

# Moving the Needle

## Breathing Room on Boards

Steve Mader and Caroline Nahas of Korn/Ferry International offer ideas and solutions to capitalize on the benefits of diversity.



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If boards are to make real and lasting progress in adding female and minority directors, then we need to be clear-eyed about what's standing in the way.

First, turnover on American boards is at a low. Only 7.6% of board seats in the 100 largest U.S. companies changed hands in fiscal year 2010, according to Korn/Ferry research. Concurrent studies tracking the S&P 500 found that the number of new independent director appointments was down 25% compared to just five years earlier.

So boards just aren't opening up enough new seats, period. Further tightening this opportunity bottleneck are the competing pressures for adding expertise: globalization, financial risk management, and technological change. When those needs feel particularly acute, urgency can supersede other interests, including diversity.

Finally, there's the problem we call "credentialism." The truth is, credentials are 80% of what gets an individual on the radar as a potential director, and that can be a big enemy to diversity. When there is already a shortage of women and minorities in C-suite jobs, a fixation on directors

with CEO or prior board experience just compounds the problem. Executive search consultants, we admit, don't always help as they could. When we ask boards to outline the type of director they hope to attract, the result is often a tight list of familiar criteria: CEO, Fortune 500 company, overseas work (China, India, Brazil), digital technology expert, etc. That specificity might make our assignment easier in the short term, but it's not healthy for boards in the long term.

These hindrances to board diversity aren't obvious, and thus neither are some of the solutions. Here are a few key points for boards to consider as they counteract challenges in their board diversity efforts.

### Set limits

In our board study, we found that 31% of directors had held their board seats for more than 10 years. Would adopting tenure or term limits ensure more board opportunities open up, and improve the diversity picture? We recognize that boards don't want to refresh at the expense of experience, so those disquieted by the loss of a particularly valued director can utilize a relief valve that many nonprofit boards use: a year after a director's term expires, the board can nominate him or her again.

### Hire outside expertise

Narrow specialists in key subject matters need not be directors. They can be external consultants. Indeed, boards that hamstring themselves with specific competencies can wind up with a director who functions as a subject matter expert, but doesn't have the cross-function big picture in view. In

effect, a board has more openings when it offloads special needs to advisers.

### Insist on diversity

Boards that truly respect the principle of diversity will insist on having it. They will require that the slate of candidates for every opening include women and minorities. They will work with their search partners to get beyond job titles in favor of other profile attributes that will contribute to the board.

Directors who have watched a board evolve know that the best additions are sometimes a surprise. We have watched boards, even those that set explicit credentials requirements, gravitate to a candidate who wasn't in the center of their chalkboard bull's-eye. Chemistry matters. Wisdom shines through. And the chalkboard criteria fall away.