

Your Voice Viewpoint:

When Diversity Works
By Margaret Heffernan

The very first team I hired myself was striking. Everyone I recruited was female, aged between 25 and 35. Everyone had a outstanding degree from a great university and spoke several European languages. Perhaps what was more striking is that every team member had a birthday within the same week. I had done what many leaders do: I had hired people just like myself. I could argue that I'd hired the best and the brightest—every single person I hired was outstanding and more than pulled her weight. But what I hadn't done was construct a team with any diversity at all.

Diversity has been in fashion for a long time now. Although there are still a few *Fortune* 500 companies with all-white, male boards, they are few and far between. Public opinion has seen to that. Equal opportunity laws, along with prevailing social attitudes, have made most companies appreciate that employers have to practice what they preach.

Indeed, “diverse” boards have become so routine that we're in danger of forgetting why we favor diversity in the first place. Forgetting the benefit that it brings has led, instead, many executives and directors to think that we need a diverse range of people in the boardroom merely to satisfy annoying outside forces—women, blacks, Asians, the disabled are invited in because it's *de rigueur*; we look backward if we don't do it.

Boards need to be diverse because they need to reflect several constituencies: customers, employees, and shareholders. Understanding strategic challenges from these different vantage points is what business is all about. If, as in many of the companies I have advised, the CEO is a technologist, the company may focus on technological breakthroughs that are dazzling but satisfy no market need. The technausea we saw at the end of the '90s was an inevitable outcome of this kind of vision: tech companies, with

boards full of fellow technophiles, made decisions and investments that assumed an appetite for cool new products which the market did not share. This wasn't group think—it was the entirely predictable consequence of directors recruiting other directors just like themselves.

Most consumer decisions are made, or significantly influenced, by women. It's been estimated that 85 percent of consumer spending is driven by women. That means your business depends heavily on how women feel about your product, your marketing, the company's public persona. But how many women do you find in boardrooms? Precious few. When asked to define a typical customer, few companies talk about what “she” wants, unless they're in the business of exclusively female products. Just as we recruit people like ourselves, we tend to design and market products for ourselves—even when the data tell us to do otherwise. Without women on your board, this failure of imagination comes back to bite you.

While you don't want to type-cast your directors, it's essential to every successful business to ensure that a board represents and argues for the interests of every stakeholder. That's why they are directors. It is why COOs need them and why CEOs can benefit from them: to ask, without fear or rancor, the hard questions to which every strategy must be responsive. A board full of similar-minded people won't deliver the scrutiny that modern markets (not to mention modern legislation) rightly demand.

Just hiring a diverse board, however, is only the first step in the process. I see far too many boards with a single, token female or representative of various ethnicities. What's the problem with this? Apart from the fact that it looks pretty fainthearted, there is, as we know, strength in numbers. Recruit one woman and she'll be under a lot of pressure to fit in, to

reassure the men that she won't rock the boat, and to prove that she's just as smart, knowledgeable, and professional as they are. In other words, her ability to ask the hard questions is severely undermined by the pressure she's under as a token.

The fundamental case for a diverse board is that diverse groups of people make better decisions than individual experts. A truly diverse team brings a broad range of experiences and expertise to the table; their very diversity ensures a better quality of thinking.

But no matter how heterogeneous the board membership, companies only get the benefit of diversity if they create the conditions in which directors are free and comfortable to be different. The chairman's challenge is not just to attract a diverse range of directors, but to create the conditions in which that diversity is protected, guaranteed, respected, and cherished.

The very best way to do this is to avoid tokenism and to make sure that women and ethnic groups aren't represented by isolated exceptions. The truly normal board has to look like the real world: that means half of it needs to be female, an ever-increasing proportion has to be multi-lingual and multi-cultural and both the young and the old need to be represented. Not just because it is the right thing to do, but because it is the smart thing to do. And if it doesn't start at the top, it doesn't happen at the bottom.

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