



## How To Add More Women To Corporate Boards

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### Janice Reals Ellig

How can we achieve diverse corporate boards – and how can we do so in a way where experience isn't sacrificed for the sake of social equity?

European countries such as Norway, Spain and France are poster children for implementing the "stick" approach with aggressive gender quotas (40% women).

The recent UK government inquiry into women directors on the FTSE recommends goals of 20% by 2013 and 25% by 2015.

Just this week, the EU Justice Commissioner Viviane Reding asked public companies to "voluntarily" commit to filling 40% of all board positions with women by 2020 so that "regulators do not have to become creative" in forcing corporations to meet these benchmarks.

Is change best achieved through a legislative stick? Or is the mere threat of such a stick enough, as is in the case of EU, where regulators recognize that a sanctioned one-size-fits-all approach to boardroom diversity may not in reality provide a one-size-fits-all benefit to the bottom line of European corporations.

I recently moderated a discussion with Diana Taylor, managing director, Wolfensohn & Company, and former New York state Superintendent of Banks, and Janice Reals Ellig, co-CEO of executive search advisors Chadick Ellig, on the state of women and corporate boards in the U.S. Their unique perspectives and insights may help us better understand how best to close the gender gap given the unique dynamics of the U.S. environment.

Both Taylor and Ellig argued that no single force will be responsible for ultimately changing the face of America's boardrooms, particularly not any bureaucratic stick. Rather, change in the U.S. will be driven through an organic, collective effort within the business community and from multiple voices continuing to advocate the bottom line benefits of leadership diversity.

I asked Ellig to provide a snapshot synopsis of what she views to be the key change agents in this country in an effort to help set the framework for further conversation around this in-depth topic.

*Trends that have exacerbated the boardroom diversity gap:*

- Over the last five years, the number of board seats have decreased over 25%, with only 303 seats opening in 2010.
- 21% of new directors were first time directors, meaning they had no prior corporate board experience. That translates to 60 novice board directors.

*Who are the change agents and what should they be doing?*

#### **CEOs:**

- CEOs need to take a public stand that diversity is a business imperative. This requires a dedicated effort by the CEO to educate their boards, senior management and middle management, employees, shareholders and the public that more gender diversity means better financial performance for their organization.
- Most importantly, CEOs need to go beyond lip service through creating transparent success metrics that they hold themselves and the leadership team against.

The decision making process takes longer with diverse boards but the decisions are better, noted one CEO to Ellig. It is worth the time to, as the old Apple ads said, "Think Different." In difference lies the potential to contribute.

#### **Board of Directors:**

- Expand the Talent Pool: Nominating Committees need to go beyond their biases that only current or retired CEOs and those with board experience should be in the consideration set. Is the success of a board truly correlated to 100% of the board holding this background?
- Develop a True Talent Pipeline: Boards must build a specific action plan focused on recruiting, developing and retaining top talent within their organization — not just in order to fill the *next* board opening but also those three, five, 10 years down the road.
- Creating a company's talent "bench" not only includes cultivating the careers of those stars within your senior ranks, but also those in middle management who have the opportunity to take on roles within your organization that best develop the leadership and operational skills in greatest demand at the C-level.
- Candidate Slates: When filling a board position, insist on having viable candidates — *and* 50/50 gender representation.
- Reexamine Board Assessments and Board Tenure: Shareholders should not just know how a board operates but also how individuals are contributing. Just like a CEO or senior manager may not be the right leader three years down the road—so too with board members as the company evolves.

Ellig stresses that CEOs and boards need more than just tone at the top. Accelerating change requires a TEAM approach—Tone, Education, Action, Metrics—that is embraced and integrated throughout the entire organization.

#### **Search Firms:**

- Educate boards on the bottom line and performance benefits of building a diverse board. While many boards may appreciate this feedback, they nonetheless often source new members through their own professional and personal networks. In fact, a

recent PWC survey found that 86% of survey participants relied on exiting board contacts to recruit new directors.

- When executing a search, have the courage to present out of the box candidates. Go beyond the trophy names, those who are “over boarded,” those who do not have the time. Look for those whose experience matches the needs of the board seat and not just necessarily the traditional criteria check boxes.
- Source candidates from a variety of global pools including many of the powerful, influential women’s organizations including Catalyst, C200, IWF, WCD, New York Women’s Forum. Also tap into the top women’s professional associations associated with the talent needs of a particular board seat.

### **The Investment Community:**

- As diverse boards have been correlated with enhanced financial performance, investors must actively evaluate boardroom diversity when assessing the vitality of an organization – and not vote for non-diverse board seats. *PAX Mutual Funds*, for example, will not vote for a board where there is no diversity.
- Be part of the solution: On the institutional investor side, pension funds such as Calpers and CalSTRS are putting together a diverse database of potential board candidates for the companies whose stock they own, to consider for their boards.

### **Women Leaders:**

- If you want to land a board seat, understand the skill sets and career experiences that serve as the basic bar of entry for consideration. This often translates to deep operational or financial experience within a large corporation, most commonly managing a significant P&L.
- Be your own best advocate: Women need to make it known that they are seeking a board opportunity and how they are uniquely qualified –and understand what type of board where you can truly add value.
- Women need to network with *centers of influence*, those who can be a sponsor to them while leveraging the insights and expertise of women who already hold positions on a board.