

BOARD GOVERNANCE RESOURCES

The Definitive Guide for Diversifying Your Board Composition

A trending topic in the corporate governance community is board composition and how to build better boards. This focus includes broadening board composition with diversity regarding gender, ethnic, and racial backgrounds. Specific knowledge skills and abilities also enhance a board's ability to oversee the management of board composition.

This guide provides key insights into how boards focus on gender diversity and increasing the percentage of independent directors who bring professional, operational, and industry-specific experience that would be beneficial to a board as it undertakes its fiduciary duties.



Building a Diverse Board

Diversity is crucial to creating fully functioning boards. That includes diversity of expertise, thought, background, ethnicity, gender, and geography. Assembling a team of people with different strengths to provide the solutions is the ideal approach with respect to strategy, succession planning, risk management, financial, legal and regulatory oversight, competitive benchmarking and international expansion and during a crisis. Boards can increase diversity by:

Succession Planning

- Boards should expand their scope beyond C-Suite executives as potential board members.
- Consider candidates with rich leadership backgrounds, such as former leaders of operating divisions and corporate functions; college, university, and other not-for-profit corporation leaders; political and other government leaders; and military officers.

Diversity of Expertise

- Chief Financial Officers, General Counsel, Chief Marketing Officers, Chief Information Officers, and Chief Human Resource Officers can help a board navigate its way through issues.
- Boards should also recruit quality members from well-run private companies to help with diversity initiatives.

Appointing Diverse Directors

- Consider candidates who represent diverse gender, ethnic, racial, geographic, skill set, and industry background dynamics.
- Gender, ethnic, and racial diversity serves to bring different perspectives to board deliberations.
- Research shows that corporate boards function better and corporations perform better when board compositions include both men and women, in particular after a board takes action to increase the percentage of directors who are women.



Independent Directorships

Unbiased Advice

- Because independent directors do not have any employment or other significant ties to the company, they bring objective, unbiased advice and different perspectives than those of inside directors.
- Independent directors bring new skills, resources, and business contacts to the board.
- Key skills, experience and attributes of independent directors include strategy, financial, legal, industry, operational, technology, risk management, governmental and regulatory, and marketing expertise.

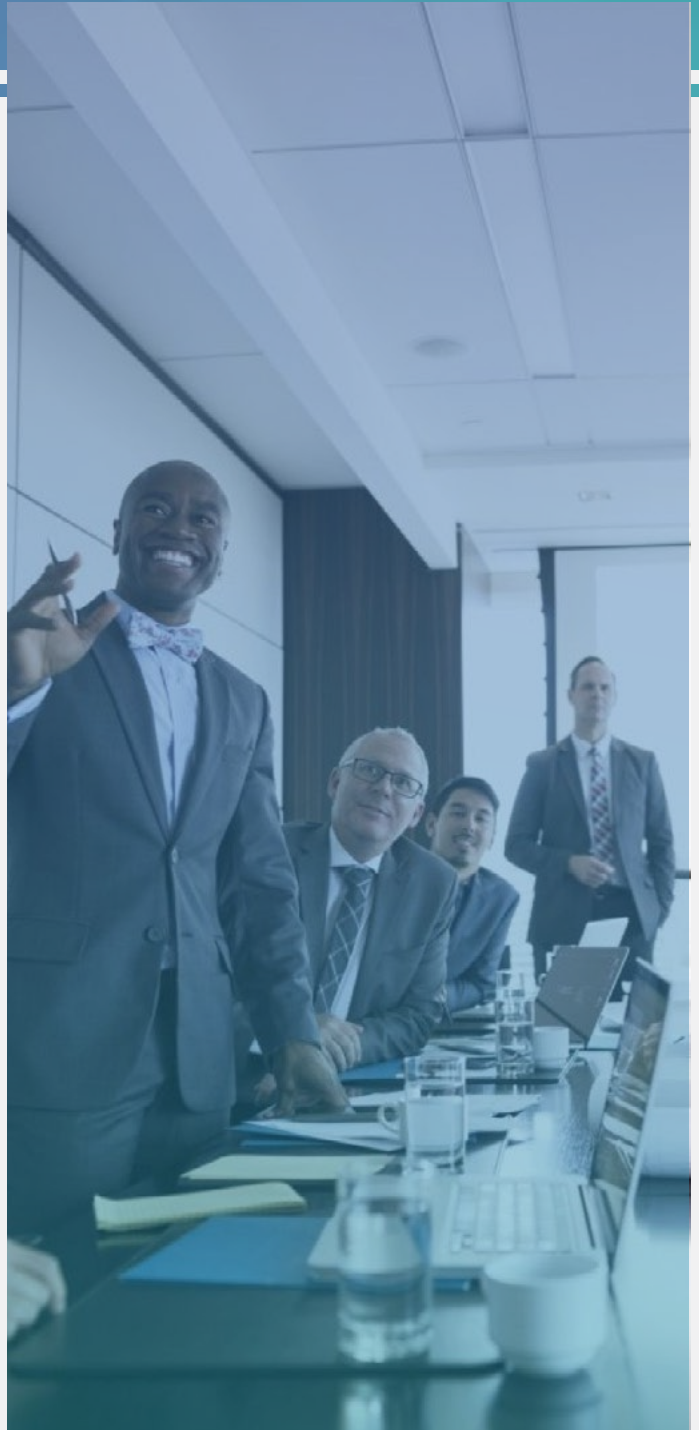
The Value of Independent Directors

- Independent directors can feel free to raise sensitive issues without fear of repercussion.
- They bring different experiences and perspectives to the board.
- Independent directors who are or have been directors of other corporations bring expertise and best practices to an organization's board.

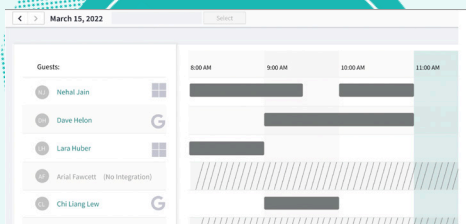
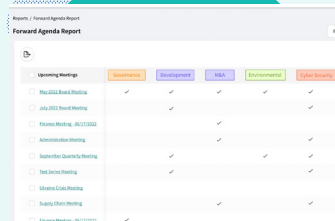
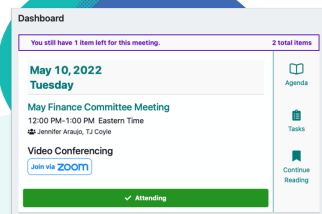
Why Diversify?

The objective for increasing a board's diversity profile is for the board to have the benefit of different opinions and perspectives. This results in a high quality of board discussion and debate to enhance the quality of a board's decision making.

Diversity on boards results in robust discussion and critiques of alternative plans considered by the board. It promotes high-level debate fueled by a range of views espoused by different directors and serves to facilitate constructive strategic planning. Diversity seeks to challenge the historic method of decision making and pressure testing proposed board actions and mitigates board “group-think.”



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