

# We aren't going to increase diversity in the boardroom unless we're willing to appoint first-timers. Why is that so hard to do?



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I just had an exchange this morning that was sadly similar to too many exchanges I've had in the past.

Here's how they tend to go.

The CEO and board members of a company are searching to fill an open seat. They reach out to me as a known connector and experienced board member, to see if I can add to their pipeline of candidates. Because I am a strong advocate of board diversity, I'm encouraged to hear they also want to prioritize diversity for this spot.

All good so far.

And then they say the thing that drives me crazy. When I ask for their top criteria for the search, they say,

“We'd prefer someone who has already been a director because we can't afford the risk of on-the-job training for someone who's never done this before.”

AAAARRRRRGH!!!!!!

This to me is like saying, “I’d like to get married, but I’m optimizing for someone who has already been married because I don’t want this whole marriage experience to be new to them.”

Look, I sort of get it — having myself been a director for dozens of public and private companies over the last twenty five years (I serve on two public boards and four private boards right now) I understand there is an art and skill to being a board member. But should that be the top criterion?

I for one believe that smart, capable people can learn what it takes to be a good board member very quickly, especially if they are onboarded properly and mentored through the process.

***And let’s face it — we are not going to solve our huge diversity imbalance if we just fish in the existing pool of people who have already been directors.***

According to a recent study by Russell Reynolds on ethnic and gender diversity on US Public Company Boards, only 6% of the total 5,254 directors at S&P 500 companies were black in 2019. 37% of the S&P 500 did not have a single black director as of Nov 1, 2019. In the Fortune 500, as of 2018, 83.9% of director seats were held by Caucasian/white people, 3.8% by Hispanic/Latinx, 3.7% by Asian/Pacific Islander, and 8.6% African American/black.

Interestingly, and in part because of the focus on gender diversity over the last five years, the percentage of women on Fortune 500 boards has gone from 16% in 2010 to 23% in 2018 — not the parity that would reflect our population, but certainly progress.

To bring these numbers home, as of the most recent Russell Reynolds report, there are 912 minority directors and 1,278 female directors in the 5,670 total directors in the Fortune 500.

***People, how will we ever increase diversity without adding to the pool?***

Simply put, we won’t. We must increase the pool by selecting people for board service who have not served on a board before.

***So why is that so hard?***

We treat board service like it is some magical, secret and superior skill set that only a rarified few can accomplish. We act as if the risk is simply too great letting a newbie into

our hallowed halls. And yes, there is skill and knowledge particular to doing a good job as a board member.

*But I believe that If you are already an experienced, accomplished business executive, it is just not that hard for you to learn how to be a good director.*

**Here's my playbook for how a newbie can do it:**

**Do your homework:** read everything about the company you are to serve. Read everything about their competition, the regulatory environment they operate in, their press, all the board materials, all public filings. Ask questions ahead of the board meeting if there is anything you don't understand. Show up fully prepared.

**Understand your legal responsibility:** You serve this company. You have to put your obligation to this company front and center, not only in your commitment to use your best efforts, good faith, rational and reasonable judgment to make decisions, but also that you take on the responsibility to act at all times in the best interests of the company and not let any conflicts lead you to influence decisions in preference to others. These are known as Duty of Care and Duty of Loyalty, foundations of proper corporate governance.

**Know who you serve:** Interestingly, this is evolving in both public opinion and governance best practices, expanding to cover environmental, social and governance considerations (now referred to as ESG) — but let's start at the basic level. As an independent director, you serve the shareholder — not the CEO, not the chairman, not your fellow directors. I believe inherent in that is service to the employees, the customers, and the other entities in your ecosystem — business development partners, channel partners, suppliers, communities in which you operate — because all of these constituencies lead to the continued health of the company and therefore the value ultimately returned to the shareholder. This takes real work, because often these constituencies are at odds with each other, but that's why you're there!

**Build relationships:** Outside the boardroom, and with the other board members, with the CEO, with the chairman, with members of the management team, with others who can contribute to your thinking. You need these individual relationships to inform you and to create a basis of trust for when things get tough, as they often do. Also, build relationships with others who serve on different boards — they will be excellent mentors for you as you navigate the ins and outs of governance.

**Be an Independent Thinker...** : it's in your title. Don't rely on the CEO or the management team or the other board members to do your thinking or deciding for you.

Start with your independent, open mind...

### ***But***

**...Be a Team Player:** This is probably the hardest thing to learn about being a board director, especially for high level operating people, who comprise most people new to the board ranks. You are accustomed to having deliverables and being judged/compensated/promoted based on your performance. But as a board member, you have very few individual deliverables. Virtually all important decisions a board makes are decided by *votes*. Therefore, in order to be effective, you have to learn how to influence others to move in the direction you feel is right and best. If you dominate all the conversations or create adversarial relationships you will diminish your effectiveness. I feel the best, most impactful work I do as a board member is often done behind the scenes, in 1-1s with other board members or members of management, and those accomplishments will likely never be 'known' to the broader audience, whatever that might be. As a board member, you have to take your work satisfaction from that, not from being the star player.

### ***And finally***

**Know what you are NOT:** You are not the CEO. You are not the company spokesperson. You are not at liberty to disclose information you learn in this service in order to appear smart, in the know, to make money — really for any reason. You must respect the fiduciary obligations of your role and the boundaries that exist.

**That's it. Pretty simple and common-sensical, right?**

I have a steadfast belief that if you place someone who has already demonstrated leadership, intellect, accomplishment and ethics in an operating role onto a board, it is just not that hard for them to adapt and build the above skills in order to become a great board member.





I do think companies need to recognize that new board members need to be onboarded, both to governance in general as well as to the particulars of the company. I personally recommend governance training and continuing education through director-focused professional organizations such as NACD as well as Directors Colleges such as the ones run by Stanford, Harvard and others. There are also some terrific books on how to be a great board member, including this one by Betsy Atkins, one of the most experienced and accoladed public company directors today. I'm also a big advocate of formal/designated mentoring by an existing board member who knows the ropes and can demystify the processes in a 1–1, safe environment. But this isn't that different from onboarding a senior executive in an operating role, is it?

**My plea to anyone who has influence over the selection of a new board member, whether public or private company: optimize for the contributions a person can make to your board over prior board experience and consider the tremendous benefits of adding people of diverse backgrounds, gender, race, and experience to your board. Don't just keep fishing in the same old pool.**

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