

# THREE STEPS FOR UNLOCKING THE VALUE OF WOMEN ON BOARDS



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**C**all it diversity 3.0 in the boardroom. Boards have shifted from talking supportively about the representation of women, to actively recruiting them and determining how best to reap the benefits this diversity can provide. This adjustment shows how, as a culture, we have moved beyond superficial definitions of diversity—“having a woman on the board,” for example—to understanding that the actual payoff comes from integrating the cultural change required for true diversity of thought to take root.



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Boards that seek real advantage from diversity may first have to engage in some self-reflection and be ready to make a few changes in both thought and process. That may include examining views of diversity on the board's own team, accepting diverse directors as full-fledged partners, and employing tactics that make room for new directors on the board. This is some of what we learned from a dozen in-depth interviews with women who serve on Fortune 500 boards when we asked them to share their experiences, including how the most effective boards leverage diversity to their strategic advantage. In addition, we spoke with several men—CEOs and board chairs—to get their perspectives on these issues.

**Increasingly, boards are concerned not only with recruiting the most capable, in-demand women directors, but with fully realizing their value in the boardroom. Here are a few steps toward that vision:**

### **1 Understand and embrace the need for diversity.**

A common viewpoint among the women directors we interviewed is that given rapid, continual change in the larger business environment and increased governance demands, boards have to reinvent themselves to continue to be relevant and valuable to their companies. New and different skills and perspectives are needed to effectively address these challenges.

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This is the new definition of diversity—not defined by gender or ethnicity, but by the distinctive skills and experiences that boards require, tailored to a specific company’s strategy and other requirements.

Perhaps the greatest push for increased diversity on boards recently has been the need to acquire technology-related skills, including such experience as IT, online retail, social media and cybersecurity. Company strategies demand directors with these backgrounds, and few traditional directors can fill the bill.

According to one woman, “Technology has been like an atom bomb in changing both the business and the boardroom. Boards need people who understand this stuff and, more than anything else, this has helped put diverse candidates on boards, including women and much younger directors.”

**But there are still constraints effectively limiting the inclusion of women on boards:**

“Boards will give lip service to the importance of diversity, but there are other dynamics. There’s not a lot of turnover, retirement age is up, people live longer and they want to stay. Many boards presume the best director candidates are still active or retired CEOs, which limits consideration of women.”

**2 Openly encourage and incorporate alternative outlooks.** Women directors bring a needed perspective, but it is only realized if they are truly an integral part of the board team. Singling people out as different and recognizing those differences can be a sensitive subject, but the most successful companies and boards don’t shy away from these conversations. Dialog—rich dialog representing a variety of perspectives—is essential to effective decision making on boards.

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**The women we interviewed generally viewed the insights they and other women have brought to their boards as a positive contribution:**

**“Women bring a new level of candor, transparency and directness into the conversation.”**

**“The CEO told me, ‘I’m so glad you’re here! I can’t tell you how different it is in the room with you here. Without you it would be a frat party.’ He was proud he had brought me on the board.”**

**Many, not surprisingly, have strong views and personalities, but devised strategies to ensure those differences enhanced rather than detracted from their ability to work with other directors. Sometimes that took a little getting used to by the rest of the board:**

**“The CEO told the chair, ‘I don’t like her,’ and the chair said, ‘You need to get to know her.’ He thought my directness was an agenda, but I just think we need to have blunt conversations. Now we’re best pals. I’m really not the Wicked Witch of the West.”**

**“The only way to get things done is to hold people accountable. You don’t do that by making people uncomfortable but by building relationships, sharing your point of view, listening to objections and trying to solve the problem.”**



**3 Making room for diversity.** Given the obvious rewards of serving as a director, it is perhaps not surprising that once installed on boards, directors are reluctant to leave. Since boards have not been expanding in size—in fact, the trend over the past couple of decades has been to shrink—this leaves little room to add either diversity or the needed new skills today’s boards require.

**Those we interviewed were almost universally frustrated with the slow pace of progress in adding women to corporate boards:**

**“When boards don’t have term limits, even if you believe in diversity as a practical matter, how do you open up positions? You need turnover, but not too much. It takes a while to be effective when you join a board.”**

**“It will take a while for the Fortune 500 or 250 to see good movement ... There’s a tidal wave of people who will be aging out on boards ... change will come from turnover.”**

As women become a force in the boardroom, their peers will pay more attention to their contributions to the team and the strategy, as opposed to gender differences. One woman we interviewed told us, “On a board where I’m the only woman—where I’ve served with one director for more than a decade—I don’t even notice anymore.” Another said, in a sentiment echoed by others: “It’s about establishing credibility with the board, management, customers and investors. If you can do that, the other stuff just melts away.”