

The Diversity Scorecard

Measuring Board Composition
in Asia Pacific



About Korn/Ferry's Asia Pacific Board Diversity Study

The study was led by Associate Professor Mak Yuen Teen of the NUS Business School at the National University of Singapore, a recognized authority on corporate governance in Asia. It covered the largest 100 domestic companies in each of seven industrialized and emerging Asia Pacific economies: Australia, China, Hong Kong, India, Malaysia, New Zealand, and Singapore. The companies operate in a wide range of industries. A total of 5,793 directors holding 6,538 directorships in these companies were included in the study.

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Introduction

I am proud to share with you Korn/Ferry International's inaugural diversity research report on boards in Asia. Our intent was to build a diversity scorecard that would allow us to compare director recruitment practices across Asia. We partnered with Associate Professor Yuen Teen Mak from the National University of Singapore's Business School who brought to the effort tremendous rigor and expertise in the region's corporate governance and board practices.

Our findings, as you'll read, underscore an urgent need for boards to diversify across Asia, especially now when so many companies are at a turning point. As Asia's growth trajectory propels it to a central spot in the global economy, the most effective boards will be the ones that are international—with functional, sector, and gender diversity.

In particular, we found that women are far underutilized as directors in nearly every market, despite the fiscal and cultural benefits to having them in leadership roles. Women make most household purchasing decisions, and boards need their point of view on the Asian boom, which is driven by consumption. Already some market sectors specifically seek the experience and instincts of women, including consumer, private wealth management, and healthcare. More are sure to follow.

Also heralding the need for more diverse boards is the renewed focus on the importance of good corporate governance following years of financial turmoil. Increasingly, regulators, investors, and researchers also recognize that more diversity enables boards to be more effective in discharging their leadership and oversight roles. Indeed, expanding the pool of directors also alleviates other corporate governance problems such as directors serving on too many boards, having overly long tenure, and interlocking relationships.

Improvement will require unwavering attention to the issue by regulators, policymakers, and investors—but also a mindset change in the boardroom. In today's complex global business environment, boards must be multi-skilled and possess varied points of view to thrive. Leaders who only hire in their own image will quickly find themselves disadvantaged.

I have no doubt that the diversity issue will accelerate in the years to come. Only by having a diverse pool of independent, talented, and committed directors will companies be able to connect with and capitalize on the engine of Asia's consumption boom.



Alicia Yi
Managing Director
Global Consumer Market, Asia Pacific

Executive Summary

This study by Korn/Ferry International examined gender diversity on boards of directors in Asia Pacific as well as diversity with respect to age, educational qualifications, and ethnicity. The study covered the largest 100 domestic companies by market capitalization in each of seven Asia-Pacific countries: Australia, China, Hong Kong, India, Malaysia, New Zealand, and Singapore. The markets chosen include a mix of industrialized and emerging economies that operate in a wide range of industries. A total of 6,538 directorships held by 5,793 individual directors were included in our research.

Key findings on gender include:

The number of women on boards remains low. Of the 700 boards examined, only twenty-two have more than two female directors of any type and eight of those are in China. Only two of the 700 boards have three or more female independent directors.

More than 70 percent of the boards have no female independent directors in five countries – Hong Kong, India, Malaysia, New Zealand, and Singapore.

Australia has the most women on boards, with 11.2 percent of all directors being female. New Zealand has the highest percentage of all-male boards.

In terms of other aspects of diversity, the key findings include:

China had the youngest directors on average. Hong Kong companies, followed closely by China companies, are most likely to have directors from two or more generations.

The majority of boards, with two exceptions, come from a single ethnic group. In Malaysia, the majority of boards comprise directors from two ethnic groups, while in Singapore it is almost equally common for boards to have directors from one, two, or three ethnic groups.

Further analyses of the demographic characteristics of female and male directors reveal a number of key differences including:

Female directors are younger than male directors across all countries, by about three years on average.

Female independent directors have shorter tenures on average than male independent directors in all countries.

Female directors are more likely to have law or accounting educational backgrounds, while male directors are more likely to have engineering and science backgrounds.

Female directors are more likely to have public sector or not-for-profit sector experience than male directors. This is especially so in Australia and India.

The study also found that female directors are generally under-represented in board leadership positions, such as chairman or committee chairs. However, in Australia, China, and New Zealand, female directors who are appointed to the board often do become chairs of key committees, especially the audit and remuneration committees.

About The Diversity Scorecard

Korn/Ferry International examined gender diversity of boards of the 100 largest listed companies in each of seven Asia Pacific markets: Australia, China, Hong Kong, India, Malaysia, New Zealand, and Singapore and the extent to which female directors hold board leadership positions in these companies. We also compared female and male directors on a number of key demographic attributes, such as age, qualifications, area of expertise and experience, and ethnicity, to assess if gender diversity also improves other aspects of diversity.

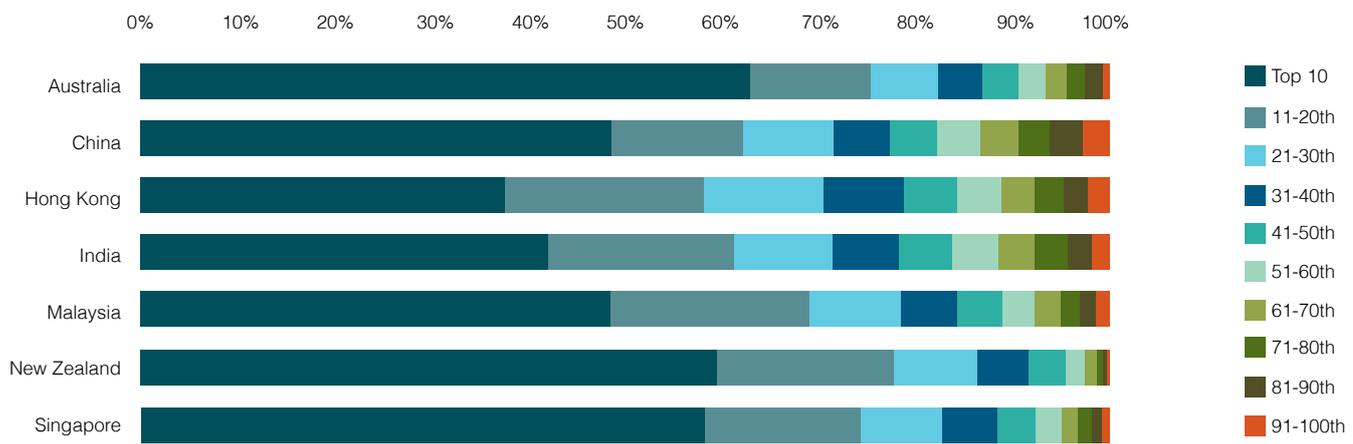
The countries chosen include a mix of industrialized and emerging economies in the region. For each market, the largest 100 domestic companies by market capitalization on December 31, 2009, were included. Only domestic companies, which were most likely to reflect local influence on gender diversity and director profiles, were included. Data was obtained primarily from 2009 and 2010 annual reports, supplemented by other sources such as company websites. A total of 5,793 directors holding a total of 6,538 directorships across the seven markets are included in the study.

Figure 1
Average market capitalization (USD) in the seven markets



As shown in Figure 1, China has the largest companies on average, while New Zealand has the smallest. Figure 2 shows that the largest ten companies account for more than 60 percent of the total market capitalization of the largest 100 companies in Australia, and for around 50 percent in China. New Zealand and Singapore also have the largest ten companies accounting for a significant proportion of the total market capitalization. In contrast, Hong Kong has the lowest market concentration, with the top ten accounting for 37.5 percent of total market capitalization of the largest 100 companies.

Figure 2
Distribution of market capitalization



The companies in each market operate in a range of industries. Banks and financial services companies make up the largest number of companies in Australia, China, India, and Malaysia, with at least one in six companies in each of these countries. Real estate companies make up the largest number of companies in Hong Kong and Singapore, with around 20 percent. In New Zealand, retail companies make up the largest number of companies with 13 percent.

Diversity on boards: A business imperative

Through recommendations in codes of corporate governance, some dating back to the early 1990s, many companies globally have addressed the independence, skills, and experience (competencies) needed on boards. Today, the focus of high-performing boards is on ensuring that directors are sufficiently committed by not serving on too many boards, and that there is sufficient diversity so that board decisions are vigorously debated by individuals with different perspectives.

One crucial element of the latter is gender diversity. Some studies have reported a link between a company's financial performance and greater numbers of women on the board or in top management. Other studies have found that gender diversity improves board monitoring, leads to better board meeting attendance rates, and causes boards to be more stakeholder focused. Appointing female directors also helps address the frequently-cited shortage of qualified directors in many countries, and can alleviate other corporate governance problems such as directors serving on too many boards, having overly-long tenure, and interlocking directorships.

Around the globe, governments and exchanges are taking action to increase women's representation on corporate boards. In 2010, the UK Corporate Governance Code was revised to incorporate diversity as a consideration in making board appointments.¹ It recommends that the search for board candidates should have due regard for the benefits of diversity, including gender diversity.

Amongst other European countries, gender diversity has also been addressed in the corporate governance codes of Belgium, Finland, Germany, Netherlands and Sweden. Norway became the first country in the world to introduce a gender quota law in 2004, when it required all publicly-listed companies to increase the percentage of female board members to 40 percent. Since then, Spain and France have followed suit, and other countries in the European Union are considering similar legislation.

¹ Financial Reporting Council, The UK Corporate Governance Code, June 2010.

The Australian Securities Exchange (ASX) Corporate Governance Council revised its corporate governance principles in 2010 to recommend that companies improve the transparency of director selection and report on the steps taken to ensure that a diverse range of candidates is considered.² It recommended that in planning for board renewal, the nominating committee should not only consider an appropriate mix of skills, experience, and expertise, but also diversity. Companies are expected to establish and disclose a diversity policy that includes measurable objectives for achieving gender diversity and for the board to annually review progress. ASX-listed companies that do not adopt the recommendations have to disclose so and explain why under the ASX’s “if not, why not” approach to corporate governance.

In Asia, very few such efforts are underway. The Securities Commission of Malaysia recently released a Corporate Governance Blueprint, which requires boards of Malaysian-listed companies to have 30 percent female directors by 2016. It remains to be seen if other neighboring nations will follow.

Global trends in gender diversity

Globally, gender diversity amongst boards remains low. The European Professional Women's Network (EPWN) Board Women Monitor 2010, which surveyed female representation on the boards of large companies in seventeen European countries, reported that while the average number of women on boards had increased by 21 percent compared to 2008 (and that thirteen of the seventeen countries recorded an increase in female board representation), the average percentage of female board members was only 11.7 percent.

In the United States, Catalyst reported that women held 15.7 percent of the board seats in Fortune 500 companies in 2010, up slightly from 15.2 percent in 2009.³ Catalyst also concluded that nominating/governance committee chairs is the only board leadership position women hold at rates commensurate to their share of total board seats.

The few previous studies conducted in Asia suggest that the situation is more dire in this region. GovernanceMetrics International, an independent corporate governance research and rating agency, reported that for the companies covered in their corporate governance ratings, the average proportion of female directors was 3.6 percent in the industrialized Asia-Pacific countries and 4.7 percent in emerging markets in Asia.⁴

While gender diversity on boards has attracted the most attention of regulators, policymakers, investors, and researchers, there has been some recognition that board diversity is multifaceted.

In 2009, the U.S. Securities and Exchange Commission passed a rule requiring companies to disclose whether diversity is a factor in considering director candidates how diversity is considered in that process and how the company assesses the effectiveness of its policy.

In Australia, the ASX Corporate Governance Council's principles and recommendations also state that companies should establish and disclose a diversity policy, but the rules focus primarily on gender. A report published by the Australian government, however, describes board diversity as the degrees of similarity or difference between the individuals who make up the board.⁵ These differences can include measurable factors such as age, gender, ethnicity, socio-economic or cultural background, residence, formal qualifications, technical skills, and expertise, as well as less tangible factors such as life experiences, personal attitudes, or perspectives. The report noted that, other than gender, available data on other aspects of diversity are limited.

³ Catalyst, *2010 Catalyst Census: Fortune 500 Women Board Directors*, 2010.

⁴ "Women on Boards: A Statistical Review by Country, Region, Sector and Market Index," GovernanceMetrics International, 2 March 2009.

⁵ Corporations and Market Advisory Committee, *Diversity on Boards of Directors*, March 2009.

Structure of boards in Asia

The structure of a board of directors is often described in terms of its leadership, size, and proportion of independent directors.

Table 1 shows the number of directors and directorships for the companies in each country, and the types of directorship. Some directors hold more than one directorship within the top 100 companies in their market. Depending on the issue of interest, some of the analyses in this report use directors and some use directorships (i.e., a director holding directorships in more than one company is included more than once).

Table 1
Number and type of directors and directorships

	Australia	China	Hong Kong	India	Malaysia	New Zealand	Singapore
Directors	659	1130	982	983	761	545	733
Directorships	791	1154	1150	1080	901	605	857
Executive directors	135	247	495	305	235	96	196
Non-executive directors (non-independent)	89	482	255	155	248	149	167
Non-executive directors (independent)	567	425	400	518	418	360	494

Note: India has 67 government nominee directors and 35 other nominee directors who are not classified into any of the three categories of directorship.

Board leadership in Asia. Board leadership is usually defined in terms of whether there is a separation between the roles of the chairman, who is responsible for running the board, and the CEO, who has executive responsibility for the day-to-day running of the company. Table 2 shows this separation is most often practiced by Australia and New Zealand companies, which commonly have a separate non-executive chairman who is very often an independent director. There are only eight companies in Australia where the board's chairman also has an executive role, either as an executive chairman or CEO/chairman, and only five such cases in New Zealand.⁶ In contrast, eighty of the companies in Hong Kong have either an executive chairman or a CEO/chairman. In China, separation of the chairman and CEO roles is common, although chairmen are non-executive rather than independent directors there. A separation of chairman and CEO roles is also common in Malaysian and Singaporean companies, although less so than in Australia and New Zealand.

⁶ There are some companies which have an Executive Chairman and a separate CEO, Managing Director, or equivalent. These companies are considered as not having separated the Chairman and CEO roles.

The relatively high percentage of companies in Hong Kong, India, and Singapore with an executive chairman or with a CEO who is also the chairman is a reflection of the dominance of companies with families and founders owning significant stakes who are also managing the companies. In contrast, most of the companies in China are state-owned enterprises where the separation of the roles may be easier to implement.

Table 2
Types of chairmen

	Australia	China	Hong Kong	India	Malaysia	New Zealand	Singapore
Executive chairman	7	12	62	50	20	4	16
CEO/chairman	1	9	18	4	5	1	24
Non-executive chairman	12	79	18	40	44	21	31
Independent non-executive chairman	80	0	2	6	31	74	31

Board size. Figures 3 and 4 show the average board size and range of board sizes across the seven countries. Australia's companies are, on average, the second-largest in Asia by market cap, but they tend to have relatively small boards, with an average number of 7.9 directors and a board size range from four to fourteen directors. New Zealand has the smallest companies and also the smallest boards on average. China and Hong Kong have the largest boards on average, followed by India.

Figure 3
Mean board size across seven markets

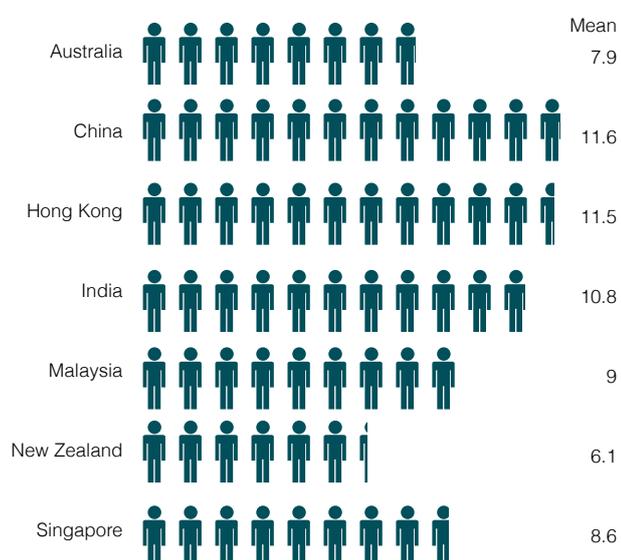
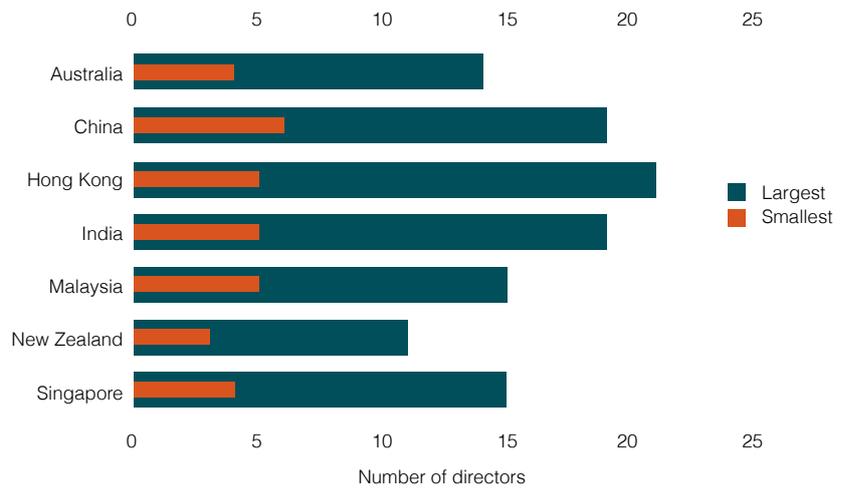


Figure 4
Range of board sizes



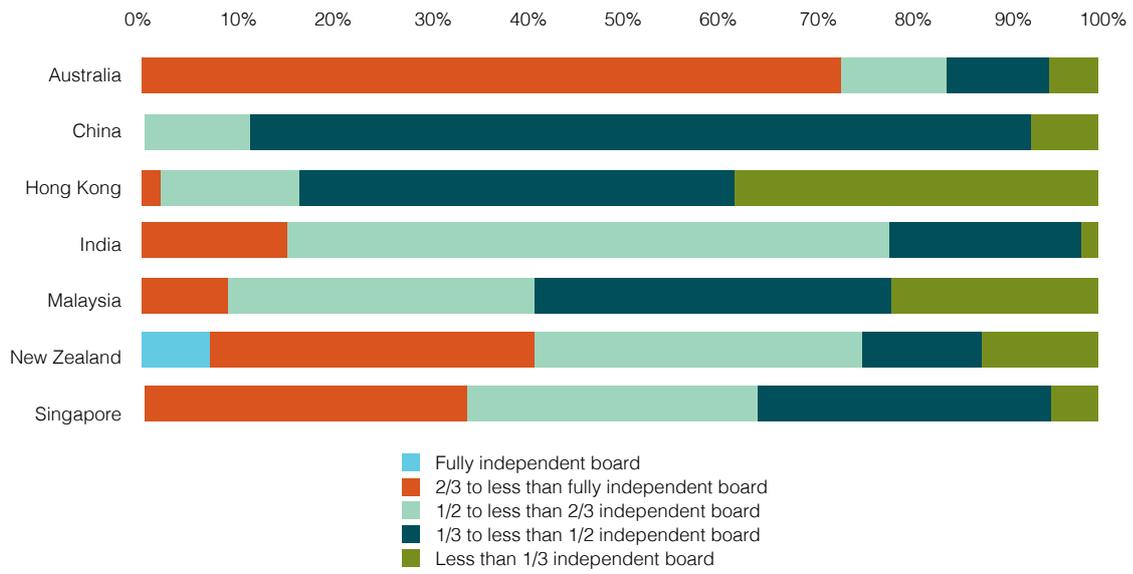
Board independence. Codes of governance, and in some cases listing rules, generally set a minimum proportion of independent directors ranging from one-third to a majority. Figure 5 shows that more than 80 percent of Australian boards have at least half independent directors, with almost 75 percent having two-thirds or more independent directors. Seventy-five percent of New Zealand boards have at least half independent directors. There are seven New Zealand companies with wholly independent boards.

Indian companies also tend to have a large proportion of independent directors on their boards, with almost 80 percent of companies having at least half independent directors. This is followed by Singapore, and then Malaysia. In China, most boards—around 85 percent—have one-third to less than half of independent directors. In contrast, almost 40 percent of the Hong Kong boards have less than one-third of independent directors and only sixteen companies have at least half independent directors.

It should be noted that different markets have different standards for determining independence of directors.

Figure 5

Proportion of independent directors



Gender diversity in each country

The overall percentage of female directors is highest in Australia, with 11.2 percent of all directors being female (Figure 6). However, there is scope for considerable improvements in gender diversity across all markets.

Gender diversity varies among executive directors, non-independent non-executive directors, and independent non-executive directors. Hong Kong has the highest percentage of female executive directors, Malaysia the highest percentage of female non-independent non-executive directors, and Australia has the highest percentage of female independent non-executive directors.

Figure 6

Women's representation on boards by country and by role

	Australia	China	Hong Kong	India	Malaysia	New Zealand	Singapore
Directors	11.2%	8.1%	8.6%	4.7%	7.8%	7.5%	6.4%
Executive directors	3.3%	4.9%	9.4%	2.1%	7.6%	3.4%	8.7%
Independent non-executive directors	17.7%	12.3%	8.4%	4.5%	7%	8.5%	5.2%
Non-executive directors	2.6%	7.6%	10.9%	8.2%	11.6%	11.4%	9.9%

The relatively higher percentage of female executive directors in Hong Kong, Malaysia, and Singapore reflects the higher percentage of executive directors on boards in these countries compared to Australia and New Zealand. For example, in Hong Kong, about 75 percent of boards have at least one-third of executive directors. Therefore, for an average Hong Kong board with about eleven directors, there will typically be about three to four executive directors. This makes it more likely that there will be one or more female executive directors on a Hong Kong board.

India has the most scope for improvement in gender diversity. In addition to having the lowest percentage of female directors overall, it also has the lowest percentage of female executive directors, even though more than 40 percent of India boards have at least one-third of executive directors.

The percentage of female independent directors provides a better indication of the extent to which gender diversity is formally considered by boards in their director appointment process, as they search specifically for directors from outside the company or the family to serve on the board. The relatively higher percentage of female directors and the much higher percentage of female independent directors in Australia are likely due to amended corporate governance principles and recommendations by the ASX Corporate Governance Council.

Interestingly, China has the second highest percentage of female independent directors among the seven countries. This may reflect the prescriptive and stricter rules on director independence making it difficult for companies to recruit independent directors based on personal networks and the opening up of the Chinese economy creating more equal opportunities to all. India, followed by Singapore, has the lowest percentage of female independent directors.

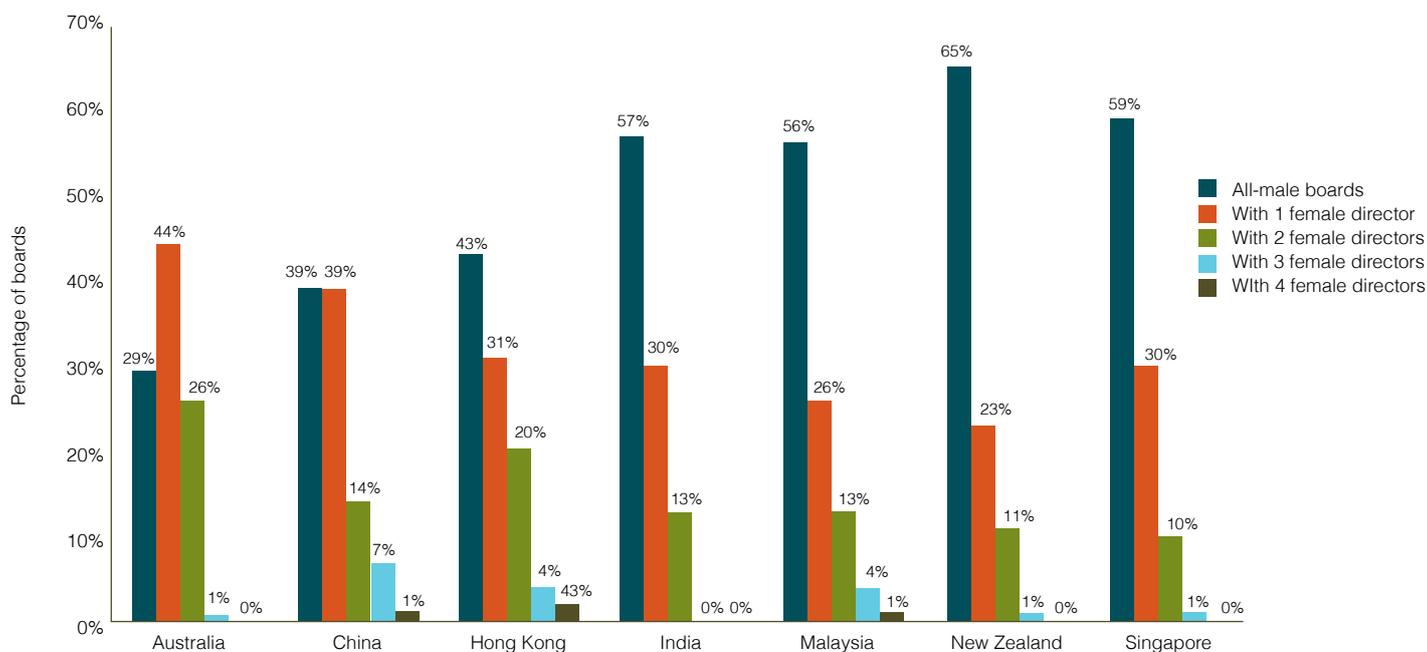
Gender diversity within companies. All-male boards make up more than 50 percent of all boards in four of the markets—India, Malaysia, New Zealand, and Singapore (Figure 7).

New Zealand, with 65 percent all-male boards, has the highest percentage. Australia, with just under 30 percent, has the lowest percentage of all-male boards.

In all the markets, where boards have female directors, they most commonly have only one female director. Only twenty-two out of the 700 boards have more than two female directors of any type.

Very few boards have three or more female directors, with only China (one company), Hong Kong (two companies), and Malaysia (one company) having boards with four female directors.

Figure 7
Number of female directors



More than 70 percent of boards in five markets—Hong Kong, India, Malaysia, New Zealand, and Singapore—have no female independent directors. Only two out of the 700 boards in the seven countries have three or more female independent directors and, interestingly, one of these boards is in China. Table 3 shows the distribution of female independent directors across companies.

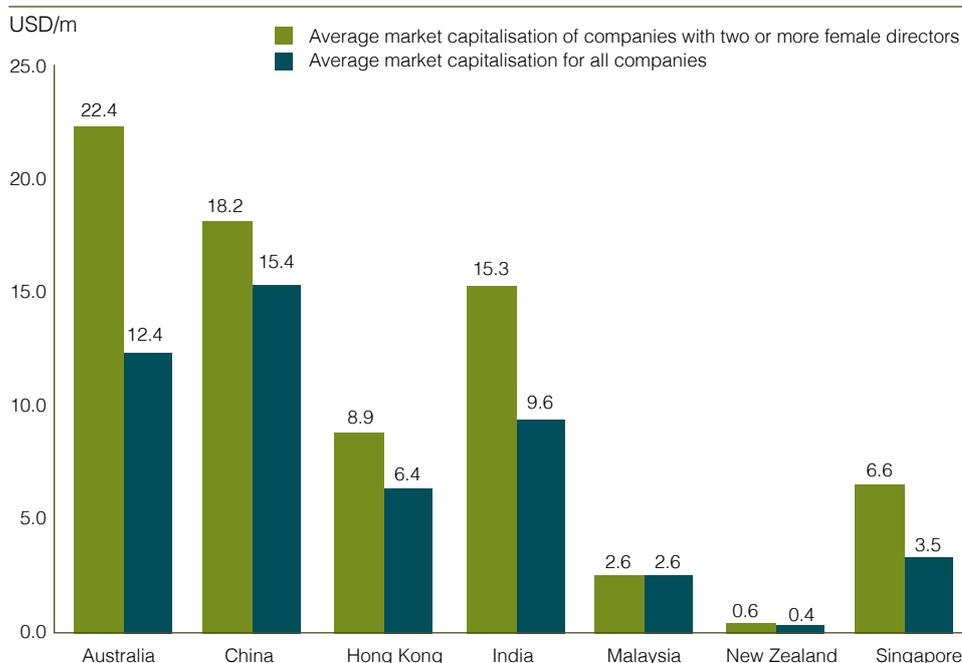
Table 3
Number of female independent directors

Companies with	Australia	China	Hong Kong	India	Malaysia	New Zealand	Singapore
No female independent directors	32	61	80	84	78	73	77
One female independent director	44	33	17	14	18	24	20
Two female independent directors	23	5	3	2	4	3	3
Three female independent directors	1	1	0	0	0	0	0

Gender diversity and company characteristics. Larger companies are more likely to have two or more female directors, except for Malaysia (Figure 8).

Figure 8

Market capitalization of companies with two or more female directors vs. all companies



Female directors holding leadership positions. Table 4 shows the percentage of female directors compared to male directors holding the key leadership positions of chairman, CEO, and chair of the audit, remuneration, or nominating committees. Female board chairs and CEOs are rare in all markets.

Female committee chairs are also rare and women are generally under-represented as committee chairs relative to percentage of female directors in a market. The exceptions are the relatively high percentages of female audit committee chairs in Australia and China, and remuneration committee chairs in Australia and New Zealand relative to the percentage of female directors in these markets.

Table 4

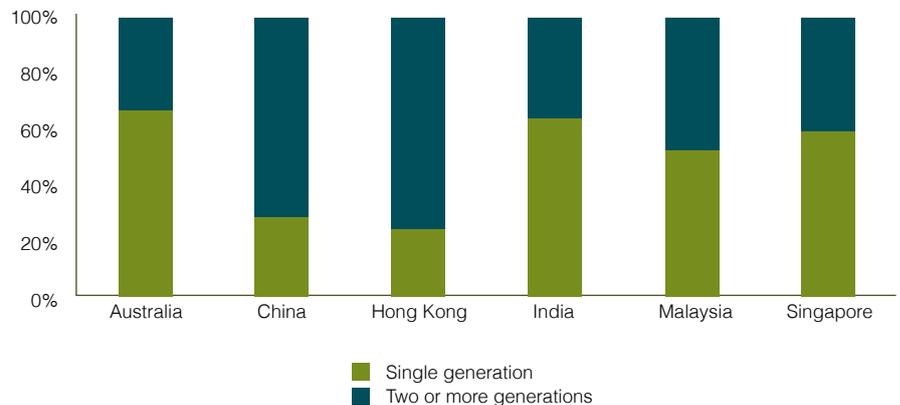
Leadership positions held by female directors

Role	Australia	China	Hong Kong	India	Malaysia	New Zealand	Singapore
Chair	4%	4%	2%	2%	2%	5%	2%
CEO	3%	7%	2%	7%	6%	0%	5%
Audit committee chair	16.7%	11.8%	1.1%	1%	4.1%	4.9%	5.6%
Remuneration committee chair	12.2%	5.3%	4.2%	1.5%	1.2%	13.1%	5.6%
Nominating committee chair	8.8%	4%	4.8%	0%	1.2%	5.3%	4.5%

Profiles of male and female directors

Figure 9 shows the age diversity in the boards across six of the markets.⁷ In China and Hong Kong, more than two-thirds of the companies have boards made up of directors from two or more generations. In Australia, India, Malaysia, and Singapore, more than half the companies have boards made up of directors solely from the Baby Boomer generation.⁸

Figure 9
Age diversity on boards



Age and educational qualifications. Female directors in the seven markets are on average about three years younger than their male counterparts (Figure 10). They are less likely to have a doctoral degree, which may reflect the fact that male directors are more likely to have qualifications in the hard sciences, particularly engineering, where doctoral qualifications are likely to be more common. Female directors are more likely than male directors to have a master's degree, although there are differences across countries. In Australia and India, female directors are more likely to have a post-graduate degree than male directors. In the other five markets, they are less likely.

A business education background is most common for both female and male directors, with approximately the same percentage of female and male directors having such a background (Figure 11). Other than business, female directors are more likely than men to have an accounting or law background, while male directors are more likely to have an engineering background.

⁷ As the disclosure of directors' age is not common in New Zealand, the data may not be representative and has been excluded in this analysis.

⁸ The Baby Boomer generation is defined as the generation born following World War II, from 1946 up to 1964. Generation X includes those born after 1964 and up to 1982. Generation Y refers to the generation of people born from 1983 to early 1990s.

Accounting or law backgrounds are particularly prominent for female directors in Malaysia and Singapore, while in India, almost half of the female directors have educational backgrounds outside of the traditional areas (such as public administration, political science, and medicine) (Figure 12).

Figure 10
Gender comparison by age and educational level

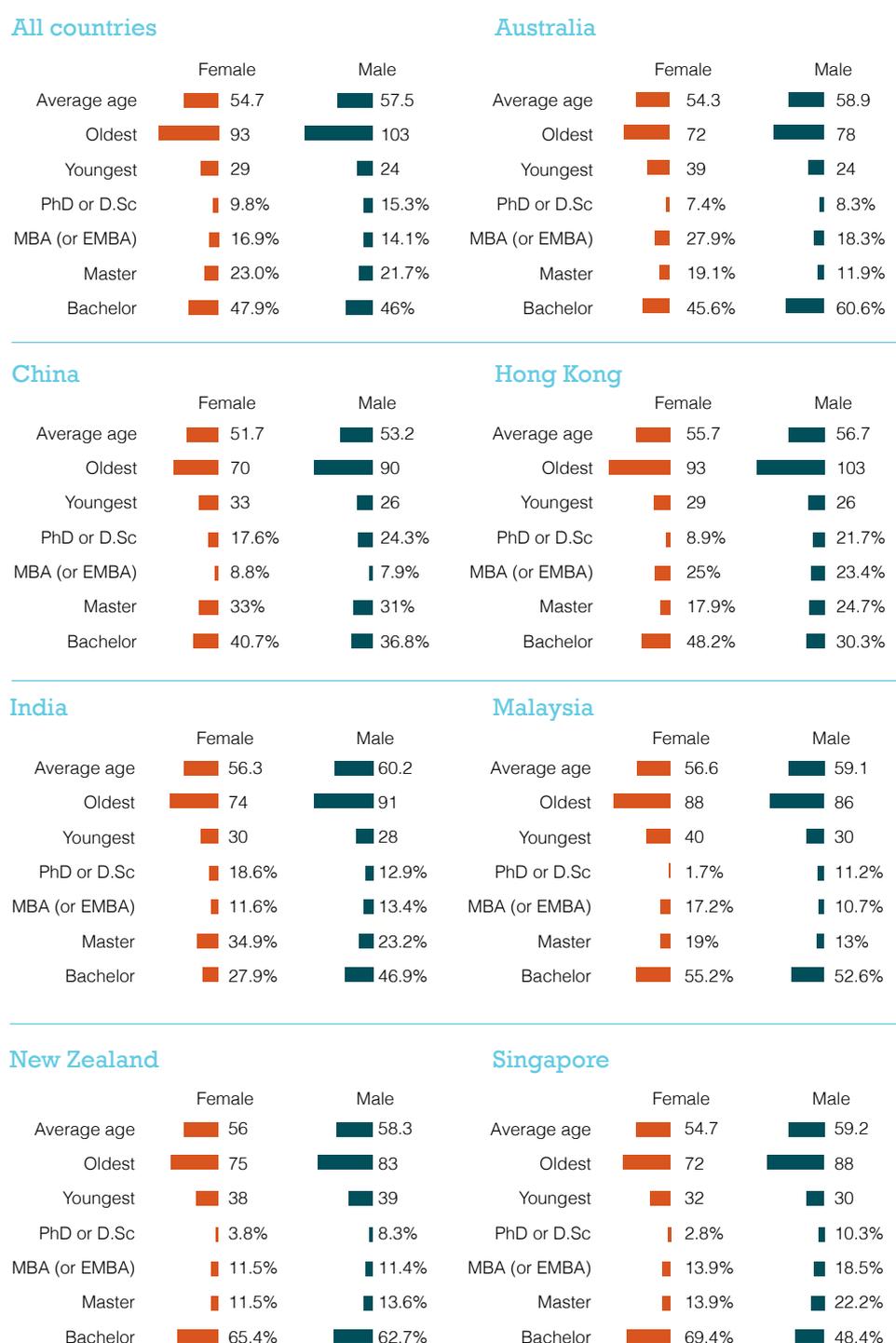
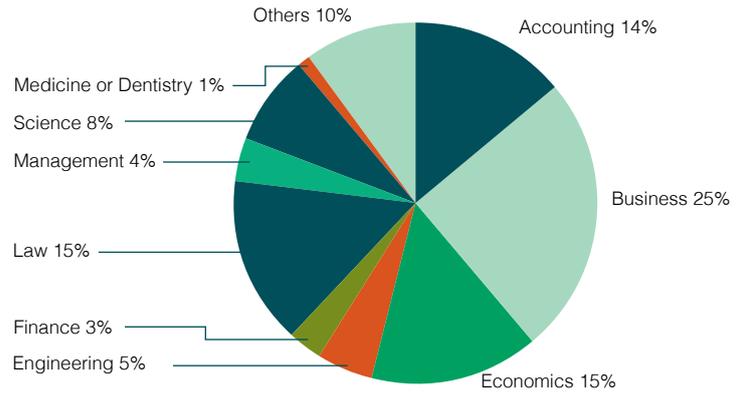


Figure 11
Area of education by gender

Female directors



Male directors

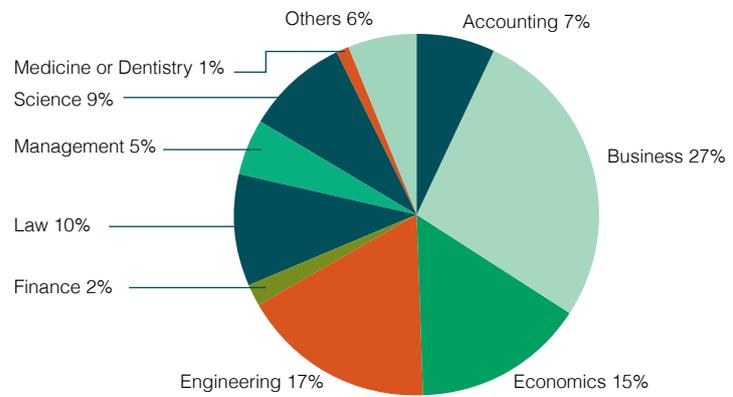
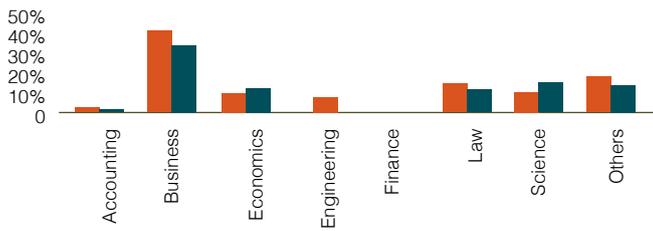
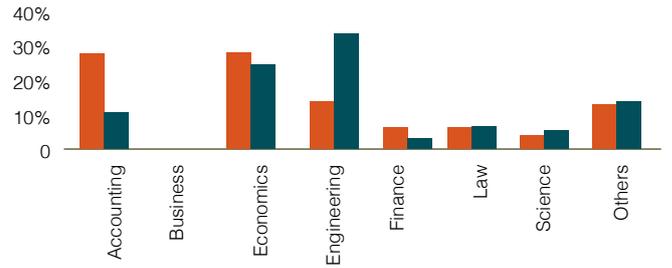


Figure 12
Education and gender comparison by country

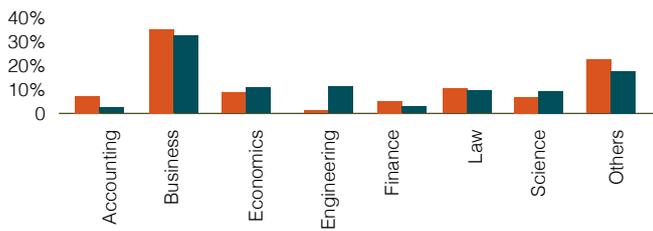
Australia



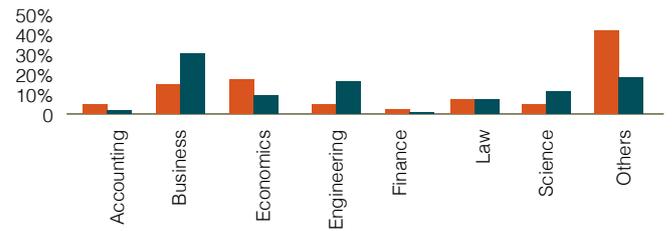
China



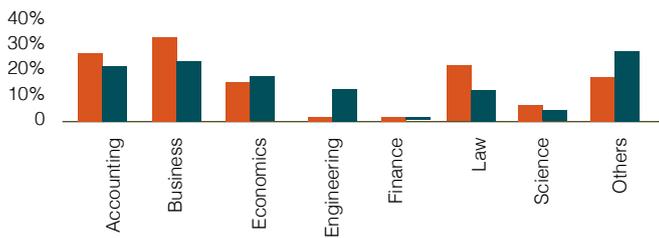
Hong Kong



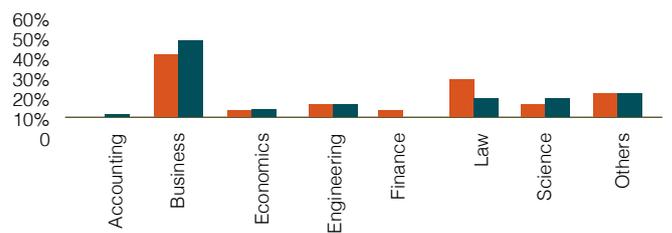
India



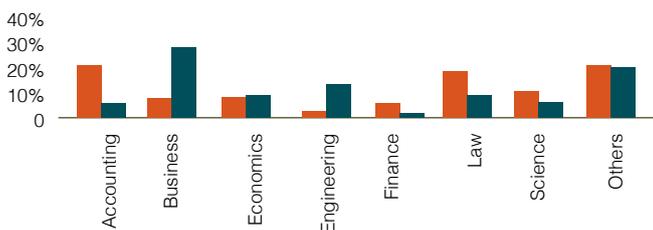
Malaysia



New Zealand



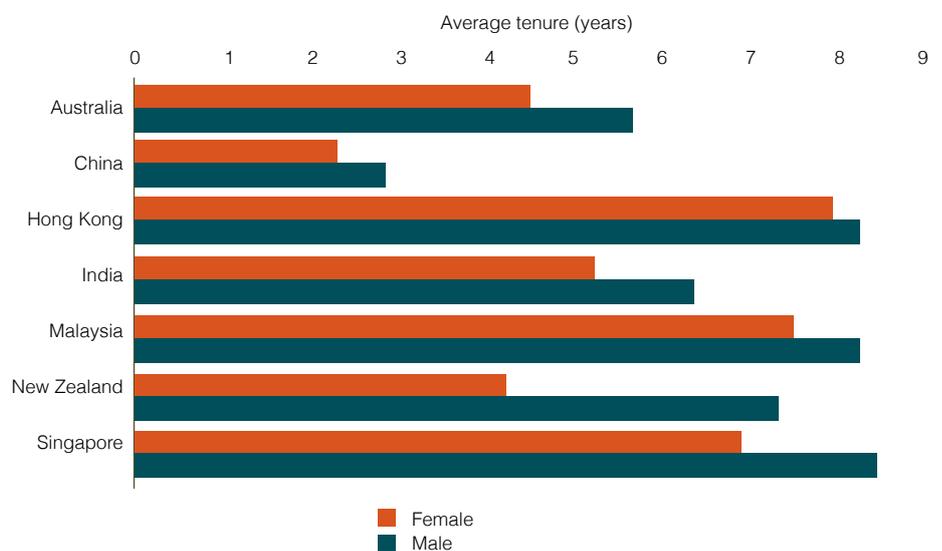
Singapore



Female
Male

Tenure. In all countries, female independent directors have shorter tenures on average than male independent directors (Figure 13). However, this is not necessarily the case for female executive and non-independent non-executive directors (Figure 14).

Figure 13
Tenure of independent directors by gender



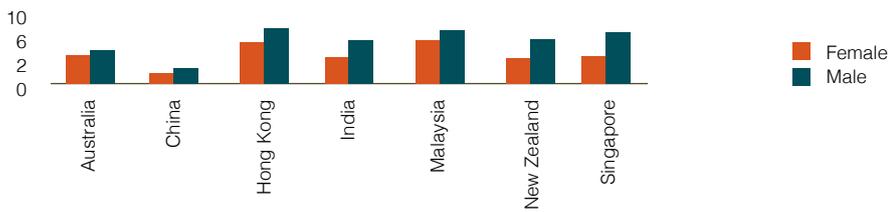
Tenure needs to be considered differently for different types of directors. Having an executive director serving for a relatively long time, provided the company continues to perform well and the executive’s skill sets are still relevant, can provide stability in leadership for a company. Female executive directors in five of the seven markets—other than New Zealand and Singapore—have longer average tenure compared to their male counterparts.

For independent directors, long tenure is increasingly seen to be a negative because he or she becomes too close to the company and the ability to exercise independent judgment may be impaired. Therefore, more countries are introducing limits on tenure for independent directors. In all seven countries, female independent directors have shorter tenures than male independent directors. We believe this is because there is slightly more emphasis on appointing female independent directors in recent years—so new appointees are more likely to be females (even though the percentages of female directors remain low).

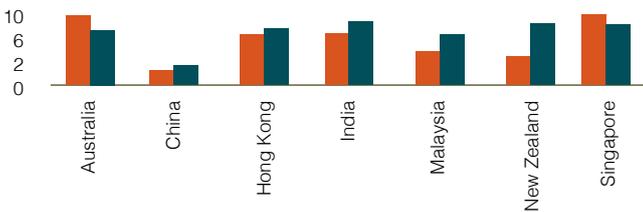
Figure 14

Average tenure (years) for different types of female directors compared to male directors

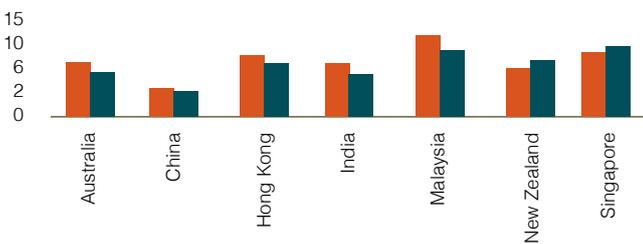
Independent non-executive directors



Non-executive directors

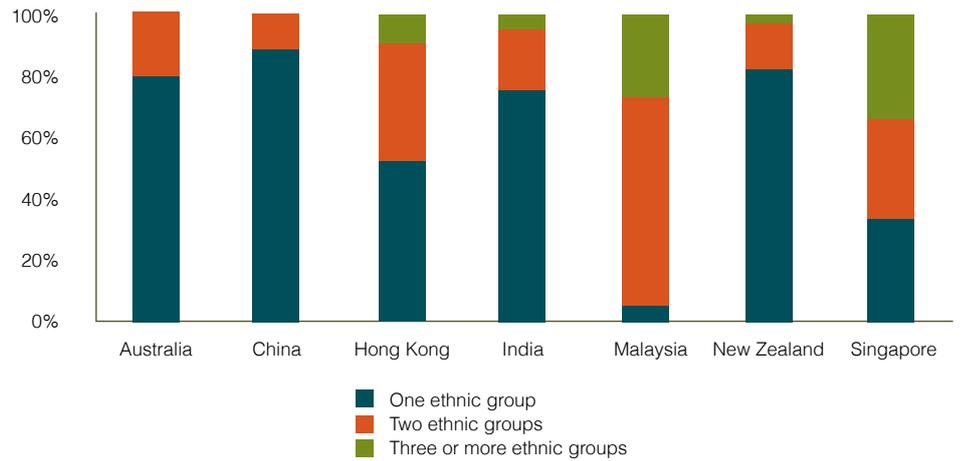


Executive directors



Ethnicity. Figure 15 shows that boards with directors made up of three or more ethnic groups are rare across Asia Pacific. The majority of boards, other than those in Malaysia and Singapore, come from a single ethnic group. In Malaysia, the majority of boards comprise directors from two ethnic groups while in Singapore, it is almost equally common for boards to have directors from one, two, or three ethnic groups.

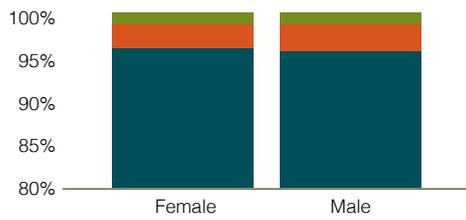
Figure 15
Ethnic diversity in boards



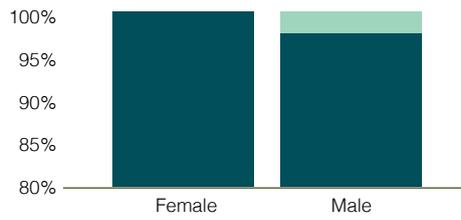
Ethnic profiles of female and male directors differ markedly in Hong Kong, India, Malaysia, and Singapore (Figure 16). In Hong Kong, Malaysia, and Singapore, female directors are more likely than male directors to come from the majority ethnic group. In India, female directors are less likely than male directors to come from the majority ethnic group.

Figure 16
Ethnic diversity by gender

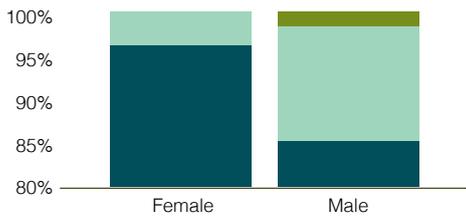
Australia



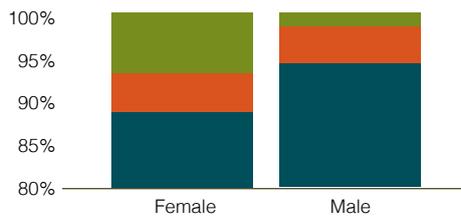
China



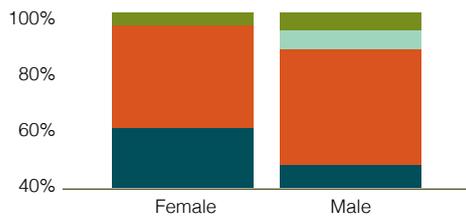
Hong Kong



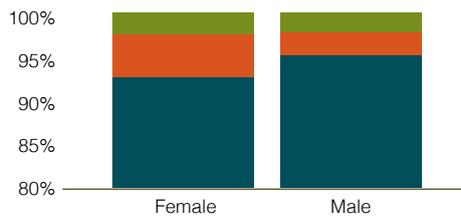
India



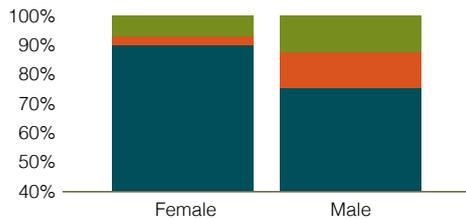
Malaysia



New Zealand



Singapore



- Majority
- Caucasian
- Chinese
- Others

Public sector and not-for-profit experience. There are differences between female and male directors in terms of public sector and not-for-profit sector experience. Figures 17 and 18 show that, overall, female directors are more likely than male directors to have both public sector and not-for-profit sector experience. This is especially true in Australia and India. However, in Singapore, female directors are less likely to have public sector experience.

In China, there is almost no difference between female and male directors in terms of public sector and not-for-profit sector experience.

Figure 17
Public sector experience by gender

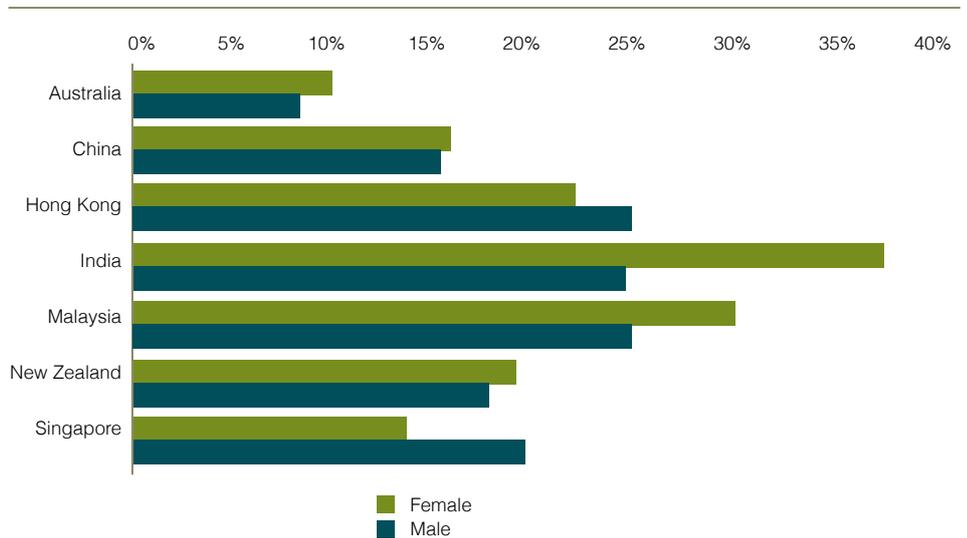
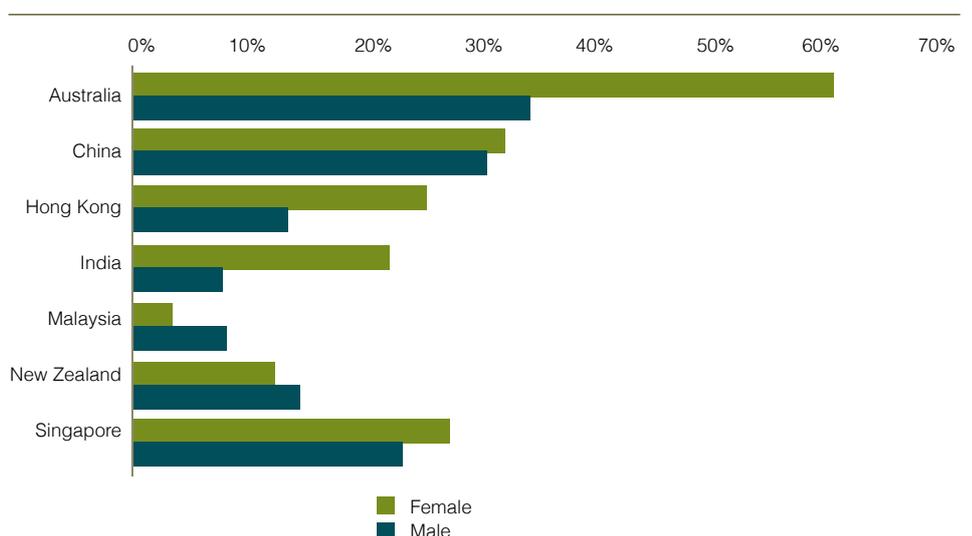


Figure 18
Not-for-profit sector experience by gender



Conclusions and action steps

Discussions on appropriate board composition have evolved from a focus on independence, to competencies, to commitment, and now to diversity. There is an increasing recognition that boards need to incorporate diversity considerations when appointing directors, especially gender diversity.

Despite the positive benefits, the representation of female directors on boards remains low across the countries in our study. Leading companies have been taking the issue of diversity quite seriously—setting employee targets, tracking and looking for ways to improve—as increasing evidence suggests that more diverse boards and management teams are more effective.

Improving diversity will require continuing focus by regulators, policymakers, and investors on this issue, and a mindset change on the part of boards of directors. In addition to gender diversity, boards may also benefit from greater diversity in terms of age and ethnicity, as these different demographic profiles help create boards with varied viewpoints and with more functional and sector expertise.

In order for boards not to become too large (thereby slowing down decision making), directors increasingly will have to be multi-skilled and possess diverse attributes. The key to increasing diversity, and also addressing other demands for directors to be independent, competent, and committed, is to have a robust and transparent board nomination process.

The key to increasing diversity, and also addressing other demands for directors to be independent, competent, and committed, is to have a robust and transparent board nomination process.

Such a process should include a formal assessment of skills and experience gaps on the board, clear specifications of desired attributes of director candidates, and a comprehensive search for directors who best meet the desired attributes. Common prevailing practices of recruiting directors through personal contacts or networks are unlikely to lead to high-performing boards and to improved diversity.

We therefore recommend the following three steps that boards can undertake to improve diversity:

- > Develop a framework of competencies required for the board based on factors such as the company's business, its strategies and its current and target markets;
- > Assess the current board against this framework to identify gaps, and develop a description of the competencies and other key attributes desired in new directors; and
- > Undertake a comprehensive search to identify a wide range of potential candidates and a thorough process to assess the suitability of each.

Companies across the globe are starting to recognize that successful boards should reflect the markets they serve and that homogenous leadership teams will be less equipped to do business in an increasingly complex business environment. The question is how fast companies can attract this key board talent from a limited pool to capitalize on opportunities ahead of their competitors.



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