: What skill sets are we missing given our future strategy?
- » **Ask**: Does the annual assessment include an evaluation of diversity on elements beyond skills and qualifications? Is it also about gender, race/ethnicity?

Boards

3. Elect board leadership, especially the lead independent director and nom/ gov chair, who understand how to and want to drive diversity and inclusion

Every member of a board can influence the progress of DE&I in the boardroom, however nom/gov chairs have the most direct impact given their role and influence on future board composition. Equally influential is the independent board chair, or lead director, who can serve as a champion for greater diversity and ensure that the board has resident insights, capabilities and access to experts to help the board increase its own diversity and provide the appropriate oversight over DE&I in the organization.

- » Ask: Do we embrace the importance of board refreshment?
- » Ask: Is our board and committee aligned on the prioritization of having diverse directors?
- » Ask: Is board composition a high priority for our chair?

4. Accountability is key: What isn't measured, isn't managed

Just as they hold the CEO and management team accountable for developing and measuring the progress of diversity and inclusion initiatives throughout the entire organization, boards can also take concrete measures to set the tone at the top by improving their own reporting. They should expect that investors will continue to press for more disclosure about the diversity of the board and the ethnic and racial backgrounds of directors. Boards can get ahead of the curve by telling their diversity story affirmatively with all its multi-dimensional nuances.

- » Ask: Is the board disclosing its diversity metrics fully to investors?
- » Ask: Are we overseeing DE&I metrics throughout the whole organization?
- » Ask: How can we enhance our oversight of DE&I metrics?

5. Reassess your search approach and criteria

Boards should recognize the potential weaknesses in traditional networking as a recruiting strategy and seek opinions and recommendations from a wide range of stakeholders. In addition, since so few minority executives are in C-suite roles, boards should be open to candidates with other backgrounds, such as military, professional services or a legal/ regulatory function, to develop a more diverse slate. Moreover, having a disciplined research-based approach to board identification and a longer recruiting timeline will allow boards to develop a more thorough approach to pipeline talent mapping, improving coverage of networks beyond the board itself.

- » Ask: Are we engaging outside help to expand our reach and ability to increase our diverse candidate pool?
- » Ask: What management team members from underrepresented groups can we get to know better?
- » Ask: Are members of the board engaging directly with investors?
- » **Ask:** Are we conducting both board and individual annual evaluations to hold ourselves accountable, both individually and collectively?
- » Ask: Are we developing a pipeline?

6. Avoid defining seats as "diverse"

As boards begin to diversify, it is important for all directors to recognize their own biases and avoid viewing diversity as a check-the-box response to external pressure or as filling the gaps.

Building and maintaining a diverse board is an ongoing journey. Boards that are most successful on this journey will embrace a mindset that views every director search as an opportunity to enhance boardroom diversity and commit to considering a qualified diverse slate of candidates for every search, rather than viewing diversity in terms of one or two seats.

- » Ask: What are we doing to ensure that diversity is always included as a core part of board refreshment?
- » Ask: How will we define diversity for our board?

Boards can influence change beyond the boardroom by providing oversight over management's diversity efforts

In its oversight role, the board can make sure it understands the CEO's vision for DE&I at the company, including the diversity of the leadership pipeline across all dimensions — gender, race and ethnicity, and sexual orientation — and the inclusivity of the culture. This includes having data on the current racial/ethnic and gender makeup of the workforce (the company's EEO-1 report is a good place to start) and what DE&I programs are in place, including employee resource groups and affinity groups. Board members should understand how the company is viewed by customers, suppliers, employees, shareholders and the communities in which it operates, and the degree to which the management team reflects the diversity of its stakeholders. Directors also can consider whether compensation plans should include diversity metrics or goals.

- » Ask: What does diversity mean for the company and what does it mean for us as directors?
- » Ask: Are we overseeing D&I metrics throughout the whole organization?
- » Ask: How can we enhance our oversight of D&I metrics?
- » Ask: Could including diversity metrics or goals in compensation plans help us make progress in DE&I?

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For more than 30 years, Spencer Stuart has helped boards increase the diversity of perspectives and backgrounds in the boardroom. We will continue to track trends in board composition as boards evolve to respond to the changing demands of their business. With thoughtful intention to increasing diversity and creating a more inclusive board culture, boards will be able to shift their composition over time, while ensuring they have the skills and experience that align with the company's long-term strategy. Absent intent, however, no change will happen.

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Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness. For more information on Spencer Stuart, please visit **www.spencerstuart.com**.

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