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About the Toolkit

This Board Diversity Toolkit is a guide and resource for board chairs, nomination committee chairs, company/board secretaries, and CEOs looking to make an effective and lasting transition towards a diverse board culture that supports sustained improvement in the board’s effectiveness and performance. It is a practical instructional tool that combines years of experience in both board and diversity consulting to support an inclusive future anchored in best practice.

Filled with useful, practical information on how to advance board diversity, this Toolkit aims to contribute to better working environments and, ultimately, to better businesses. It can be used by a wide variety of companies and organizations, at any stage of growth, to determine a diversity baseline, identify gaps, and chart a path towards greater diversity.

Although board diversity is increasingly recognised as a necessary part of an effective board, it can be challenging to know how to transition to a genuinely diverse board.

This toolkit aims to demystify the road to achieving diversity by outlining concrete ways that boards can:

- Align the organization and board to a new mission that embraces diversity
- Start the conversation in a constructive way to avoid threatening existing board members
- Support long-serving board members to understand the business benefits of improving diversity
- Gain support from shareholders and investors around the value of board diversity
- Nurture a culture that recognizes diversity as critical for growth and performance
- Help a board that finds change uncomfortable to start a conversation on board diversity

Chapter One of this Toolkit outlines the business case for diversity while Chapter Two presents key considerations for driving inclusion, covering everything from training and bias to data-driven planning. Finally, Chapter Three presents a framework for how boards can begin implementing a plan to accelerate their board diversity goals.

The Board Diversity Toolkit is produced by the Board Diversity Charter, a joint initiative of TheBoardroom Africa and Alitheia Capital, in partnership with Board Excellence. The Charter is a call for leading corporations and small and medium enterprises to demonstrate leadership in gender diversity.
The guiding values that underpin this Toolkit are diversity, equity, and inclusion.

Diversity refers to the presence of people who, as a group, have a wide range of characteristics, seen and unseen, which they were born with or have acquired. These characteristics may include gender identity, age, race or ethnicity, national origin, sector background, thinking style and more.

Equity ensures that processes and programs are impartial, fair and provide equal possible outcomes for every individual. In order to ensure equal possible outcomes for all individuals across the organization, equity requires that employers recognize barriers and advantages. This is the crucial difference between “equity” and “equality.”

Inclusion refers to making all members of an organization feel welcome and giving them equal opportunity to connect, belong, and grow—to contribute to the organization, advance their skill sets and careers, and feel comfortable and confident being their authentic selves.
CHAPTER ONE

THE BUSINESS CASE FOR DIVERSITY

Understanding the Link Between Board Diversity, Board Effectiveness and Performance

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Why Diverse Board Teams Make Better Business Decisions

The fundamental responsibilities of a board of directors are to direct and control the organization, oversee management and provide strategic guidance. While the calibre of board directors has a critical bearing on this, board teams have increasingly recognised the value that genuine diversity and a range of thinking styles bring to the board decision-making process. As significant change and volatility have become the norm for every sector, it has never been more critical for a board to have a vibrant mix of members across gender, age, thinking style, sector background, ethnic background, professional background and customer demographics to help the board optimise its decision-making.

A Bain & Company survey of almost 800 global companies shows that high-quality decision making and strong performance go hand-in-hand. The study found a 95% correlation between companies that excel at making and executing critical decisions and top-tier financial results.
Diverse perspectives open the aperture of opportunities and make it easier to spot challenges and opportunities as they arise—especially ones that may damage the brand or obstruct growth—by merely including people who think differently. Collective intelligence stems from the following key dimensions:

- **Diverse teams focus more on facts and process them more carefully.** Diverse groups are more likely to focus on facts over assumed knowledge. They are also more likely to apply a higher degree of scrutiny to data, given the various critical perspectives they bring to the table.

- **Diverse teams drive innovation.** The more diverse the teams are across dimensions from gender to culture and age, the more likely they are to spark serendipitous opportunities for collaboration.

There is never only one way to solve a problem. The unique blend of background, experience, and ways of thinking that each person brings to the table shapes their approach to business. Diverse teams are better problem solvers. We can foster better decision-making by ensuring that boards have a wide variety of viewpoints well represented. Diversity stretches teams in ways that can be uncomfortable but effective.

**Diversity in Practice**
In the aftermath of the financial crisis, a diverse workforce has become even more of a priority for financial services companies. According to Eileen Taylor, managing director and global head of diversity at Deutsche Bank, “The crisis made our diversity efforts more intense. We are a survivor because of our relative diversity.”

Deutsche Bank invested in developing its pipeline of senior female leaders after internal research revealed that female managing directors who had left the firm did so because they were offered better positions elsewhere. In response, Deutsche created a sponsorship program aimed at assigning women to critical posts. The company paired female executives with executive committee members who served as mentors. As a result of this program, one third of the participants were promoted and another third were deemed ready for promotion.

(Source: Forbes INSIGHTS)
Understanding the Problem of Groupthink—and How Diversity can Mitigate it

A perennial challenge facing all boards is the problem of groupthink – when the board settles into a comfortable groove, inhibiting disruptive, innovative ideas and discussion. In such homogeneous environments, genuine challenges to ideas and people fade or are discouraged and the norm becomes "protecting the status quo." At the board level, groupthink represents a psychological phenomenon in which the overriding desire for harmony or conformity within the group results in dysfunctional or sub-optimal decision-making outcomes. In practice, this dynamic often results

Groupthink (n.)
A phenomenon that occurs when a group of people make irrational or dysfunctional decisions due to a desire to conform
in attempts by board members to minimise conflict, reach consensus decisions without critical
evaluation of alternative viewpoints by actively suppressing dissenters, and isolate themselves
from outside influences. Groupthink within boards has played a major role in many corporate
collapses and scandals across the world. This phenomenon can generate problems including:

**Excessive risk-taking and blindness to threats** - This is the most serious manifestation of a
groupthink problem and was seen extensively during the global financial crisis. Often in this
scenario, the chairman and non-executive board members lose sight of their responsibility to
genuinely challenge a high-risk aggressive strategy proposed by a CEO and executive team.

A board that is not genuinely challenging its strategy, its understanding of the dynamics of the
marketplace, its competitive position, serious potential risks on the horizon, can be vulnerable to
a serious disruption or crisis.

**Zero risk-taking** – It may seem paradoxical but many organizations fail to deliver on their potential
because the board gets stuck in its comfort zone. In this environment, the board goes through the
motions and either misses or is unable to fully engage in exploring significant opportunities to
increase shareholder value. This is not to be confused with a situation whereby shareholders have
mandated a conservative approach to new market opportunities.

**Lack of challenge and debate** - When each board member thinks similarly, the level of genuine,
robust challenge or critique may be limited. This can negatively impact the board’s ability to excel
and perform at a high-level.
Progressive boards often find that the key to significantly reducing the potential for a groupthink problem is to ensure a genuine diversity of board members with a vibrant range of thinking styles and independent approaches to problem-solving. Fostering this environment is more likely to generate a “virtuous cycle of challenge, debate, respect and trust” wherein creative thinking, out-of-the-box perspectives and constructive dissent are encouraged. As a result, board discussions may yield more fruitful discussions, explore the full range of options and perspectives, and minimise the risk of groupthink.

How Diversity Helps Boards and Teams Navigate Crisis Management

Through the financial crisis of 2010 and amid the unfolding COVID-19 crisis, board diversity emerged as a key attribute of boards that excel in crisis management. The core drivers of this include:

- **Perspectives** - The ability of a diverse board team to take a step back and take a brutally honest, thoughtful view on the nature of the crisis, its impact on customers, employees, and other stakeholders
- **Independence** - Diverse directors coupled with the “independence of mind” of the non-executive directors avoid serious groupthink tendencies at the board level
- **Critical thinking** - An increased ability to leverage a wide range of thinking styles, experiences, professional and sector expertise to develop a range of approaches to the crisis
- **Innovation** - A wider range of methodologies and ways of working help develop innovative approaches and solutions to complex problems
- **Strategic agility** - Diverse boards demonstrate greater agility in making major strategy changes and business model shifts

Performing Boards, Performing Companies

The factors that impact a company’s performance are complex and multi-faceted. They range from the quality of goods or services, business and pricing models, financial strength, market and competitive dynamics to the quality of execution by the CEO, executive team and employees in delivering to and supporting their customers day-to-day. While there is a significant amount of global research over the last two decades, which demonstrates a strong correlation between board performance and company performance, many company boards are still unaware of the strong link between their performance as a board and the overall company performance.
Figure 2: The Compelling Business Case for Board Diversity

WHY BOARD DIVERSITY IS GOOD FOR YOUR COMPANY

- Improved board decision-making capability
- Increased ability to cope in a crisis
- Significantly reduced potential for groupthink
- Stronger commitment to long-term sustainable success & ESG

WHAT DIVERSITY ENABLES IN THE BOARD

- Diversity of thinking styles and perspectives around the table
- Strong levels of “Independence of Mind”
- Strengthening of the board’s commitment to act responsibly
- Increased range of creative and strategic thinking

DIVERSITY COMPONENTS

- Gender
- Thinking Style
- Age
- Sector Background
- Professional Background
- Ethnicity
- Engagement Style
- Alignment with Customer Demographics
- Geography
- Skills and expertise

Notes from the Field: How Diversity Yields Significant Dividends

- McKinsey & Company’s global study of more than 1,000 companies in 15 countries found that organizations in the top quartile of gender diversity were more likely to outperform on profitability – 25% more likely for gender-diverse executive teams and 28% more likely for gender-diverse boards.

- A study across Austria, Germany, and Switzerland by Boston Consulting Group and the Technical University of Munich found higher levels of diversity in management positions contributes to increased revenue from new products and services. Companies that establish favorable work conditions for employees have higher EBIT margins (17%) than those who do not (13%)

- A Wall Street Journal ranking of companies in the S&P 500 based on ten metrics related to diversity and inclusion performance finds that companies with women in leadership and a focus on diversity and inclusion generated a higher operating profit margin (12%) compared to the lowest-ranking companies (8%). When the researchers examined average compounded
annual total stock returns over both five years and ten years, they again found that the highest-ranking companies outperformed the lowest-ranking companies.

- MSCI finds that companies with gender-diverse boards are more likely to have superior talent management practices. In particular, companies with three or more women on their boards and leading talent management practices produced higher ROE (Return on Equity) and experienced increased employee productivity, as measured in compound-annualized growth rates of revenue per employee.

The literature on the link between diversity and financial performance is well-founded. It is rooted in a company’s ability to attract top talent, maintain employee satisfaction, and return customers—all of which lead to increased financial returns. References are included in the appendix.

The Role of the Board’s Instinct and Intuition in Managing Risks

Outstanding board teams possess a highly developed instinct and intuition that enables them to quickly identify concerning trends in areas such as organizational performance, problems developing in customer acquisition and retention, and excessive build-up of serious risks. At the core of a board’s ability to develop this skill is a genuinely diverse board team with a wide range of thinking styles, strong levels of emotional intelligence, curiosity, a wide mix of sector/professional backgrounds, and a board culture that encourages a healthy vibrant mix of perspectives.
At a time where boards have never faced greater levels of organizational risk, a diverse board team’s strong instinct and intuition significantly improves its risk management capability—particularly in its ability to identify a wider range of risk types but also to identify and face up to the serious risks that can be missed or downplayed due to groupthink.

A key component of any enterprise risk management strategy is diversification. This principle not only applies to corporate strategy but also to team composition. To mitigate risk, companies need systems and processes prepared to address a wide range of possible business scenarios.

In the face of unknowns, diverse boards can help management identify potential blind spots in a company’s strategic plan or a concerning increase in the probability of a key risk materialising.

Practical steps to enable the board leverage improved board diversity and enhance its risk management capability consist of:

- Evolving the composition of the Audit/Risk Committee to ensure a strong mix of financial, internal controls, and risk skills as well as committee members with diverse backgrounds.
- The board chair making additional room in the agenda for a broader risk management focus that takes advantage of the board’s greater diversity.
- The board regularly looking beyond “traditional risks” to take into account a changing environment. Technological and business model changes require boards to consider emerging risks that may lack historical precedent.
ESG Focus for Long-term Gains

In recent years, boards have significantly increased their focus on Environmental, Social and Governance (ESG). While this paradigm shift was initially driven by large institutional investors in publicly listed companies due to demands from clients and public scrutiny, ESG has now emerged as a core focus area for all boards. Shareholders, employees, customers, partners and broader stakeholders increasingly expect boards to embrace ESG and demonstrate a commitment to long-term organizational sustainability. Today, ESG is critical to attract investment, talent, and plays a major role in procurement processes in the public and private sectors.

A fundamental proof point for any board in terms of its commitment to ESG is its board diversity, which lies at the heart of an organization’s commitment to the “S” and “G” in ESG. Improving board diversity as part of concretely demonstrating commitment to ESG has been a major beneficial step for many boards internationally across all sectors and scale of organizations.

Many boards have found that in strengthening their board diversity, key ESG skillsets are added to the board.

- According to researchers at the University of California, Berkeley, companies with one or more women on their boards are significantly more likely to have improved sustainability practices. Moreover, these female leaders are more likely to prioritize environmental issues.
- These findings are not only limited to the private sector: a recent study found that women in the United States House of Representatives consistently outvoted their male colleagues on environmental protection from 2006 until 2015.
- A recent PwC report, Annual Corporate Directors Survey, highlighted that female board directors see a greater connection between company strategy and ESG issues supporting investor demands for a greater focus on ESG on the board’s agenda.

For Investment Funds

On investor-alignment and harnessing diversity risks and opportunities

Asset owners, development finance institutions as well as private fund and portfolio managers are strategically placed to use investment capital as a tool to drive diversity within portfolio and pipeline companies. Not unlike the evolution and acceptance of ESG, where diversity is prioritised within the regulator and investor community, there is the opportunity to drive top down and ecosystem-wide changes.

With the investor community increasingly aware to the value of diversity, there are approaches for integrating criteria to mitigate investment risks (reputational, operational, and commercial) and harness opportunities (such as productivity, customer acquisition, and talent retention) in order to balance the financial, sustainability and diversity goals of a company.
This multiplier effect creates a virtuous cycle in which the board team’s stronger ESG focus accelerates ESG adoption across the organization which translates over time to concrete business benefits, improved support from investors and shareholders, and positive recognition in the eyes of customers and partners of the organization’s genuine commitment to ESG and sustainability.

Figure 3: Morgan Stanley Gender Diversity Investment Framework

**MINIMIZE GENDER DIVERSITY RISKS**

**GENDER DIVERSITY AS A SCREEN**
- Use restriction screens to avoid exposure to companies with poor gender diversity records such as weak policies, poor supply chain safety records, or involvement in the pornography industry.
- Gender diversity primarily a risk; not proactively transformative.

**GENDER DIVERSITY LEADERS**
- Seek companies with leading gender diversity records including strong policies and programs, diverse board and management, and work/life balance programs.
- Gender diversity is both a risk and an opportunity to identify long-term out performance.

**GENDER LENS INVESTING**
- Proactive approach, intentionally focused on companies or funds seeking to drive greater gender equality through channels such as:
  - Workspace equity
  - Access to capital
  - Products and services that benefit women and girls.

**Shareholder Engagement:** Drive improvement in gender diversity through active dialogue with invested companies

**Manager and Strategy Selection:** Allocate capital to investment strategies with diverse leadership/ownership

Institutional investors can make a meaningful difference by holding fund managers, portfolio managers and investee companies accountable for prioritising diversity by:

- Communicating their position on diversity and inclusion on their websites and investment documents
- Setting transparent benchmarks for portfolio managers and investors to ensure there is a clear framework for the effective allocation of resources into companies
- Including diversity clauses in term sheets and investment agreements
- Requiring fund managers and investee companies to use the BDC Toolkit when hiring board members and senior management
- Requiring fund managers to track, monitor and report relevant diversity metrics at the fund level, as well as the investee company level, both pre- and post-investment, and on a periodic basis

The financial services industry, including investment management, can gain considerably from incorporating diversity of thought and talent to meet the evolving challenges and needs of the ecosystem.

Research indicates that gender balanced investment teams are correlated with higher returns. The investor community can lead by example in driving diversity and inclusion amongst fund managers as well as within portfolios.
CHAPTER TWO

BUILDING AN INCLUSIVE CULTURE

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How to Unlock the Benefits of Diversity

A board of directors with a diverse group of stakeholders across employees, customers and partners must cultivate an inclusive culture to unlock the full benefits of these perspectives. Research by Deloitte shows that an inclusive organization is two times as likely to exceed financial targets, three times as likely to be high-performing, six times more likely to be agile and innovative, and eight times more likely to achieve better business outcomes.

An organization’s culture is composed of the priorities, values and behaviours that are emphasized and guide how employees work together and collaborate with external parties. A positive culture recognizes the unique value that each employee brings to the table by cultivating respect, equity, and positive recognition of differences from gender to religious beliefs, race, ethnicity, age, education, language, geographic location, and many more dimensions. The board of directors has a fundamental role in setting the example and “tone from the top” in terms of the organization’s commitment to an inclusive culture and then monitoring the “tone from the middle and across the organization” to ensure that diversity and inclusivity are embraced day to day across the organization.
Figure 4: How to Create Inclusion

- Highlight the social and economic imperative of diversity in the workplace across all levels of leadership.
- Recognize bias by creating clear objectives for decision-making to mitigate unconscious and conscious bias.
- Identify underrepresented groups’ needs, and give them necessary support and resources.
- Identify any shortcomings around inclusion within your company by conducting a rigorous assessment of metrics around representation, retention, selection, promotion, and engagement while undertaking interviews and regular surveys/focus groups.
- Remember that daily interactions are the most telling sign of whether or not your company has an inclusive culture.

This guide has been created by the Board Diversity Charter and Board Excellence (Content adapted from Society of Human Resources)
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HOW TO USE THE TOOLKIT

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An inclusive board welcomes and celebrates the diverse experience and perspectives of board members and ensures that all are equally engaged and aligned with the company’s mission and the board’s work.

When operating under an inclusive culture and inclusive talent practices, Deloitte finds that organizations generate up to 30 percent higher revenue per employee, are more profitable than their competitors, and become eight times more likely to achieve positive business outcomes.

The foundation of an organization’s approach to board composition and diversity must be anchored in supporting the overall strategy and goals of the organization. One of the most significant changes taking place globally across boards is the greater partnership model between the CEO/Executive team and the non-executive directors with respect to strategy. While the CEO and executive team remain responsible for strategy development, they now engage non-executive board members earlier in the strategy development cycle. They increasingly seek earlier feedback and encourage non-executive board members to bring their own perspectives to the range of strategic options being considered by the CEO and executive team. CEOs and executive teams also recognise that as each sector landscape becomes more complex and volatile, it is increasingly difficult to develop an organization’s strategy. The COVID-19 crisis has reinforced these challenges.

The following roadmap contains key steps your company can take to implement a successful board diversity and inclusion strategy that will realize tangible business results.
Assess Board Priorities in Line with Business Needs

1. Identify board skills required to enable the board to excel in its oversight and support role

2. Layer skills gap analysis with a diversity lens

3. Leverage vacancies as an opportunity to address gaps

Develop a Succession Plan to Support Diverse Leaders

4. Build a diverse pipeline of rising leaders

Facilitate healthy debate by enabling a virtuous cycle of “challenge, debate, respect and trust

Mentor new directors to participate and contribute in board discussions fully

Ensure a smooth board onboarding process

Develop a Strong Onboarding Process to Fully Leverage the Benefits of Board Diversity

Leveraging the benefits of improving board diversity on board effectiveness

Evaluate and Drive Sustained Improvement in Board Effectiveness and Governance

1. Internal board evaluations

2. External independent board evaluations

3. Short feedback discussions at the end of each board meeting

4. Ongoing monitoring by the Governance Committee

Figure 6: Roadmap to Accelerate Board Diversity
Before You Get Started: Develop a Board Strategy Framework that Aligns with Business Goals and Needs

Step One: Assess Board Priorities in Line with Business Needs

Identify Board Skills Required to Enable the Board Excel in Its Oversight and Support Role

Consider the needs of the business today and the direction of the organization tomorrow. What is the planned direction for the next few years? When recruiting a new board director, you may wish to prioritise the new board director bringing particular skill sets and experience in a new market area, experience with product development, technology expertise or expertise in navigating the complex world of mergers and acquisitions.

It is also valuable to have the CEO and executive team provide their input on the skill sets, background and expertise of candidate new board directors who they feel would be very beneficial for the board.

Board directors have a broad set of responsibilities spanning oversight of the organization’s performance, executive team performance and financial health while also providing support to the CEO and executive team in key areas such as strategy. The evolving business landscape requires the board composition to be regularly assessed to ensure that the board members have the necessary attributes, experience, skill sets and diversity of thinking styles that can enable the
board members, individually and collectively, to excel in executing their responsibilities on behalf of their shareholders and stakeholders. For example, board composition is critical when companies undergo significant changes due to shifts in business model, technology or macroeconomic factors. Boards with long-serving board directors should also consider periodically refreshing their composition to improve the board diversity and avoid stagnancy.

A critical factor impacting board composition is ensuring an optimum balance between sector specialist board members and generalist board members. Useful or ideal skills and experiences for a director a decade ago may be less relevant today. Similarly, a prospective board member whose background is similar to that of an existing board member may culminate in a redundant perspective rather than additive or transformational. This reality is particularly true to sectors undergoing rapid shifts. In mapping out the skills required, it is important to consider skills gaps. To that end, it is important to note that not all board members must have working knowledge or deep understanding of the sector the company operates in for them to be value-additive and effective. While it is important to have strong sector knowledge represented in non-executive directors, a diverse range of expertise in key functional areas across different sectors adds a broader range perspective to board engagements. Many boards through the ongoing Covid-19 crisis have found it very beneficial to have expertise within the board of adjacent and distant sectors that enables fresh perspectives to common challenges.

Figure 7: Key Skill Sets and Experiences to Consider
Layer Skills Gap Analysis with a Diversity Lens

While identifying gaps in skill sets and areas of expertise that a new board director can fill, boards should also consider any existing gaps in diversity to ensure varied perspectives and experiences are well-represented.

Refrain from stopping at just one woman: a study by the Wellesley Centre for Women found a critical mass of women is truly required to yield the full benefits of diversity, having a third or more women is the critical mass from which a board can begin to leverage the diversity dividend.

Step Two: Develop a Succession Plan to Support Diverse Leaders

Progressive boards utilise succession planning processes to build diverse, inclusive boards. Many boards use a skills and diversity matrix to manage their board composition roadmap. This tool identifies gaps in competencies as well as diverse experiences and perspectives amongst current directors to identify opportunities to strengthen the board’s composition if a new director is added or an existing director steps down. The matrix should be continually updated to ensure that the desired skills, experience and diversity are present and align with the organizational strategy.

How to Build a Board Composition and Diversity Matrix

1. For each board director, identify their level of experience in the key skillsets and experiences outlined in Figure 7.

2. For each board director, add the following information to the matrix:

3. The Board Chair, CEO and Company Secretary work with the Nominations Committee (if one is present) to identify a plan to recruit new board directors based on

(a) Net new addition of board directors to address key gaps in the board skills and diversity
(b) Replacement of existing board directors who are stepping down

4. Commence the process a minimum of 3 months in advance of each new board member addition
to enable a high-quality recruitment process

For both boards of directors and advisory boards, a vacancy is an opportunity to bring in new knowledge, experience and perspectives. To be prepared to bring in those fresh perspectives, boards must build a diverse pipeline of rising leaders, both at the executive director level and non-executive director level. Keep an eye out for talent – even when they are not formally looking.

These relationships can be fostered through industry associations, professional organizations, and partnerships with communities and non-profits like TheBoardroomAfrica (www.theboardroomafrica.com). By building these relationships well ahead of a transition, the board will strengthen the pipeline of high-quality candidates. In the case of up-and-coming executive talent, the most progressive boards and CEOs provide guidance on how to develop skill sets critical for success at the executive director and board level. Because many female executives are first-time board members, this approach is particularly critical to fostering gender diversity.

Step Three: Develop a Strong Onboarding Process to Fully Leverage the Benefits of Board Diversity

It's not enough to bring diverse candidates through the door. To enable their success and enable the board benefit from increased diversity, it's vital to ensure a smooth onboarding process to help the new board member get off to a strong start. Adopting the following approach can help streamline the transition process:

1. Schedule a meeting with the Board Chair to help the new board member understand key priorities and board focus areas
2. Schedule a meeting with the CEO and Executive team to facilitate understanding of the organization's day-to-day operations
3. Provide a welcome pack containing recent board/committee packs, strategy, business plan and governance materials
4. Arrange structured visits to the organizational HQ and regional offices

Many board chairs find that appointing an existing board member as a mentor can help get new board members up to speed quickly and enable them to contribute effectively from the start of their tenure. Thoughtful approaches to committee assignments for new board members are one way to help ease the learning curve and help new directors lean into their positions while building their confidence in leveraging their skills in the boardroom. For example, an Audit and Risk committee might benefit from a new director with extensive legal, compliance, and cybersecurity expertise to strengthen the oversight of internal controls and risk management procedures.

Each new board member will impact on the existing board dynamics. Moments of transition represent an exciting opportunity to evolve and strengthen the board dynamics to improve the quality of the board’s discussions and decision-making processes. As board diversity improves,
this provides an exciting opportunity for the Board Chair to leverage the increase in the range of different perspectives and thinking styles to improve organizational outcomes.

To ensure that the board is operating in that context, consider these potential scenarios, adapted from Deloitte & Board Excellence:

• During discussions tense or sensitive topics in board meetings, do all board members contribute equally and feel welcome to do so? If not, how can the board operate differently to create an open and authentic environment for all of its members?
• Has the board nurtured a cycle of “challenge, debate, respect and trust” to facilitate healthy debate to address difficult topics?
• When considering a potential acquisition, does the board reflect on the target organization’s overall culture and approach to diversity and inclusion strategy vis-à-vis the organization’s existing culture and approach to diversity and inclusion? If the board is not as advanced in these areas, what key people or operational risks could the organization potentially take on, and how can they be mitigated?
• Where the board and executive team face key challenges in the strategy and business model areas or a serious operations crisis, are board members encouraged to bring alternative solutions to the table?

Step Four: Evaluate and Drive Sustained Improvement in Board Effectiveness and Governance

Regularly Review and Measure Board Effectiveness and Performance

The board of directors is responsible for ensuring strong leadership of an organization and acts on behalf of its shareholders, employees and stakeholders. A diverse, inclusive board not only sets the tone for management but also for shareholders, investors, customers, employees, and other stakeholders. To truly reflect and shape an organization’s inclusion strategy, therefore, the board must reflect the diversity of an organization’s customer base and strive to build an inclusive boardroom culture. Boards can monitor the impact of improved diversity on the overall board effectiveness and performance through the following mechanisms:

• Internal board evaluations
• External independent board evaluations
• Short feedback discussions at the end of each board meeting led by the Board Chair to build on positive dynamics and identify areas for improvement
• Ongoing monitoring by the Governance Committee working closely with the Board Chair

These mechanisms enable the board to measure and embed the benefits of improved board
diversity to achieve:

- Diversity of thinking styles and perspectives around the table
- Strong levels of “independence of mind”
- Strengthening of the board’s commitment to act responsibly
- Increased range of creative and strategic thinking capability

Boards can help management define a shared vision for inclusion and embed that vision into the business strategy by monitoring diversity and inclusion metrics. With data, the board can not only track organizational progress but also guide its efforts to embed inclusive thinking and behaviour across all dimensions, from strategy to talent and performance.

Conclusion

High-performing boards have a wide range of thinking styles, backgrounds and experiences which enhances the overall capability of the board, improves decision-making, avoids the potential for serious group-think problems, strengthens their ESG focus, and increases the ability of the board in terms of asymmetric, strategic and left-field thinking. This not only helps a board in times of crisis but also enhances the overall ability of the board, executive team and organization to radically innovate in the strategy and business model area in an era of increasing market volatility and change.

Shareholders and stakeholders have entrusted a significant responsibility to each individual board director and the board team to demonstrate outstanding leadership and nurture the organization’s long-term sustainable success. Board diversity plays a critical role in enabling boards of directors to excel for their shareholders and stakeholders. We hope that this toolkit provides key practical support to help your board’s journey and commitment to excel in effectiveness and performance.
REFERENCES


