

Board Composition and Director Selection:

Moving beyond the Skills Matrix

Dr. William R. Holmes

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ACKNOWLEDGEMENT OF TRADITIONAL LANDS

Royal Roads University acknowledges that the campus is located on the traditional lands of the Xwsepsum (Esquimalt) and Lekwungen (Songhees) ancestors and families.

It is with gratitude that we now learn and work here, where the past, present and future of Indigenous and non-Indigenous students, faculty and staff come together.

Hay'sxw'qa si'em!



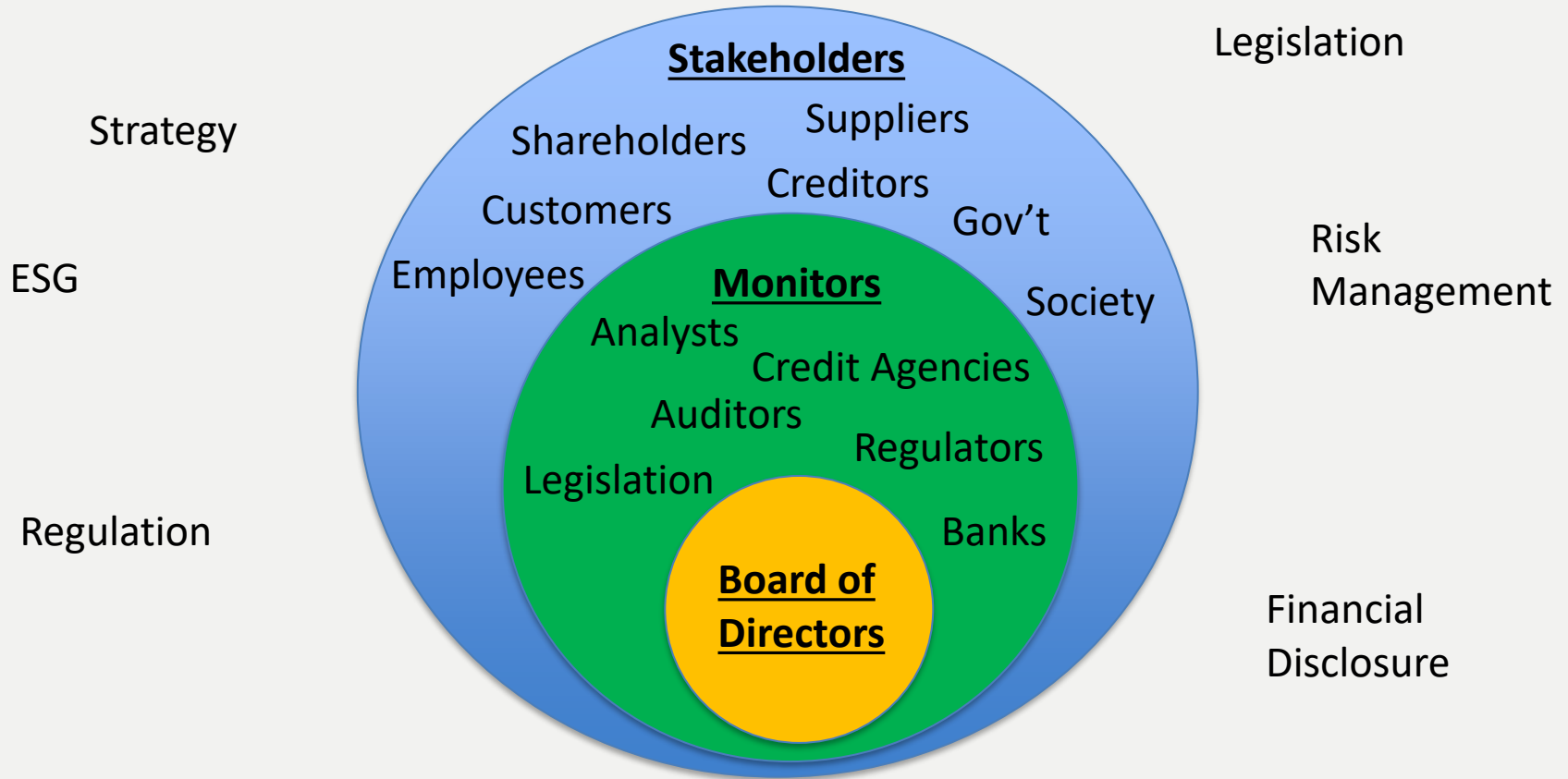
Corporate Boards and the Skills Matrix

Composition of Corporate
Boards of Directors



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The Board of Directors



The Bedrock of Corporate Governance

Role of the Board of Directors

- To act as shareholders' agent with fiduciary responsibility
- To hire and evaluate executive management
- To approve major operating proposals
- To approve major financial decisions
- To offer expert advice to management
- To ensure the firm's activities and financial condition are accurately reported to its stakeholders
- To guide strategy
- To recognize, evaluate, and manage risk

Who should be on a Board of Directors?

Board Composition

- A corporate Board must collectively possess a certain set of skills and attributes.
- A list of skills is usually articulated within in a board document referred to as a skills matrix.
- The skills matrix is checked periodically to ensure that the Board in aggregate possesses the requisite skills to execute its duties.

Skills Matrix – An Example

Skill/Experience	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Total
Financial Acumen								
Accountant								
Investment								
Legal								
Corp Governance								
Industry Experience								
Executive Experience								
Government								
Human Resources								
Risk Management								
Strategy								

Skills Matrix - Tabulate

Director	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Total
Financial Acumen	x	x		x			x	
Accountant	x							
Investment				x			x	
Legal			x				x	
Corp Governance			x		x		x	
Industry Experience					x			
Executive Experience					x	x		
Government						x		
Human Resources								
Risk Management		x						
Strategy					x	x		

Skills Matrix – Total

Director	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Total
Financial Acumen	x	x		x			x	4
Accountant	x							1
Investment				x			x	2
Legal			x				x	2
Corp Governance			x		x		x	3
Industry Experience					x			1
Executive Experience					x	x		2
Government						x		1
Human Resources								0
Risk Management		x						1
Strategy					x	x		2

Skills Matrix – Identify Gaps

Director	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Total
Financial Acumen	x	x		x			x	4
Accountant	x							1
Investment				x			x	2
Legal			x				x	2
Corp Governance			x		x		x	3
Industry Experience					x			1
Executive Experience					x	x		2
Government						x		1
Human Resources								0
Risk Management		x						1
Strategy					x	x		2

Skills Matrix – Identify Weaknesses

Director	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Total
Financial Acumen	x	x		x			x	4
Accountant	x							1
Investment				x			x	2
Legal			x				x	2
Corp Governance			x		x		x	3
Industry Experience					x			1
Executive Experience					x	x		2
Government						x		1
Human Resources								0
Risk Management		x						1
Strategy					x	x		2

Is the Skills Matrix Enough?

What about other qualities and characteristics?

Collaboration
Empathy
Listening
Curiosity
Teamwork
Wisdom
Problem Solving
Creativity

Is the Traditional Skills Matrix Enough?

What the skills matrix does not cover:

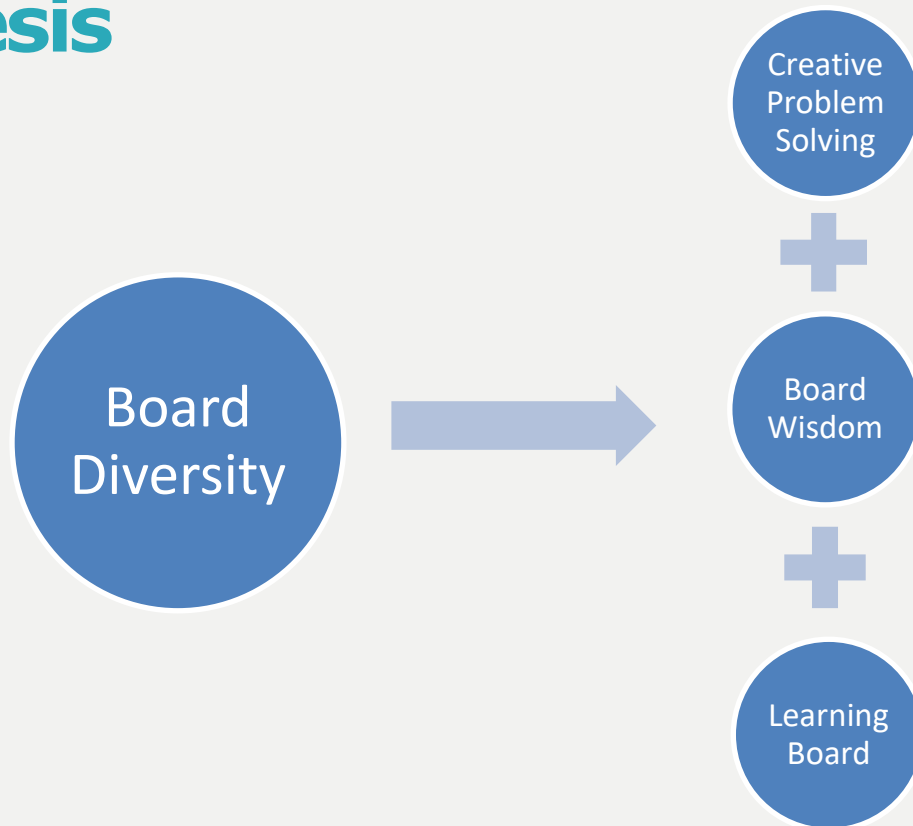
- The ability of a board to work together.
- The ability to recognize and understand the needs, wants, and desires of various stakeholders.
- The ability of the board to recognize and address emerging challenges.
- The ability to recognize the value of a diversity of thought, perspectives, and experience.
- The collective wisdom of the board.
- The ability to engage in effective and creative problem-solving.

Board Diversity and Desired Attributes

Hypothesis:

Consciously building a diverse and inclusive board can facilitate the acquisition and maintenance of many of the desired attributes not normally covered under the traditional Skills Matrix

Hypothesis



Diversity, Equity, and Inclusion

The Role of DEI in Board
Composition



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Why Board Diversity?

- The Board represents a broad range stakeholders which also includes shareholders, community, and greater society.
- Stakeholders represent a diverse set of interests and perspectives that need to be understood by the Board.
- Board membership should reflect diversity of society (Local? National? Global?)
- Ethnic, religious, racial, physical ability, gender, gender identification, sexual orientation, LGBTQ+, age and experience

Stated Reasons for Board Diversity

It is the moral and just thing to do. (Tenet Healthcare)

There is a strong business case for building a diverse workforce (or Board). (AstraZeneca)

Board composition should reflect diversity of society.

- Note: companies need to be careful with their communications with respect to diversity ...more on this later!

Creative Problem Solving

Diversity and its role in solving problems creatively



Creative Problem-Solving

Divergence

- Creativity scholars have developed a methodology designed to facilitate creative problem-solving (CPS) (Puccio, 2000)
- Once the problem to be addressed is clearly defined, problem solvers engage in a process known as divergence and convergence.
- Divergence involves throwing away constraints and envisioning as many potential solutions or approaches as possible.
 - Brainstorming
 - Blue sky thinking

Creative Problem Solving

Convergence

- Convergence is the next step in the CPS process.
- Constraints are reapplied to diverse solutions.
- Choices are made eliminating the unworkable.
- The possible solutions suggested during the divergence stage that remain after the convergence stage are available to choose from.

Creative Problem Solving

Diverge

Converge

Create
Options

Make
Choices

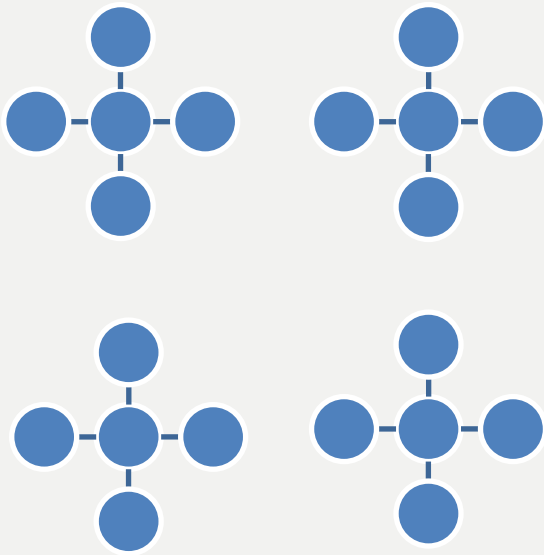
Range
of
Solutions

Remove Constraints

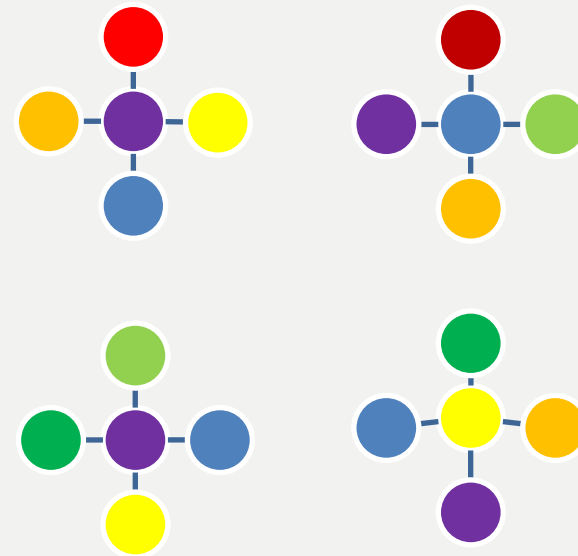
Apply Constraints

Diversity and Creative Problem Solving

An experiment



Homogeneous Groups



Diverse Groups

Observations

Homogeneous Groups

- Solved the problem fairly quickly.
- Groups found the process collaborative
- Solutions presented were fairly similar across the groups.

Diverse Groups

- Took longer to arrive at solutions.
- Debated and argued intensely
- Presented a diverse array of very different solutions

Conclusions

Diversity is challenging and time-consuming but leads to a greater variety of potential solutions to choose from.

Diversity in Board composition can lead to the voicing of a broader range of perspectives and ideas leading to more informed and creative decision-making.



Fostering Wisdom in Corporate Boards

Acquiring and Cultivating
Wisdom on Corporate Boards



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Wisdom

There is a rich field of research on wisdom,

- who has wisdom,
- what wisdom is,
- how wisdom is obtained, and
- how wisdom can be cultivated in individuals and within groups

Wisdom Defined

There are numerous definitions of wisdom proposed by wisdom researchers ranging from the succinct;

“doing the right thing for the greater good, all things considered” (Hays, 2017)

to a more detailed version of executive wisdom by Kolodinsky & Bierly (2013)

“The actionable ability of a top organizational manager to apply accumulated knowledge, embody moral maturity, manage uncertainty, and engage in reflective strategic decision-making processes that result in: (a) enlightened strategic judgments and (b) effective implementation of principled actions that help to sustain long-term organizational effectiveness and positively impact a firm’s most salient stakeholders.”

Wisdom in Business

The Traditional View

- The traditional view of wisdom in business is that it is acquired through
 - Education
 - Training and Professional Development
 - Professional Experience

(Age is often assumed to correlate positively with wisdom)

Wise Leaders

- Business leaders recognized for being wise, were interviewed (Matchett, 2022), and credited their wisdom to the following;
 - Diverse life experiences outside of work with an emphasis on travel and engaging with other cultures/languages.
 - Passions, hobbies, and pastimes outside of work.
 - Humility and empathy.
 - The ability to listen objectively.
 - The ability to accept and assimilate a diversity of opinions.
 - Curiosity and a focus on continuous learning

Wisdom through the lens of diversity

- The ability to accept and assimilate a variety of perspectives.
- Life experiences underlined by exposure to different cultures and ways of thinking.
- Curiosity and an ongoing thirst for knowledge.

The Learning Board



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The Learning Board

Past Practice

Board members were acquired based on;

- Industry experience
- Executive experience
- Education, training, and qualifications
- Connections and access
- Prestige
- Achieved positions and recognition

The Learning Board

The Current Environment

- Rapid, fast-changing global environment
- Social, environmental, technological, economic upheaval
- Increased incidences of black swan events
- Increased pressures on boards to manage risks and recognize emerging issues

Board members can no longer rely on their past experience to carry them through the governance process.

A “Learning Board” is essential for success in Board Governance!

What is a Learning Board?

A Learning Board

- Actively educates its members on emerging topics.
 - cyber security, DEI, social issues, climate change and adaptation, technology adoption and disruption, etc.
- Seeks out new members with knowledge and expertise in emerging areas.
- Educates its members through professional development activities or the use of external expertise (consultants).
- Listens to and considers a broad range of opinions from a diversity of board members and stakeholders

Diversity's Contribution to a Learning Board

Diverse Board Members:

- can educate the Board on impending or potential emerging issues they might not have otherwise been aware of.
- can provide the Board with a greater understanding of the impacts emerging issues have on diverse stakeholders.
- can offer a greater range of perspectives on how to approach emerging issues.
- can contribute to a greater range of creative solutions to emerging issues.

The Importance of Inclusion



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Inclusion

Diversity is ineffective without inclusion

- Inclusion requires the full and equal participation by all members of the Board.
- Inclusion requires that the input and contributions of all members receive due consideration and the respect of all other members.
- Respect diverse board members for the value of their contributions as effective board members because they make valuable contributions to the board as individuals in their own right.

Remember the Individual

A recent series of studies by Georgeac and Ratton (2022) found that individuals who identified as being from diverse background were *less likely* to want to work for companies who claimed to embrace diversity because;

- diversity is morally the right thing to do, or;
- diversity is good for business.

Communicating the Drive for Diversity

Georgeac and Ratton (2022) surmised that diverse individuals were sensitive to messaging with respect to diversity.

Diverse individuals want to be hired because of the value that they, as individuals, can bring to the organization.

Logically, this would extend to Board members too.

Role of the Chair in Fostering an inclusive Board

- To facilitate dialogue among and between all board members.
- To ensure respectful interactions between and among board members and between board and management.
- To ensure recognition, consideration, and inclusion of all member contributions.

Evaluation of the Board

To be conducted periodically

- Self-evaluation, evaluation by management and other stakeholders.
- Candid evaluation of Board culture, Board leadership.
- Recognition of gaps including;
 - Unrepresented stakeholder groups.
 - Missing expertise or experience.
 - New expertise in emerging issues.
 - Other absent identified traits characteristics and qualities

Identifying and Recruiting Diverse Board Members

- “We can’t find diverse board members with the required education, skills, and/or experience” is not a valid argument.
- Look beyond existing networks.
- Qualified individuals from diverse backgrounds are out there; we just need to look harder.
- Be willing to train and develop high potential diverse board members.
- Consider expanding the Board to accommodate high potential diverse Board members.

In Conclusion

Diversity brings in a broad variety of perspectives which can contribute to more creative and informed problem-solving.

A diverse and inclusive board can share a greater variety of experiences, fostering greater collective wisdom.

Inclusion and sharing of a diversity of perspectives contributes to a “Learning Board.”

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Questions?

William R. Holmes,
DBA, MBA, MA, CPA, CPHR, FCG, Acc.Dir

william.holmes@royalroads.ca

