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From the NFL to the Boardroom

The New Orleans Saints came dangerously close to flouting the Rooney Rule in the aftermath of the National Football League's recent suspension of coach Sean Peyton. The rule, named for Pittsburgh Steelers owner Dan Rooney, requires teams to include minority candidates in the candidate pool for head coaching and senior football operations positions. But Herm Edwards, an ESPN football analyst and former NFL head coach, had to cry foul as soon as the Saints' knee-jerk reaction to the suspension was to pursue a non-minority (legendary coach Bill Parcells) as interim head coach without the required diverse interview process.

It may be time for a Rooney Rule to jump-start corporate boardrooms out of their inertia on gender diversity. The "same old, same old" that I hear from highly qualified women every day is that they are routinely overlooked for board seats for which they would be well-suited. And women already on boards tell me that resistance to diversity often remains entrenched. A female director of a leading financial services company says, "There's always an excuse. The female candidate hasn't been a CEO or hasn't followed a conventional, linear career track."

The numbers bear out the anecdotes. According to Catalyst, a non-profit organization devoted to gender diversity in business, only 16.1% of board seats at Fortune 500 companies were held by women in 2011. In both 2010 and 2011, about one-tenth of companies had no women directors at all. And for the past seven years the percentage of women directors has hovered at a little under 15%.

These statistics are doubly discouraging given the general consensus today around the business case for diversity of all kinds – global and technical aptitude, as well as race and gender. From tapping into new markets to making better decisions to fostering innovation, the diverse perspective of a diverse team is widely seen to contribute to superior business performance. For boards, it has increasingly become a risk oversight issue to ensure this diversity of competence/experience, but many of the skill sets currently required of directors (such as digital) are rarely part of the traditionally targeted (and primarily male) CEO background. Nevertheless, the needle stays stuck. A boardroom Rooney Rule could help move that needle with a simple, self-imposed good governance requirement that Nominating Committees interview a diverse slate for all independent director openings.

And there are other immediate motives to look beyond the CEO profile when filling board seats. The reality is that, for a variety of reasons, that candidate pool has been shrinking significantly anyway. Most sitting CEOs already hold the one outside board seat that most boards limit them to - and some boards do not allow any outside seats. The SEC and ISS closely monitor the total number of seats all directors hold, and even most retired CEOs now limit their seats to 3, rather than 4 or more as in the past. Addressing the issue of gender balance would be one handy tool to grow the talent gene pool.

Note that this recommendation is emphatically neither a hiring quota nor a regulatory proposal. A board would simply elect to adhere to an internal best practices requirement that some women and other diverse candidates be included in the full-dress vetting and interviewing process. Despite the entirely voluntary nature of this process, the headcount of diverse board members will surely go up. Why? Because most of the people who have made it to corporate boards are smart and perceptive. Once top-flight, highly qualified diversity candidates have at least been "invited to the dance" and the sitting directors have seen more than just resumes, the boards are likely to make what they believe is the best business decision for the organization.

It worked in the NFL. In 2002, the year before the Rooney Rule was implemented, three head coaches were minorities. Going into last season, 11 minorities were interim or full-time head coaches and five minorities were general managers. We can level the playing field in the boardroom as well.

The process is not flawless. The objection has been made that teams can evade it simply by conducting sham interviews with minority candidates before hiring someone they had in mind from the beginning. And, under the Rooney Rule, the Saints were within their rights when they ducked the issue entirely by staying in-house and choosing assistant coach Joe Vitt. But despite all the potential maneuvers, inevitably the tide will turn with the Rooney Rule, in large part due to the sea change of consciousness that it represents.

And the profits would be realized in all quarters. Diversity candidates benefit no matter which candidate is ultimately chosen, because just going through interview process helps them up their game for the next opportunity. Not to mention that the directors conducting the interviews sometimes sit on more than one board, giving the diversity candidates invaluable exposure. Majority candidates would get a wake-up call that the old boys' network no longer guarantees board appointments. Boards would find themselves with fewer cases of buyer's remorse brought on by neglecting to engage in a thorough and competitive process.

Most importantly, by casting a wider net, boards could greatly boost their odds of finding not just someone who is good but someone who is truly extraordinary. The last six Super Bowls have featured at least one team with a minority head coach or general manager. That's the real intent of a Rooney Rule, whether for the locker room or the board room – not simply to increase the diversity numbers for diversity's sake but to help find genuine leaders to take the organization to the highest level.

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