

The Secret to Making Boards More Diverse: Better Networking

COMMENTARY By Betty Liu Feb 5, 2020 1:30 pm ET



Diverse boards are good for business. That statement shouldn't surprise anyone. Still, at the World Economic Forum in Davos, Switzerland, last month Goldman Sachs Chairman and CEO David Solomon generated headlines around the world by announcing a new requirement for companies to have at least one diverse board member before the bank would take on their initial public offering.

His comments underscored a growing view in the C-suite: To maximize their potential, companies need the best-performing boards they can assemble to guide them into the future. This often requires diversity—diversity of background, diversity of thought, and diversity of ideas.

Even if not everyone buys into this mindset, the reality is that many stakeholders—from investors to customers to employees—do.

Yet the issue persists. A recent study by the Alliance for Board Diversity and Deloitte showed that women and minorities comprise just 34% of Fortune 500 board seats. “A recent study by the Alliance for Board Diversity and Deloitte showed that women and minorities comprise just 34% of Fortune 500 board seats.” —Betty Liu

One reason for this? Most board appointments come from the CEO and board members' own network. According to executive search firm Vell, 92% of board seats at technology companies are filled through networking. If women and minorities are not part of the right networks, chances are slim that they will be “discovered” the next time a board position opens up.

“At the New York Stock Exchange, we've been working toward this goal of expanding our companies' networks. Together with 16 CEOs in our NYSE community and two of our ICE board members, Sharon Bowen

and Duriya Farooqui, we established the NYSE Board Advisory Council, which is designed to identify and connect diverse candidates with NYSE-listed companies seeking new board members. Solomon is a founding member of our council, as are the CEOs of some of our other listed companies: Coca-Cola, Procter & Gamble, Merck, Delta Air Lines, and Slack Technologies.

Each founding member is required to nominate five candidates who he or she believes are ready to join a public-company board. After all, CEOs know what it takes to be a good board member.

So far, we have held two networking summits where we helped match talented board candidates with companies interviewing new board members. We now have 121 candidates nominated by our founding council members.

I'm pleased to share that our first candidate has been placed.

VICI Properties, a NYSE-listed experiential real estate investment trust, announced on Jan. 10 that Monica Howard Douglas, general counsel, North America for Coca-Cola, had been appointed to its board as an independent director, subject to and effective upon receipt of all applicable regulatory approvals. Douglas attended our inaugural board networking summit in June. She was nominated for the council's networking event by James Quincey, chairman and CEO of Coca-Cola.

Board seats do not open up that frequently, so progress will be deliberate. However, all of those who care about board diversity should resolve to pursue this goal, one director at a time.

Therefore, the next step we will take is to launch an online database, which will function as a directory of all the diverse candidates nominated by the NYSE Board Advisory Council. This database will be available to all 2,200 NYSE-listed companies. Those in need of a new director will be able to search and review candidate credentials. Most importantly, these candidates have the backing of the CEOs who nominated them.

I could not be more excited about the recent progress made in improving board diversity. Personally, I sit on a number of boards: the NYSE Group, the Eurasia Group Foundation, and Robert F. Kennedy Human Rights. I have witnessed the value that robust discussion in the boardroom—driven by different voices—can have in surfacing new ideas.

I'm not certain that, early in my career as a TV journalist, I would have been able to get a story about board diversity on the air.

Fast-forward to 2020 and we see that Solomon's announcement on board diversity has received worldwide coverage. Interest in the issue is growing among all audiences, including the investment community, which is increasingly focused on companies' performance on environmental, social, and corporate governance, or ESG, criteria.

As investors push for more diverse boards, companies will feel the need to deliver—driving us forward to a time when boards will look much more like the people they govern.