

**NOMINATING AND  
GOVERNANCE COMMITTEE  
CHAIR ADVISORY COUNCIL  
MEETING BRIEF**

Fall 2021

# Boards Need to Think Differently and Be More Intentional About Board Diversity

In the fall of 2021, NACD, with Heidrick & Struggles and Sidley Austin, brought together nominating and governance committee chairs from Fortune 500 companies to reflect on the progress made over the past year on board diversity and to discuss the opportunities for improvement.<sup>1</sup> During the meeting, they also had a conversation with leaders from Ascend Pinnacle, C200, the Executive Leadership Council, and Latino Corporate Directors Association. The group discussed taking a new approach to recruiting, being intentional about diversity and inclusion, and the current state of board diversity.

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## BOARDS NEED TO TAKE A NEW APPROACH TO FINDING DIVERSE CANDIDATES

When it comes to filling available board seats and creating more diverse boards in the process, organizations need to update their recruitment processes and requirements, according to a panel of presenters representing organizations dedicated to populations who are frequently underrepresented on boards. The panelists shared their views with the group about why some boards are having a difficult time finding diverse board candidates.

Several delegates said that they've experienced challenges when sourcing candidates that meet the job specifications, and when they do, they're already on too many boards. But the problem isn't a supply issue as is commonly believed. *"People keep saying it's a supply issue,"* said one presenter. *"But it's not a supply issue."* In fact, it's not even a matter of being on too many boards, according to another presenter. *"Less than 20 percent of our members are 'over-boarded,'"* she said. Instead, it's a combination of factors that include a relationship and connection issue, boards giving up on the search too quickly, and boards having criteria requirements that are too stringent, according to presenters. *"So we have to think differently about the search,"* concluded one delegate.

<sup>1</sup> Note: The meeting was held using a modified version of the Chatham House Rule, under which participants' quotes (italicized) are not attributed to those individuals or their organizations, with the exception of cohosts.

**CURRENT AND FUTURE DIRECTORS NEED TO BROADEN THEIR NETWORKS.** One factor that will help boards to find more diverse candidates is for both the boards and potential candidates to expand their networks, relationships, and connections. The nominating and governance committee needs to be proactive about broadening the board's engagement with networks by connecting more with the types of organizations joining the group today, according to both delegates and presenters alike. Some have already started doing this. *"We have been approached by several nom/gov chairs to get to know potential people even though they don't have any openings now,"* said one presenter. *"They'll say, 'I'd like to get to know someone now.' And we'll send them a list of 50 potential candidates, and they'll say, 'I'll meet with these five.'"*

Delegates also suggested that board members and candidates need to maintain long-term relationships. *"Many diverse candidates—myself included—simply need champions, such as people who have known you for a long time,"* said one delegate. *"We need to look beyond traditional spaces to get to know potential candidates early in their careers."*

**BOARDS NEED TO RECONSIDER JOB REQUIREMENTS FOR POTENTIAL CANDIDATES.** One of the biggest barriers to finding diverse boards is the job criteria. *"Discussion of criteria is important,"* said a presenter. *"If you only want former public company CEOs and CFOs, then by design your candidate pool will be very small because very few women and diverse candidates will have achieved this."* Other presenters concurred. *"Black business leaders are often pushed into [diversity and inclusion] roles,"* said another presenter. *"So the current board selection criteria eliminates these individuals immediately."*

Presenters said that boards should decide what additional skills beyond the traditional ones may be useful and then use this wider set of skills to expand the search. *"Broadening the skills broadens the pools of people,"* said one delegate. For instance, boards can branch out to consider other key C-suite roles such as head of human resources, legal, information security, and technology. This will require that they also expand their networks and relationships.

Some boards are expanding their candidate pools to people in their 40s and 50s who bring new sets of skills and perspectives to the boardroom. *"We want someone with expertise on digital platforms and personalization, especially with COVID-19,"* added a delegate. *"It will most likely be a first-time director, but including them in the mix is important."* Therefore, boards also need to be willing to drop the requirement that a candidate have previous board experience. *"Boards need to take a risk on giving someone their first board experience."*

*rience. For many, they won't have that traditional CEO or CFO experience, but that does not mean they can't be a great board member,"* said a presenter.

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## BE INTENTIONAL ABOUT PUTTING TOGETHER A DIVERSE AND INCLUSIVE BOARD

Putting together a diverse board needs to be part of a bigger organization-wide corporate diversity, equity, and inclusion (DE&I) plan, and it should include having a strong relationship with the CEO. *"[CEOs] still have huge influence in appointing board members and chairs,"* said one presenter. *"So the CEO can make or break any commitment to diversity."* The company also needs to make sure that diverse executive teams are part of the company's overall DE&I strategy, and boards should monitor how well diverse employees are moving up the ranks to the C-suite.

**BE INTENTIONAL ABOUT BOARD DIVERSITY.** Boards—and especially the nominating and governance committee—need to be intentional about board succession and a strategy to bring about more diverse candidate slates. *"You need to focus on intentionality. When boards focus on intentionality as a long view, they can get there,"* said a presenter. Another presenter recommended that boards set goals early in the year and then think about the outreach they'll do, especially with nontraditional sources to conduct candidate searches. *"We have hired a boutique firm that only focuses on people of color and women,"* said one delegate. *"The last woman we added was a CFO from the insurance industry. If the strong personal commitment is there, you'll find great candidates and the exact person you need."*

Boards also want to be sure to consider diversity of age and thought. *"It's not just about what it looks like in a picture,"* said a presenter. The nominating and governance committee should provide feedback throughout the year on how well the board is meeting its diversity and skill goals. *"We need to actively use board evaluations to refresh boards and review skill sets. Otherwise, we'll be stagnant,"* added a presenter.

**HAVE A DIVERSE NOMINATING AND GOVERNANCE COMMITTEE CHAIR AND A DIVERSE BOARD MEMBER IN OTHER BOARD LEADERSHIP ROLES.** Boards also need diverse members in leadership roles because this has been a challenge up until now, according to the presenters. Designating a person of color or a woman as chair of the nominating and governance committee could be helpful in meeting this goal and should be explored further. *"What is the lag between when you put in a diverse nom/gov chair and seeing a more diverse board? When they use their voice, it will drive change over time. If we can have that assessed, it will*

*be very telling,” suggested one delegate. Another delegate said that having diverse members in other board leadership roles has been beneficial for her organization. “Three out of eight of our members are diverse and all are heads of committees. It has made for profound change,” she said.*

**BEWARE OF TOKENISM AND BOX CHECKING.** One presenter warned organizations to be careful when putting together diverse boards. *“The reaction to just push for board diversity is a double-edged sword,” she said. “You also don’t want people to think they only got there because they are diverse, but without the skills. . . . You can tell when a company is being intentional vs. just trying to check a box.”* Another presenter added that box checking during a push for diversity can also inadvertently lead to tokenism. Boards need to make a conscious effort to avoid this. *“You don’t want to ask one Black person to speak for the entire population. That’s when tokenism takes place,” he said. “This leads to imposter syndrome; were they chosen for their skills or to check a box? This affects their participation.”*

**MAKE EVERYONE FEEL INCLUDED DURING THE INTERVIEW AND ONBOARDING PROCESSES.** Delegates and presenters agreed that boards need to make a greater effort to build trust with diverse candidates during the interview, selection, and onboarding processes. Several participants said that diverse candidates will still feel an undertone of bias and discrimination through the recruitment process. *“There is often resistance with someone who’s different. It is subtle, sometimes even subconscious. But it is no less real,”* said a presenter.

The first step is to make sure that diverse candidates feel included during the interview process and to keep in mind that candidates are also interviewing you, said one presenter. *“Good candidates have lots of options today,”* added a delegate. Another delegate said that her board has changed the way it recruits, so that the whole board can get to know finalists. *“Everyone on the nom/gov committee gets to interview all of the candidates first. Then everyone else on the board can interview the final three candidates. Opening the process beyond the nom/gov committee has made a difference,”* she said. *“We also nominate two at a time. Not being the only new person in the boardroom has been a better experience for all.”*

Boards also need to commit to acclimating and onboarding new members to help them feel more included. Either the nominating and governance committee or the lead director can regularly check in with new recruits to see if they are feeling included.

## WHILE THERE HAS BEEN PROGRESS, THERE IS A GREAT DEAL MORE TO BE DONE

While several female delegates said that there are more women and directors of color serving on boards than when they first joined their boards, there is still work to be done with creating diverse boards. For instance, there are few Latino directors on corporate boards and there is a perception that they are hard to find, according to a presenter. *“Latinos are the least represented on corporate boards compared to the talent pool. Only 2.5 percent of the seats on the Russell 3000 are Latinos,”* she said. *“There are biases. According to a poll, people think that the majority of Latinos are undocumented or are farmers or other laborers. And these perceptions are a big barrier. So we have a long way to go.”*

Likewise, people of Asian descent are also sparsely represented on boards. Some boards don’t have any members of Asian descent, according to another presenter. *“Despite the perception of Asians being more well represented, we are nowhere near parity in the C-suite and on boards, especially for women, compared to where we are in the workforce,”* she said.

The meeting closed with an emphasis on the opportunity for all directors, and for nominating and governance committee chairs in particular, to leverage the work of organizations like those present at the meeting and like NACD. Each of the professional organizations present had annual director summits where current and aspiring directors could meet. NACD has recently launched NACD Accelerate™, a program designed to support all aspiring directors as they prepare themselves for board service. As the resources and support for boards and prospective board candidates grow, so will the opportunities.

*“We can’t get complacent now,”* said one delegate in closing. *“We’ve made so much good progress, but there’s so much more work to be done.”*

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