

## Bringing Action to Numbers: Turning Diverse Boards Into Inclusive Ones

— February 2023

*by Pam Warren and Jennifer Monroe*

“How will I lead differently as a result of the changes on my board?” This is the question many Chairs are now facing. Since the turbulent summer of 2020, significant strides have been made across the world to diversify boards. The next level of the work is to move beyond counting numbers to actually reaping the business advantages by applying the real gift of balanced representation—the kaleidoscope of insights and perspectives that come from very different lived experiences. And it is chairs who hold the responsibility for uncovering and engaging this latent potential of the board collective. “I have an expanded responsibility,” one explained. “It causes me to be more proactive” and to “poke and prod the organization to do things it otherwise would not.”

### Initiating Inclusivity—Start with “Why?”

The reality is that until boards better value and demonstrate the breadth of their representation in their deliberations and in their output, they are likely to underperform. New research featured in the [Harvard Business Review](#) analyzed director diversity and financial performance for the entire FTSE 350. And the clear conclusion is that diversity, without a doubt, can greatly benefit boards, but *only* when directors’ input is “heard, valued, and truly incorporated.” Inclusion, the research shows, has two main benefits. First, when diverse representatives are fully integrated, boards develop a more collaborative decision-making process. Second, that more comprehensive process, in turn, drives better firm performance and shareholder relations.

The core reasoning behind inclusivity recognizes that individually we are imperfect people, but that together we have the ability to learn, check our biases, and enhance our outlook to arrive at fuller, more fitting responses to today’s many complex scenarios. This brings to mind the famous quote by Helen Keller: “Alone we can do little; together we can do so much.” Similarly, when really applied, broader board representation allows us to test our blind spots by having inquisitive conversations while opening our minds and perspectives to hear and incorporate the voices of others. If we don’t do this, we are in danger of missing promising new possibilities and repeatedly resorting to limited—or possibly faulty—reflexive thinking.

A successful board meeting can be likened to a great gathering. Close your eyes and think back to the most inspiring dinner parties you have attended. These are inevitably the ones where careful thought and consideration go into the planning: who attends and how they participate. They are marked by interesting people and stimulating discussions and interactions, often on topics that are complicated, possibly controversial, and where a diversity of opinion or dissent is encouraged. At these gatherings, people learn from one another and feel energized and even stretched to think differently or more broadly. A sense of invitation and equality pervades the setting—establishing the freedom to join the conversation and to contribute without fear. There is a committed focus on debating the topic at hand, not the person. This too is how a great board should function: with the Chair as the facilitating host, inviting

and eliciting a breadth of contributions and exchanges, managing an inquisitive inquiry and a balance of voices, without any one emboldened “guest” limiting the contributions of others.

Importantly, when boards become more inclusive, they affect the culture of the entire enterprise. Their presence and contributions can serve as role modeling for leaders and be empowering for employees seeking more relatability and a greater sense of belonging. We have frequently seen board members from underrepresented groups make a concerted effort to connect with employees, to make the board’s work more approachable; the impact, we are told, is quite powerful.

Indisputably, the generative effect is that more inclusive boards create more psychological safety, which leads to better output at every level of an organization. As Amy Edmondson, Harvard professor and author of *The Fearless Organization*, has written and argued extensively, “A shared belief that people will not be rejected or embarrassed for speaking up with their ideas, questions, or concerns may hold the key to unlocking the benefits of diversity.”

## Setting Intention Into Action—Finding the “How?”

Bringing more inclusivity into the boardroom can be done through both soft and hard measures.

First, careful consideration needs to be placed around the actual mechanics of meetings. Just like a great dinner party, the venue, who sits where, and what they are given as information in advance are all critical details that set the stage for success. And when directors, like dinner guests, see the attention and care given to these details, they arrive already feeling included and in-the-know, possibly with great anticipation to be in that space with new and old colleagues they are soon to be working with. Setting the tone with compassion and respect begets the same in the ensuing results.

The Chair’s leadership is also crucial in creating a culture of acceptance and inclusion. Chairs must be good listeners, open and vulnerable in style. They must show

that they truly believe that more complex, discursive exchanges are necessary. This begins with their own example as a humble and curious leader, well aware that they do not have the answers and are willing to embark on a process of widened discussion and discovery. This means actively involving all directors, but with an emphasis on inviting new voices in the room to feel engaged and comfortable in sharing their opinion. One Chair we spoke with makes a concerted effort to connect with certain “quieter voices” in advance of a meeting, to review what the critical topics are, and to solicit their thinking, preparing them to be ready to share their perspective.

Many Chairs we have worked with have expressed how diversifying their boards has really opened their eyes to their own closed-mindedness. One Chair humbly admitted, “The clear benefit of having diversified our board is that I think, pause, and reflect a little bit more than I used to. I am more aware. I believe I have developed into a slightly better version of myself.” Newcomers to boards easily shed light on issues that had previously not been considered. Another Chair shared that one of his directors, who is First Nations, “challenged me and all of us to think harder. Her contributions made me curious... I came to understand that there is a better model for partnership with First Nations, and this has led us to think outside of the box.”

Creating more inclusive boards can be accelerated by the addition of some harder measures as well, like adding DEI intentions to the bylaws. The simple act of inserting provisions for greater representation and participation will not only guide members as to the “how,” it will also encourage reflection and accountability to meet those measures and set principles into action. The most promising commitments to build into the bylaws should be focused on ensuring healthy rotation of leadership roles; allowing directors greater access to committee experiences; and eventually broadening committee leadership experiences to include underrepresented groups. Too often, boards do not rotate committee leadership roles frequently enough, and the impact is that these new voices aren’t amplified. Broader representation in board leadership roles is a surefire way to increase inclusivity across boards. Changing bylaws to incorporate these goals will definitely help set the

expectation and seed the understanding of the benefit of regular leadership rotation.

Finally, to gauge progress and keep boards advancing, regular evaluations need to include questions measuring the success of building inclusivity. This will ensure that the board is on the right track or able to make needed corrections if it is not. Having board members completely aware of these expectations and holding one another accountable will bring collaboration and results.

---

The boards of the future will be the decisive forces in determining the impact that corporations will have on the world. As one Chair stated, “Part of being a good corporate citizen is doing what one can to move the ball forward. The contributions of the directors from underrepresented groups in my boardroom have caused me to think about using the position of the organization to make our communities a better place.”

Public opinion and shareholder voices matter more than ever today. Boards will be able to bring both financial success and public accolades by becoming more proactively inclusive and acting upon the collective experiences and knowledge of more diverse membership and leadership.

The work of making boards more inclusive is not simple nor easy, but it is extremely important as we set out to make sense of a confounding world where nothing is predictable and old solutions are worn to the bone. Corporations must innovate to navigate the increasing complexity of the world around us. To do this, they must prioritize curious cultures and leaders. Boards sit at the top—their obligation is to not only manage risk but also to inspire this capability.

Pamela Warren, based in Toronto, has deep expertise in leadership best practices, CEO succession, and board recruitment and effectiveness. Pamela also serves as the Co-Leader of the Firm's Global Diversity, Equity and Inclusion Council.

Jennifer Monroe is a core member of Egon Zehnder's Global Board Consulting Practice. As part of the firm's expert team, she has worked on a multitude of governance consulting projects, including Board Effectiveness Reviews, board revitalization, director placement and long term succession planning. She is one of our firm's experts on both gender and under-represented director placements.

To learn more about how we support Board Chairs: <https://www.egonzehnder.com/functions/board-directors-chairs>.