

# NCs: Tips for Traversing Board Diversity

By

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**For nominating committees (NCs) that are genuinely committed to board diversity, here are seven tips on how they can achieve it in the most efficient and effective way.**



## 1. Have a diverse NC

First, the NC must lead the way in its own composition. Research shows that a more diverse NC is likely to have a positive impact on the overall level of board diversity.

Ensure that directors on the NC are of different gender, age, ethnicity and culture, knowledge and experience, skilled competency, geography, tenure, as well as industry background.



## 2. Prepare the board for diversity

NCs should prepare the board, especially the chair, for board diversity.

All directors should be educated on how they and the board can be more effective in a diverse boardroom setting. This includes training on the importance and impact of diversity and issues such as personal unconscious biases. While most directors might be more cognisant of more well-known biases (such as gender and ethnicity), some may be unaware of their familiarity bias (the phenomenon where one unconsciously prefers familiar or similar candidates instead of diversifying).

Other forms of preparation may include increasing the time spent on board issues to allow for a more comprehensive discussion from wider perspectives.



## 3. Establish a board diversity policy

A board diversity policy should be enshrined in the terms of reference of the NC and made publicly available on the company's website. This will institutionalise the board's commitment to diversity and signal to investors that the company takes board diversity seriously. At the same time, the board diversity policy creates reputational value.



#### 4. Develop a profile of the board and identify gaps

The company should develop a profile of the collective and diverse skills and expertise required by the board (and management) that serves the company's best interests. Such a profile can then be used to map against current board and management members to identify gaps.

Companies tend to focus on skill diversity and neglect other dimensions of diversity. A board profile prevents this "narrowing" of diversity. A board profile may include listing the type of experience needed from directors (digital experience, specialised industry knowledge, etc.), the desired skillsets (communication, legal know-how, etc.) and attributes (regional experience, cultural background, gender diversity, etc.). This profile may even form part of the board's diversity policy.



#### 5. Develop measurable objectives and evaluate accordingly

What gets measured and assessed gets done. NCs should set objectives and measurable goals of board diversity, and formally evaluate the company's performance against these objectives. The results should be publicly disclosed.

Given increasing stakeholder interest in the diversity of boards, companies should be open about the progress that they are making towards board diversity.



#### 6. Go beyond personal networks

Having directorship positions filled based on personal contacts is not always in the best interests of the company and its shareholders. To ensure quality directors, companies should adopt a structured process that casts a wider net when it comes to sourcing for directors. Such a process should include the criteria for assessing candidates and sources for outreach.

Search firms and board match services from organisations like SID and the Centre for Non-Profit Leadership can assist companies with this process by identifying, screening and assessing high-quality candidates from a broader pool. At present, less than 10 per cent of local companies use external support for board searches. External professionals can also be used to help objectively evaluate the board, including its commitment and implementation of board diversity.



#### 7. Disclose directors' contribution to the company

The board should assess and disclose how its particular mix of skills, experiences, and perspectives of directors contribute to the company's development.

When new directors join the company, it should go beyond the obligatory basic director's bio and elaborate more on how that particular director possesses certain attributes and knowledge that would strengthen the board and the company. Having such disclosures in place forces the board to take its board selection process seriously and demonstrates the company's accountability to its stakeholders. ■