

# Voices of experience

Boards not only must add more female directors, they also need to reap the benefits of having more women as members of the team. How? A dozen female Fortune 500 directors share their candid insights.



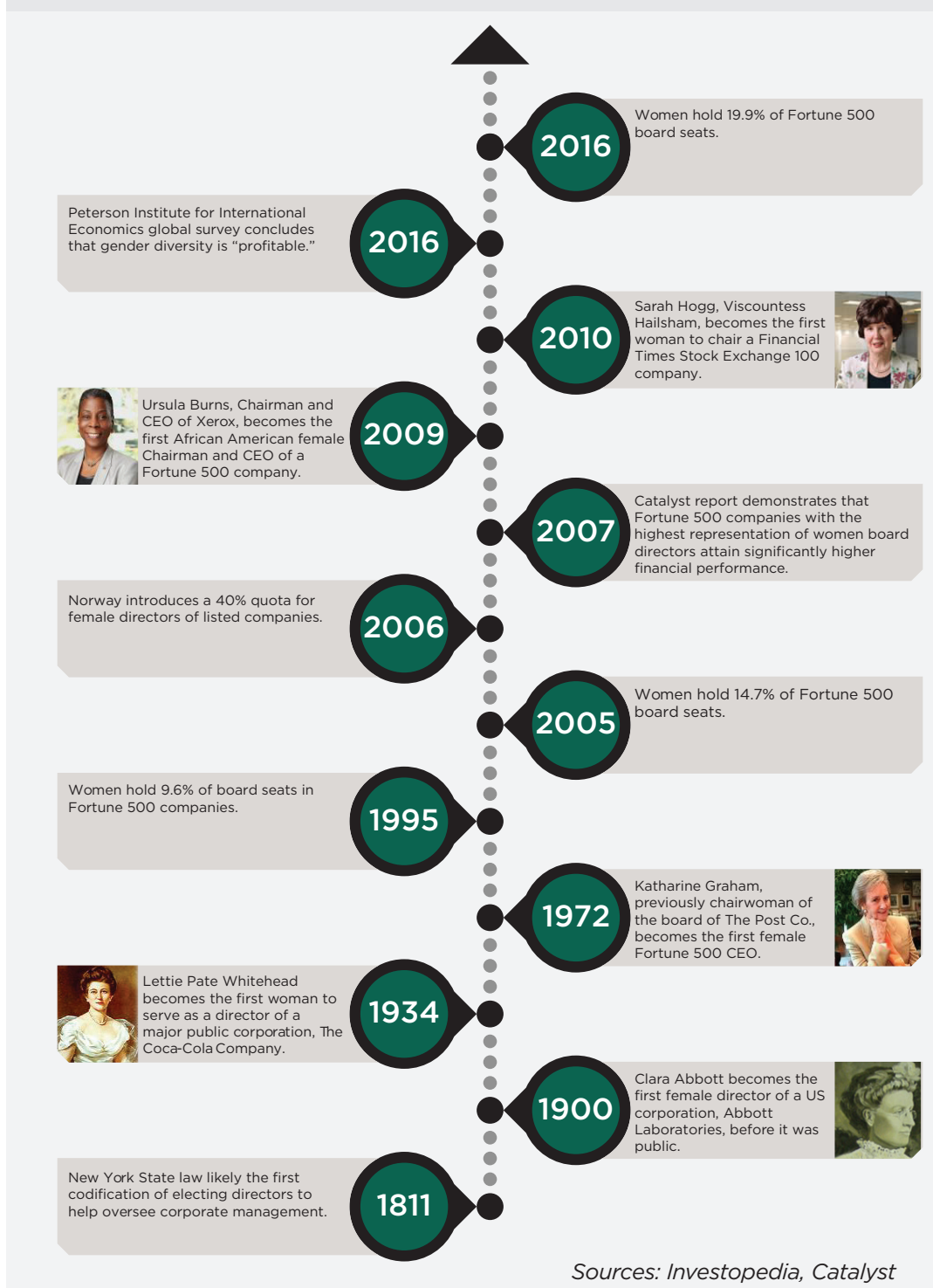
# Rising to a well-defined challenge.

Although a recent study of almost 22,000 firms in 91 nations suggested a positive correlation between females in leadership and companies' profitability (Noland et al 2016), women continue to lag in their appointment to US boards: women represented 17.9% of Fortune 1000 company directors, 19.7% of Fortune 500 company directors, and 22.3% of Fortune 100 company directors in 2015 (Katz et al 2016). Even as some members of Congress say it is time for federal regulators at the Securities and Exchange Commission to recommend strategies to diversify corporate boards (McGregor 2016), a prominent male director who serves on several leading boards recently shared with Korn Ferry that any US board in 2016 that still has no female directors is putting itself in an uncomfortable spotlight. With investors, as well as gender equity advocates clamoring for improvements, how can boards move beyond that initial step of increasing their gender representation (see Figure 1) to reaping the real benefits of having more women on their top teams?

Korn Ferry has found that boards fall into one of three categories in recruiting female directors:

- They have added a woman to the board and have checked that requirement off their list;
- They see the value in having women on the board and are eager to add more;
- Or they haven't yet added a woman director and are perhaps feeling pressure to do so.

Regardless of which category your organization may fall into, this study seeks to assist CEOs and directors, particularly those serving on nominating committees, to compete for the most capable, in-demand women directors. Further, we seek to help ensure that organizations fully leverage the value of increasingly crucial diversity in the boardroom: Success, in our view, is measured not only by recruiting outstanding women directors—who are in great demand—but in retaining them because their service is mutually beneficial, for them, their boards, and the companies these leaders want to build and help thrive.

**Figure 1.** A snapshot of the history of women on boards

Who better to enlighten us on this topic than female directors? Korn Ferry went directly to experienced female directors to learn about the opportunities as well as barriers they have encountered in board service. We conducted a dozen in-depth interviews with seasoned women who serve on Fortune 500 boards. They were pioneers in the boardroom when it was virtually an all-male enclave, and their combined experience encompasses dozens of leading boards and decades of service as directors. The authors worked under the assumption that, as members of a group that boards are eager to recruit, female directors would offer valuable insights on how to boost both value and progress that boards hope to gain from women's inclusion. For this study, Korn Ferry also interviewed men, CEOs and board chairs, to get their perspectives. A few caveats: The elite women interviewed for this study were not intended as a scientific sample; the hope, rather, is that they share representative views of the senior women who have served on multiple boards over a significant period of time. Younger women and novice directors may hold different views. But the long, successful careers of those interviewed—in both operating and governance roles—underscore the value and pertinence of their perspectives. In exchange for their willingness to offer candid insights, Korn Ferry agreed to keep confidential the seasoned women directors' identities. This study does seek to capture their voices with verbatim quotations.

### Three top-line takeaways.

To ensure that diversity takes root and enhances the board's performance, a few top-level takeaways emerged from Korn Ferry's interviews with the female Fortune 500 directors. These should be detailed first:

1. To gain the value of diversity, ensure that the board's current directors understand its necessity and fully embrace it.
2. Understand that female directors not only bring a needed perspective but they also want to be valued team members on the board.
3. If the desire is to maintain the board's existing size, changes must occur to make room for diversity.

Let's explore these key points.

### *Understanding the need for and embracing diversity.*

Given the rapid, constant change in the business environment, and the increased governance demands, boards must reinvent themselves to keep up and to continue to be relevant and valuable to their companies. This was a point the female directors consistently stressed in their interviews with Korn Ferry. New and different skills and perspectives are needed on boards to effectively address these challenges. This is the new definition of diversity. It is not defined just by gender or ethnicity. Instead, it seeks to attract skills, capacities, and experiences that boards require—tailored to a specific company's strategy and other requirements.

Boards recently have confronted one of their greatest demands for more diversity in their push to boost their technology-related savvy, including directors with experience in information technology, mobile, ecommerce, social media, and cybersecurity. Company strategies demand directors with these backgrounds; few traditional directors can fill the bill. Female directors interviewed focused on the pressing need for tech-related skills as a force for change on boards:

*“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.”*

*“The needs of boards dictate recruiting less traditional board candidates. The critical importance of digital and cyber to the business mean a whole new set of capabilities sought in director—capabilities that a 62-year-old retired CEO doesn't bring to the party.”*

Some of the female directors saw other forces at work, including the growing demand for highly engaged directors driving the need for diversity on boards:

*“It's gotten harder, harder, harder to serve on a board because of activists and changes in governance requirements. In the old days, we wanted people who would provide an aura for investors, forget it if they could contribute or not, boards wanted the highest profile, biggest name directors. Now we want people who are willing to work hard and who are fast learners.”*

Others noted, however, that the absence of term limits or enforced retirement ages coupled with a bias toward directors with CEO experience, is likely slowing progress:

*“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.”*

**“Technology has been like an atom bomb in changing both the business and the boardroom.”**



### *A needed perspective, a desire to be part of the board team.*

Singling people out as different, and recognizing those differences, can take leaders into sensitive territory. But the most successful companies and boards don't shy away from diversity, they embrace it. Vigorous, collegial discussions—representing a variety of perspectives—are essential to effective decision-making on boards, female directors said in interviews.

While it may not always be politically correct to suggest that men and women may interact and think differently, the female directors told Korn Ferry that they believe that women are more inclined to delve into issues and view various facets and alternatives. Whether that's a result of nature or nurture, the net result is that board discussion improves when women are part of the conversation, the female directors said.

Very simply, as one of the directors said: “In the boardroom, women *are* change.” It is just logical that adding diversity expands and enhances board considerations by breaking up the groupthink that can be inevitable when all the team members have similar backgrounds and experiences.

Several female directors said women tend to be more sensitive to interpersonal dynamics and more consistently collaborative, adding those are useful skills on a board where directors must work together as a team; many men, they noted, are successful CEOs but not directors because they lack these skills. Female directors have made a positive contribution to boards and companies with the insights and perspectives they and other women have brought, the interviewees said:

*“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.”*

*“Based on my experience, in management and on boards, the more diverse the people are who are engaged in the conversation, the more robust the conversation is, and the more people challenge things, the better the outcomes you get are.”*

“Fit” is a crucial factor in recruiting new directors. It shouldn't be a code word for directors just to be all the same. But it does mean, regardless of whom a board is adding, that the incoming leader must work collegially with other directors as part of a team. Diverse viewpoints should be welcome, but ultimately decisions need to be made, the female directors said.

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

They said that, even if they sometimes were looked to for a different, “female” perspective, they all had strategies to become part of the board team, and to relate to other directors as peers. That is invaluable, particularly when difficult calls must be made. Many of the female directors, not surprisingly, said they have strong views and personalities. But they said they devised strategies to ensure those differences enhanced rather than detracted from their ability to work with other directors. That took some 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.”*

*“When I joined this board, I didn’t want to scare them as the first woman. They all talked about football or golf—thank goodness I play [golf]! When you’re new, you have to figure out how to be independent but also how to fit in. When you have to make those tough decisions, when you’re disagreeing with someone, it’s helpful to have a relationship to build from.”*

The topic of tokenism naturally emerged in the Korn Ferry interviews, and there were a range of opinions. When asked if they would want to be the only woman on a board, should the opportunity arise, some of the women interviewed said they would steer clear; others said they would jump at the chance. Most agreed they would assess the board’s motivation for recruiting them on a case-by-case basis. Those who welcomed the challenge saw an opportunity to change minds about working alongside senior women as peers:

*“There are women who won’t join a board as the only woman; I find that curious. If it’s a company I’m interested in and I could make a difference, I’d be thrilled to both learn and shake things up a bit.”*

*“I would welcome the opportunity to be the only woman—why not open it up? I’d do my due diligence and would want to meet all the directors, but ultimately I’d base my decision on the quality of the company and the quality of the board, not on the gender of the board.”*

Other women were more wary of boards' motivations in seeking women members:

*"One of the things that's really important to me, and probably the first thing I would discount, would be considering a board where it's apparent that they are looking for gender, not for skills and capabilities that fit on the board."*

*"When I'm interviewing for a board, I assess how evolved they are. I turned one down that seemed like it was locked in the dark past. I met with the head of the governance committee—I would have been the first and only woman on the board – and something felt like, 'We have to get a woman.'"*

*"How do you know when a board is looking for a token woman? It's really easy to tell when it's a tick-the-box exercise."*



### *Making room for diversity.*

Korn Ferry works regularly with CEOs and directors who say they are eager to add diversity of all kinds to their boards. But one issue remains a constant challenge: making room for it. The appointment to a board seat offers an experienced executive the highly desirable opportunity to contribute to another company in a different capacity. This can be a deeply satisfying experience. It is also an indicator that the leaders, under consideration or appointed, have reached a high level of achievement and status their careers. Given these rewards, it is perhaps unsurprising 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 diversity or needed new capacities that today's boards require.

The female directors interviewed were cleared-eyed about this. With the representation of women on boards holding steady in recent years at about 20%, and without term limits or broadened criteria, it will be hard to continue gains women have made, much less to see gender progress. Boards are not getting bigger, and senior directors don't want to leave. What to do? The female directors suggested that boards might: put in place term limits, and enforce mandatory retirement ages for directors: It may be that diversity's advancement may be forced to wait until older, longer-tenured directors step down. Corporations' already slow pace of progress in adding women directors frustrated the female leaders interviewed:

*"Some people I know have hit that age (retirement age of 70 to 75 on boards). Their minds are active, they're experienced, and they can't believe they're being asked to step down."*

*"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 [Fortune] 250 to see good movement. ...There's a tidal wave of people who will be aging out on boards... change will come from turnover."*

*"Boards that are still all men are feeling more and more uncomfortable. They recognize that's not appropriate."*

**"When boards don't have term limits, even if you believe in diversity, as a practical matter, how do you open up positions?"**

# Recommendations

For CEOs and directors who may think that they've recruited one woman to their board and so their work is done—it's a view expressed sometimes to Korn Ferry— the reality is that their efforts, in fact, may have only just begun. To gain the value from including women, diversity, and fresh perspectives, boards may well require even more new, different directors. Boards may also want to consider adjustments, whether in: their culture to accept directors with different background and experience; or in their processes, to ensure that all views are solicited and heard at board meetings.

Recruiting women to boards is a crucial first step. But, as is the case when organizations add any sort of diversity, corporate boards will realize significant value only when directors have the opportunity to expand and enhance leaders' perspectives, discussions, and decision-making. The ability of a new director to disrupt groupthink—which may creep in when board members share similar backgrounds and experiences—to challenge assumptions, and to just ask smart questions may prove diversity's most valuable contribution of all. In fact, board membership and specific competencies in the future increasingly will be linked to the strategy, changing as new skills and backgrounds are required in directors. As a female director interviewed by Korn Ferry said: "We expect management teams to reinvent themselves. Should we expect any less of boards?"

The female directors Korn Ferry interviewed represent a significant breadth of experience over the course of many combined years on many boards. This is a distillation of some of the insights they offered on not only increasing women's representation on boards but also in how to increase the value they contribute, and the effectiveness of boards as a whole:

## *For female directors:*

**Due diligence required:** Select a board carefully to ensure it's a good fit for you, and that you will be able to make a contribution and be committed to the company for the long term.

**Exude confidence:** You've earned your place at the table, and part of your value is the different perspective you bring. In almost every interview Korn Ferry had with female directors, they stressed the importance of confidence as a necessary attribute for women on boards.

**Be prepared:** Being a pioneer on a board means being prepared. You may be under greater scrutiny so be sure you're up to the task by getting ready ahead of board meetings by reading all materials and asking any questions needed to clarify.

**Be a great team member:** You should seek common ground to connect with the rest of the board. You need to help to build a sense of collegiality and cohesiveness on board work.

**Understand what is required to be an effective director:** This entails getting over initial hurdles, including successfully interviewing for a director position, as well as understanding what it takes when in the role. Both steps differ significantly from succeeding in an executive role.

### *For boards:*

**Learn where to find “different:”** When seeking nontraditional board candidates, look in nontraditional places. Capable women directors may be located below the CEO level, leading functions or key businesses. External expertise may be desirable to identify, assess, and recruit top talent.

**Ensure onboarding:** New directors, particularly those who are first-time directors, may need guidance to get up to speed quickly and contribute. Consider formal (established programs) and informal (mentoring from an established director) approaches.

**Underscore the importance of diverse directors:** Consider cultural “coaching where needed to ensure that board members understand why diversity is essential and that they embrace change so the board can leverage cross-cultural agility. Coaching for new women directors—who may be serving on a board for the first time—will enable them to more quickly contribute as directors.

**Review board practices:** All directors should be encouraged and empowered to express views; minority views can prove the most valuable.

# Conclusion

Greater gender diversity on corporate boards—in fact any significant change on boards—takes longer than many would hope. Culture change is never a simple matter, and there are deep-seated, natural human tendencies at work. In the evolution of diversity on boards, there is a phenomenon that can be described as “overcoming the trust factor.” Simply put, it is a recognition that it is human nature to gravitate toward people we already know, and trust with whom we share common experiences. It’s not per se a bad or a good thing; it’s just the way we form initial connections with people with whom we immediately have familiarity and comfort.

But there is a growing impetus to overcome these tendencies and to facilitate change. The challenges that today’s companies and their boards face today mean that chairmen, CEOs and directors must work hard to find ways to move beyond the cozy inner circle to include directors with new insights that can be applied to innovative solutions. That entails not only directors with traditional CEO profiles, but those with very different experiences and perspectives. With more women joining boards, where they and they and their organizations see greater value, including in realized company performance, success will breed success.

As women approach critical mass in the boardroom, there increasingly will be a focus on what they contribute to the team and the strategy, and far less on gender differences. As one female director interviewed said: “One board I’ve been on for more than a decade with the same male colleague, and I’m the only woman. I don’t even think of gender differences anymore.” Another interviewee 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.”

# References

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