



# XCEO Toner

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## Director Reflections: The Challenge of Board Diversity

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XCEO, Inc., a leading provider of board governance, leadership and board portal products and services, facilitated a platform for today's business leaders to share their views regarding the intrinsic value of diversity in the boardroom. These opinions on this critical issue were shared by some of the most influential and respected leaders in business today.

Selected XCEO director clients and associates were invited to disclose personal experiences and opinions regarding director diversity in today's boardrooms. Although each participant approached this complex subject with a different viewpoint, they universally agreed that boardroom diversity was essential to a well-functioning corporate environment. However, many participants cited the challenge of identifying how diversity has affected the organization and why exactly it is important. The notion that there is a one-size-fits-all solution was overwhelmingly rebuked, because the definition of diversity, is, and should, be different for each board.

The foundation of the discussion was an article written by XCEO's Founder, President and CEO, Dr. Curtis J. Crawford, currently a director at ON Semiconductor, The Chemours Company and Xylem, Inc. He published an article via XCEO's exclusive newsletter, XCEO INK, titled "Enlightened Corporate Governance®: Leveraging Diversity to Build a Highly-Effective Board and Improve Long-term Shareowner Value".

Dr. Crawford's article is a candid look at where diversity initiatives, given heightened focus and resources, have the potential for success. While in other cases, even with good intentions and meaningful effort, there has been a failure to produce the desired outcome. The article also touches on quotas and regulations, specifically identifying contrasting research regarding shareholder value in regard to diversity. These conclusions were drawn based on research from recently published studies from Spencer Stuart, The Peterson Institute for International Economics and EY, as well as from XCEO's own exclusive data.

There were several different reactions on what diversity in the boardroom really means. Many participants pointed out that because the definition of diversity is evolving, achieving diversity is a shifting objective that is at times unattainable. A few of the

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principal topics are summarized below:

*Regulation:* It was generally accepted that term limits are largely a surrogate, or artificial notion for the principled leadership that ensures the board is rightly composed. One participant offered that most forward-thinking directors do not subscribe to quotas, rather they recognize the importance of diversity and are working to significantly improve diversity without government regulation.

*The Value of Diversity:* Many participants emphasized that while research does not currently validate that having a diverse board creates long-term shareholder value, it is intuitively obvious that diversity improves Total Shareholder Return (TSR) over time. It was said by more than one participant that boards should not select diverse clients for the sake of diversity alone. Alternatively, it was said by other participants that diversity alone in fact does create substantial value for the organization, and therefore, diversity in its own right, is worthwhile.

*Moving Forward:* It was acknowledged that geographic and age diversity is sometimes viewed to be as critical as gender and race. This, it was said, may affect the aggressive addition of gender and racially diverse candidates. Most of the directors also agreed that to make a difference in regard to diversity, process is critical. Moreover, that finding diverse candidates requires improved, updated search practices, representing a sharp departure from traditional recruiting methods.

While the specific feedback provided by these leading directors is only available to XCEO clients, this real-world data is essential to XCEO's continuing practice of being on the cutting-edge of important boardroom issues. XCEO continues to encourage dialogue which fosters thoughtful action by those who live these critical challenges.

About XCEO Inc. (<http://www.xceo.net>)

XCEO Inc. partners with corporate and public sector boards and directors to fulfill all of their governance needs, including individual director development, board recruiting and on-boarding services, automated performance assessments and a secure board portal for increased efficiency, communication and collaboration. XCEO also partners with senior executives on personal leadership, entrepreneurial initiatives, professional advancement strategies and board positioning. Founded in 2003, XCEO serves clients ranging from Silicon Valley start-ups to Fortune 500 companies.

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