

DIVERSITY, EQUITY, AND INCLUSION

Analyzing the Skills Gap in the Boardroom

By Carey Oven and Caroline Schoenecker

The increased attention to systemic racism over the past year has coincided with accelerated efforts to bring more women and minorities into the boardroom. Some studies have repeatedly shown that greater diversity in the boardroom leads to smarter decision-making, contributes to an organization's bottom line, and powers innovation, effective risk management, and a more innovative corporate culture. Today, there is no denying that diversity of skill set and experience can help a board develop a holistic view of its organization's priorities, values, opportunities, and challenges.

Some boards are still evaluating the appropriate mix of skills they need to match the strategic priorities of their organizations, especially as those priorities become increasingly complex. The sixth edition of the *Missing Pieces Report*, a multiyear study organized by the Alliance for Board Diversity in collaboration with Deloitte, highlights the progress that has—and has not—been made in the equitable representation of women and minorities on boards. Additionally, we notice that women and minorities bring new and valued business acumen to the boardroom, different from that of white male C-suite executives.

Additional analysis of the skills data provided by ISS Corporate Solutions behind this edition of the *Missing Pieces Report* goes beyond the early findings that show women and minority board members are more likely than white men to bring experience in corporate sustainability, government, sales and marketing, and technology. These skills are at the forefront of growth in a resilient economy, even though fewer than 55 percent of board members in the Fortune 500 report having any one of these competencies. These skills and perspectives may help strengthen discussion in the boardroom and help boards address perennial challenges, including increased competition, regulation, and disruptive technology.

The additional analysis also reveals potential bias built into the search for board candidates. The most represented skills in women board members in the Fortune 500 are leadership, financial, and audit. The same categories—in addition to strategic planning and operations—ranked as top skills for minority men and women. This indicates that skill sets represented on boards may be too narrow, possibly stemming from a narrow wish list of skills that boards make for potential candidates. That said, this skills representation only applies to people already in Fortune 500 boardrooms, and we might infer that there are additional sought-after skills in the pipeline of women and minority board-ready candidates.

When we look at the analysis of skills and skill gaps by industry,

white men are generally more likely to bring CEO experience to the boardroom—which isn't surprising given the demographics of current and past CEOs—but this is notably more common in the industrials, real estate, utilities, and communications services industries. In energy industry boardrooms, women or minorities are much more likely to bring prior audit experience, whereas white men are much more likely to bring prior industry experience. While Hispanic/Latino(a) and African American/Black directors are frequently noted for having prior leadership experience, these skills are often table stakes in the boardroom.

This research begs the question: What are the skills gaps in your boardroom? To match the mix of skills and experiences to the strategic priorities of your organization, several actions can be taken, including the following:

- Conduct a full skills assessment, looking critically at what skills your company may need in the boardroom in the coming years.
- Establish a specialist committee or panel to illustrate collective skills of the board as a whole and to identify missing skills.
- Broaden the pool of candidates for specific board roles, as your current network may not have people with the skills and backgrounds that help fill those gaps.

Effective board composition is not one size fits all, and qualifications and skills can be defined in various ways, making the process even more complex. Boards should consider their composition carefully to ensure that they have the right skills and experiences to allow for diversity of thought and innovative, strategic discussions as boardrooms evolve to navigate an ever more complicated world. **D**



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