

XCEO Toner

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XCEO Recognizes Board Diversity as a Critical Factor for Board Success by Shad Mohammadi

According to an article titled "Top 10 Reasons Diversity Is Good for the Boardroom", which was recently published by Forbes, "divergent backgrounds means tackling the same idea with differing ways, counsel from a variety of authorities is sensible...a variety of backgrounds can make the company more adaptable to its ever changing environment." At XCEO, Inc. we too have found that board diversity is one of the factors leading to increased shareholder value. Generally speaking, a diverse board is composed of directors with a wide range of expertise, knowledge, and experiences related to the company's interests. Having partnered with many boards, we believe that the inclusion of directors with a diverse set of skills, expertise and backgrounds allows for richer board discussions, an increased ability to positively leverage the company's leadership and strategic advantages, and ultimately yields greater opportunities for success in the marketplace.

Because an effective board should have a deep understanding and appreciation for customer preferences, the competitive landscape, product domain knowledge and other market dynamics, diverse backgrounds are imperative in order to offer sound strategic oversight. Moreover, a company can best navigate sudden market changes, enable rapid, long-term sustainable customer growth and defend market share, because of the richness of diversity of skills, experience, and attributes that each director brings to the boardroom. Therefore, a diverse board is likely to be more representative of current global and regional markets.

However, it should be noted that diversity in the boardroom for the sake of diversity in-and-of itself is not a good policy. Rather, the diversity of the board should be relevant to the needs of the organization and augment skills that the board does not currently possess. Considering age diversity, for example, one should consider that the average age of a public company director is 68 (source: Harvard Law School Forum on Corporate Governance; Taking a Fresh Look at Board Composition). With this in mind, and acknowledging that age diversity is important, it would certainly be beneficial for the board to elect directors in their 40's, 50's and 60's. A younger director may have, for example, a deep knowledge and an expertise in digital, social media or with other innovative technologies. More seasoned directors, may not share those skills, but may offer leadership and governance expertise, a historical perspective and unique insight

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from past experiences that a younger director simply cannot have. In this example, the perspective of younger, qualified directors, coupled with the knowledge and background of a more experienced director will undoubtedly enhance the decision making and strategic processes in the boardroom.

Electing directors with a diverse set of relevant skills and attributes to the board will likely inspire thoughtful dialogue and open conversation that encourages healthy debate and new perspectives. This, I believe, ultimately filters down the organization enabling effective decisions and corporate policies. Having diverse directors allows for varied viewpoints, ideas and in our experience, fosters creativity and innovation that can distinguish enlightened boards from traditional ones.

One very important responsibility for every board is to cultivate a thorough board succession process. Over the years, our team has worked very closely with boards to identify, evaluate and on-board the best candidates. One reason XCEO has been a long trusted board partner is because we recognize that the addition of directors that have diverse skills, expertise and attributes, over time will help to improve the effectiveness of the board and ultimately will be a critical factor in how leadership and governance positively affects the entire organization.

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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