

# “A big barrier to inclusion is the existence of shadow boards.”

## The Truly Inclusive Board



# A

retailer that had been around since the mid-20th century looked at its employee base as well as its customers and saw that a significant portion of both were African American. So the firm’s board wanted to recruit their first Black board member. They found one, the chief human resources officer of another firm with a diverse workforce. It looked like a perfect match—until the first meeting.

The executive was introduced as the company’s first “diverse” executive. The board chair and the lead independent director sent knowing glances to one another, seemingly having their own unspoken language. The chair breezed through the agenda, as if he and a couple of other directors had agreed on everything the night before (it turns out they had).

After the meeting ended, the Black board member sat alone; no one sought out his advice or asked him any questions. So much for having a diverse board.

There’s no denying that boards have become more forthright in recruiting directors from underrepresented groups, and there’s no denying that this is a good development. Since June 2020, S&P 500 companies have more than tripled the share of new directors who are Black and more than doubled the share who are Latino. About 11 percent of all directors on S&P 500 boards are Black, 4 percent are Latino, and 6 percent are Asian—still below the proportions of the US population those groups represent, but growing. The percentages are slightly lower for smaller publicly traded firms, but again, the trend is positive.

Many organizations recognize that they could be missing something by not having people of color on the board. After all, Black, Hispanic, and other non-White groups are an increasing percentage

of their workforce, customer base, and investors. Others have been prodded by California’s new law mandating that Golden State–headquartered firms have women and non-White members, and by stock exchanges demanding that publicly traded firms be diverse (or provide a compelling explanation of why they aren’t). Rules like that second one should spur firms backed by private investors to diversify, since most eventually want their firms to go public.

But it’s no good to add Black, Latino, or Asian people to a board and then not make them feel welcome or involved. Directors have to not only continue adding diverse voices to the room but also make a concerted effort to make the board itself more inclusive. Right now, the way boards conduct themselves can make newcomers feel unwelcome or, worse, unwanted. That reeks of tokenism.

A big barrier to inclusion is the existence of shadow boards, a few directors who meet on their own and decide many of the issues that the entire board should be deliberating. Shadow boards can show up in nearly every industry, and they often just perpetuate whatever legacy thinking and culture the company currently has. They also effectively neutralize any other board voices, especially those of newcomers.

But even the language that directors use is problematic. We’re not usually talking about flat-out racist language like “colored,” although one Black board director I know actually heard that term from one of his colleagues. It’s things that may sound seemingly benign, like calling a new non-White director the “diverse board member.” The director using that phrase has immediately marginalized the newcomer, as if their appointment to the board was done merely to check a box. It can make the non-White director feel boxed in, assuming that they have nothing to offer the board other than the color of their skin.

Fortunately, there are some sound ways to make boards more inclusive. For one, don’t just bring one

person of color onto the board at a time. By bringing in two or three all at once, boards can create a de facto buddy system, strengthening newcomers’ confidence and ability to have a positive impact on the board.

At the same time, a board should designate a



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veteran to act as a mentor to each incoming director. The veteran can bring a newcomer up to speed on the organization’s business while also allowing the newcomer to ask questions about the board’s abilities and interpersonal relationships.

Boards should want to become inclusive because there’s plenty of evidence demonstrating that diverse, inclusive boards can make their organizations more effective. Higher sales and profits, higher employee engagement, more innovative products, lower attrition rates—take your pick. It’s great that boards are becoming more diverse; just make sure that they’re becoming more inclusive as well. ▀

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