CORPORATE BOARD MEMBER NETWORK

2022 OUTLOOK FOR CORPORATE BOARDS

A director's guide to challenges and opportunities across every aspect of board oversight, including:

STRATEGY

RISK

EXECUTIVE COMPENSATION

ESG

DIGITAL TRANSFORMATION

M&A

HUMAN CAPITAL

CORPORATE BOARD MEMBER NETWORK

FROM CORPORATE BOARD MEMBER NETWORK:

French writer Jean-Baptiste Alphonse Karr once wrote, "The more things change, the more things stay the same." When we look back at the agenda of our annual Boardroom Summit 10 years ago, featured sessions included "Living with Uncertainty – The Risk Agenda," "Juggling Management's and Institutional Investors' Expectations for Executive Pay," and "The Next-Generation CEO."

A decade ago, we were discussing what felt like a dizzying speed of technology change, globalization and systemic risk. Boards were trying to make sure they had the right leader at the helm to drive long-term business strategy—and trying to make sure they were paying their CEO in a way that wouldn't ruffle ISS's feathers. Sounds familiar, right?

Fast forward 10 years and directors at America's public companies face a new set of enormous and continuous challenges—lingering Covid-19 variants, inflation, supply chain issues, new technologies laden with new cybersecurity considerations, societal unrest, bitter politics, stakeholder capitalism, among others.

No matter how much change occurs around us, the board remains central to the success of every company. Without a doubt, the job of stewarding a business as a corporate director is more difficult than ever before. It takes courage and an ability to tackle big challenges to be a public company director today.

Since 1998, public company directors have relied on Corporate Board Member to help them strengthen stakeholder trust in the organizations they represent and improve their contributions as individual directors and as a group.

The Corporate Board Member Network connects the community of 25,000 U.S.-based public company directors to each other and to leading governance experts through peer networking opportunities and a suite of best-in-class tools and resources specifically designed to enhance board performance.

Unlike any other organization, Corporate Board Member promises to exclusively serve directors of publicly traded companies, giving directors assurance to engage in off-the-record peer meetings, annual surveys and training that address key board issues and elevate boardroom impact.

Amid all the tumult—and opportunity—of our times, Corporate Board Member Network is here to help you.

GET IN TOUCH WITH US

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CORPORATE BOARD MEMBER NETWORK

Strategy

'GO AHEAD AND GO FOR BROKE'

Our sister publication, *Chief Executive*, convened a roundtable of big-cap business leaders for a candid talk about Covid-19's role catalyzing technological changes that made them quicker, tougher and better positioned for the future. Excerpts from the conversation:

Arvind Krishna (IBM): Digital transformation is accelerating because we are in a triple crisis. We have the health crisis of Covid-19 that led to an economic crisis that has led also to the amplification of social justice issues. These are accelerating three vectors of change. First, because we all went remote in mid-March, we are seeing a much greater acceleration of technology of all forms but specifically digital transformation because that has become the primary way we interact with our clients and with our employees.

Second is the usage of cloud technologies. On a global basis, only 20 percent of enterprise workloads have moved to cloud, and, if you look at regulated industries, it's about 10 percent. That can go a lot higher, and the business value unlock can be a lot more.

The third transformation is around data and artificial intelligence. The amount of data we all produce is exploding. How do you take advantage of all that data to unlock it, to give great insights back to your client, to give insights back to the economy? Are you going to monetize it? All these questions are there, and the only technology we have on the horizon that can unlock that value is A.I. I think it was PwC that put out an estimate that A.I. can be $16 trillion worth of productivity, not the technology costs, productivity improvements, but rather real business improvement over the next decade, but we are only 4 percent of the way into that journey.

So, if you look at those three vectors, just to keep it simple, how fast are we going to go on digital transformation?

Brian Moynihan (Bank of America): The key aspect at the start of this is the customer and the change the customer has gone through. If you're dealing with consumers, you can't get ahead of them. We always tried to follow a path that led to deploying more and more things to help them along. We did it by studying what consumers are doing and platforms that may not be financial services platforms but other platforms and how to apply that. The second thing was the scale we had to have to ensure that the experience was what it was supposed to be. You can't discount that, because when big companies make massive transformations, in our case, 60 million customers, if you aren't ready to support that scale, then you blow it. I remember sometimes our mobile would go down, and people would really get upset and say, "You asked me to do it this way, and the thing doesn't work." So, you had to be ready to support the scale, and then you had to be able to dismantle the systems to make them less complex so they could operate.

That's what we did. We followed the customers, we kept making it more simple, we kept thinking about how to make it more natural. And, after coaxing people along for years, in the last six to nine months, we've seen people use mobile deposit with checks who never had before because they really had no choice. You weren't going to get in your car, drive down and walk in that branch when you thought everybody else around you was infected. We went from 5 million mobile users, probably, in 2010 to 30-odd million today. So, it's been a heck of a ride.

Stefano Pessina (Walgreens Boots Alliance): In the past, companies were inclined to think about what, according to them, was best for customers, and the customers would follow. Now, the customers have a lot of information. They have the ability to decide by themselves. This means that you have to understand what they want and follow their needs.

The concept of the traditional store

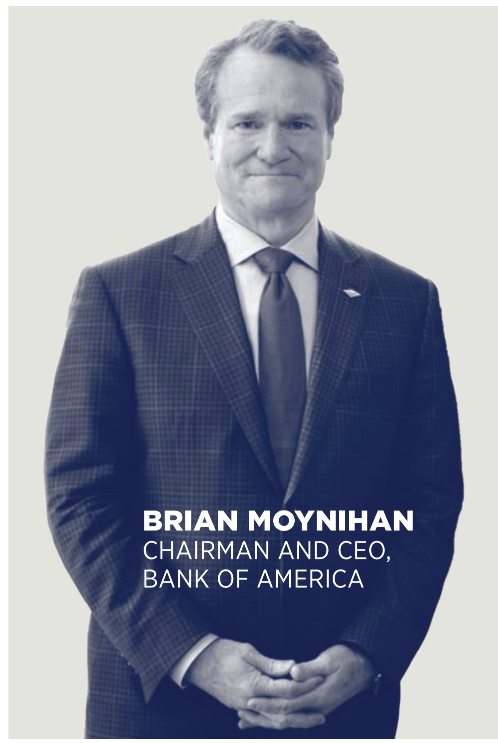
will not work in the future. We had to work to transform the company and to invest a lot in technology in our company here in the U.S., working with a very traditional company, a great company with great people and great locations but with severely obsolete technology. The basis, the IT was 30 years old. We had to make an enormous effort to rejuvenate everything, to start from scratch practically and build the new technology [to deliver] what the customer is looking for. After a year, we can start to see that we are much closer to the customers than we were before and will continue to be closer and closer to them.

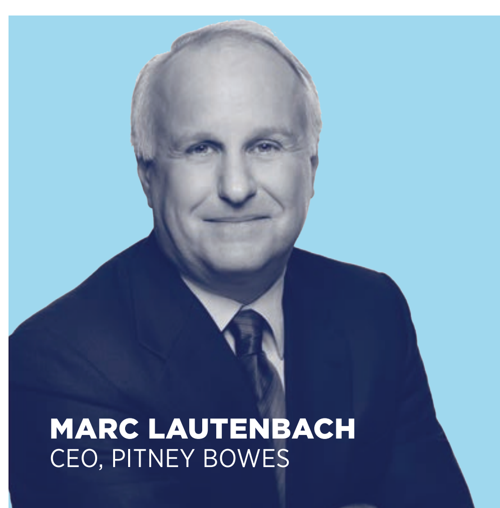
STAYING IN SPRINT MODE

Tricia Griffith (Progressive): We've always considered ourselves a technology company that happens to sell insurance. We have different generations of how customers want to buy their insurance—people who want to go to agents, some who want to call direct, some who want to go online. Seeing what we were all able to achieve in the middle of March, I'm pushing toward much more urgency to give even the older cohorts the ease with which to do insurance transactions on their mobile devices because it just makes sense. My biggest thing right now is really not to lose the sense of urgency when we get out on the other side of this but rather reimagine how our companies can be different from a technology perspective and really be able to use that to gain market share and to reduce costs.

Marc Lautenbach (Pitney Bowes): Often, the question gets posed, how do you digitally transform your company? But CEOs tend to think about it in terms of customers and markets and value. The technology, the digital technologies, the mobile technologies tend to be a means to an end as opposed to the end in and of itself.

It's a subtle but really important difference because companies that transform tend to have, almost 100 percent of the time, a view of a market that they want to evolve to, it's, "I want to move from mainframe to cloud" or "I want to move from this to that." The technology ends up being an enabler. That's certainly what we've found.





“Digitalization, cloud, IoT, all of this is now a necessity of how we interact with our end customers.”

—Arvind Krishna, Chairman & CEO, IBM

Michael Neidorff (Centene Corporation): We have a product, a system that looks at all 25 million lives that we cover every night in about five minutes. It has a five-year record of their health and their treatment. And let's say somebody's potassium is off in a test they just had done, the algorithms are there to notify the doctor that there could be a cardiac event pending before he's had a chance to get the record.

Another example is precertification of certain procedures; it's taken as long as 18 minutes to pre-authorize. We have developed the algorithms to do a pre-authorization in just seconds. So you end up with a patient getting care faster and a doctor delighted that he got that authorization that fast.

Alan McLenaghan (SageGlass): Never before has a purpose of an organization been more important, to unite people and to constantly remind people of why we are here beyond their day-to-day responsibilities and jobs, that the purpose of the organization is very clear and allows them to unite. At the moment, throughout the world, the politicians and the leaders have not been [inspiring] trust from people. I think they look to business leaders more now than ever to allow them to unite again together, to have a sense of purpose in what they're doing every day.

So, being in connection with them—whether it's physical, virtual, constantly talking about the purpose of what we're doing, why we're doing it and giving them guidance on how to react in these situations—has been a wonderful opportunity for companies.

Nelson Griggs (Nasdaq): I think we have more information now about our teams than ever in terms of getting very specific in our questionnaires to employees about what they want. And some really like this environment, quite frankly, and don't want to change it. The technologists to a large degree don't want to come back; others are dying to come back. So, the idea that we can tailor different opportunities for our employees, to find a more productive way to work and more enjoyable way to work... it does feel like there will be different scenarios we all have to plan for to make this effective.

Nick Pinchuk (Snap-on): More than half our people work [in factories] every day. Then you have the white-collar people, about 75 percent of them are working at home sheltering in place. I don't think the idea of digitalization is particularly challenging in this environment. What's challenging is to keep the people together, to have them feel like they're part of the enterprise.

For the workers who can't work from home, you have to be sure you tell them that they are doing it for a purpose. They're actually keeping our society from disintegrating. You buy a roll of toilet paper, it's vended to you by a grocery clerk who can't work from home, delivered by a truck driver who can't work from home, loaded by a warehouse worker who can't work from home and made by a factory worker who can't work from home.

As CEOs, we have to keep those people aware that they're doing something really special. And for everybody else, you have to worry about making sure that they feel part of the corporation. We try to tell the people at home, “Okay, you're working from home now. We don't see you every day. But when all this goes away, you're still gonna be part of Snap-on.” Because what you need going forward, particularly for digital transformation, is to get those people working in their individual natural workgroups to figure out how to use digitization to make their jobs better. We'll need their enlistment when they come back, so you have to give them purpose and self-interest today.

McLenaghan: Nick, I recall a story many years ago, a friend who ran a power plant in Europe. And he described the control room operators as the guardians of society. And his logic was simple: How many days after we run out of power before society falls apart? It certainly makes you think of the value and the purpose that we all bring to our jobs. We don't just monitor the voltage on a particular transformer. We are providing something for society to function, and every single one of our companies provides a piece of that—the uniting of people behind that common purpose. It has never been more important or opportunistic for us to get a great sense of a collective being within an organization.

Judy Marks (Otis Worldwide): Our concern is that we not create a dual-class society. Some of you talked about white collar versus blue collar, and we couldn't have our business without our field professionals. We've decided to use technology investments to make sure we're not just talking about hybrid and remote work from home or any of those. It's all about how we make sure everyone benefits from this.

OFF-SITE ARDING

Moynihan: One of the things that's been on my mind is creating culture among young people. Think about the people you hired a year ago—they had six months in the office and six to eight months out. And think about the cohort we just hired. They've never met their boss [or been in] the office. For the cohort that's two years in, it was a year and a half-ish to a half year. So, we flipped around to look at, if they feel comfortable, getting those teammates back because if they go two or three years without ever having been in a culture of our offices, that's going to be trickier than somebody who has worked for 30 years. How do you get them to understand the culture if they've never met their boss?

Greg Hayes (Raytheon Technologies): That posed a unique challenge as we brought Raytheon Technologies together. That was the aerospace businesses out of UTC and then the Raytheon business. It all happened on April 3, and we had been working from home to do the merger and to do the spins. To this day, I have yet to have a staff meeting in person, I've yet to have a board of directors meeting in person. I have been out to some of the facilities just to try to introduce myself all with proper social distancing and masks and all that.

With 100,000 people working from home, our productivity over the last seven months has actually been better on the work-from-home crowd than it has been historically when people were coming into the office. People are putting in more hours because they're not commuting. We measure productivity by the number of hours you charge on a job to get a program done. And all those productivity metrics are up because people are more focused. But the number of patent applications within our portfolio is down by over 50 percent this year. So, we're getting work done, but we're not getting innovation done because we're not collaborating as well. And I think we will keep doing this for another year probably. My question is, how do we work better to get people to collaborate and innovate in a digital world? That's something we haven't quite figured out yet.

Krishna: Of the two populations that we declared essential back in March, one was our front-line or plant workers, and the other was our most extreme research employees, because I was dead afraid that if they couldn't get together in person, that deep innovation pipeline that does materials, science, quantum computing and mainframe processes, etc. would not be able to function. My fear is that we are living on social capital.

So, in about six months or one year, we can have a discussion. You can live off your prior social capital but at some point, you run through it. I worry once you run out of all the things you accumulated, how do you create that? That's why I go back to maybe we won't bring people in for 50 hours a week into the office; maybe they'll come in for 10 hours a week, juice up some ideas and go back and work on it remotely. For certain marketing functions, for deep R&D functions, certain client-facing functions, you need that creative spark of being together, I'll call it serendipity. We build off of each other. It really does get people's mental juices flowing.

Hayes: I am fearful if we don't figure out a way to bring the, I call them the kids, along and socialize them into the culture, in a year or two, it's going to be too late. I have personally been doing a video every two weeks, no more than 5 or 10 minutes, that I send out to every single employee. I always include my email address, and it's amazing the response you get with just those few minutes. It's also important for those people working from home that their supervisors reach out and talk to them, not just on Zoom about the day's meetings but that personal interaction, "How are you doing?" People are isolated, and we have seen a huge spike in the number of folks taking advantage of our employee assistance program. I expect we're not alone in that.

Moynihan: Colleagues from Teladoc and other healthcare providers here admit that the usage has gone up, probably across the board. The numbers are getting staggering. I close every discussion with my team saying, "You know, you've got physical health but you also have mental health responsibilities." We've got to help people.

Krishna: Collectively, what we all have said is digitalization, cloud, A.I., IoT, all of this is now a necessity of how we interact with our end customers. Even those of us who are in B2B or enterprise companies who sell to other enterprises, they, in turn, sell to their end users.

Nick Pinchuk said that a CEO's job is belief. We've got to have a North Star we all believe in, we've all used the word *purpose* in here. If you have your North Star or the vector you're going in on the business, you decide how you're going to do it, you got to bring everyone along on that journey, you've got to use technology as the vehicle through which you do it because I don't think we have another tool for that. And you've got to do it with a real understanding of the environment they're in. They're remote, some of them are disaffected; there are all these elements coming into play. It's all real. We've got to take all this into account and use technology as a way to mitigate these ills. **CBM**

BARRA'S BOARD

ONE OF THE NATION'S MOST INFLUENTIAL BOARDS IS ALSO AMONG ITS MOST GENDER-DIVERSE. HERE'S HOW GM'S CHAIR AND CEO PULLED IT TOGETHER—AND WHY.

BY DALE BUSS

Last spring, Mary Barra created another stir in the auto business, this time by changing the top board title at General Motors—which she holds—from "chairman" to "chair." Ford soon followed similarly, and Barra got huzzahs from diversity mavens around the world.

But the title change was far from merely symbolic. It also was highly reflective of how GM's leader has hitched gender recognition to a remarkable new heyday for America's largest automaker. Barra shattered a thick glass ceiling when she rose to CEO of GM seven years ago, becoming the industry's first female head. Since then, as chair, she has put together one of the few majority-women boards in the Fortune 500—and, certainly, one of the most important. GM is among only 5 percent of companies in the Russell 3000 index at which women account for at least half the directors.

"It's something I personally feel strongly about, and [diversity is] something General Motors counts among its company values," Barra tells *Corporate Board Member*. "It has long been a top priority of the board and the governance committee to ensure that GM has a board composed of directors who bring diverse viewpoints, possess a variety of skills, professional experience and backgrounds, and effectively represent the long-term interests of shareholders."

She notes that GM was the first Fortune 500 company to seat an African-American director, Rev. Leon Sullivan, in 1971. GM elected its first woman director, Catherine Cleary, in 1972, whereas Ford's first female director wasn't elected until 1976. When Alexandra Ford

MARVIN SHAOUNI

English joined Ford's board in May, she became the first female member of the founding family to sit as a director in the company's 118-year history.

Barra says "the fact that some of [GM's directors] happen to be women was a bonus, not a dictate." But Tim Solso calls the fact more intentional. "I think it's a great accomplishment to have a female-majority board," says the former CEO of engine maker Cummins, who left the GM board as lead director early this year after a nine-year stint on the board. "It makes a statement about the company and how progressive it is. And it's one of the best boards I've ever seen in terms of how it functions and how it is involved in helping the company become what it can become."

Traditionally, industrial CEOs and CFOs steered GM's board along with insiders—nearly all white males. But a board with seven females out of 13 is how Barra is addressing a future for GM aimed at dominating in electric and automated vehicles and being the industry standard bearer for leadership diversity.

Patricia Russo, GM's lead director, says the company's evolved board is ready for the challenge. For example, Jami Miscik, CEO and vice chair of a consulting firm founded by former Secretary of State Henry Kissinger, joined the GM board in 2018 and "really understands geopolitical issues and risks around the world," says Russo, who is chairman of Hewlett Packard Enterprise. A director since 2015, Linda Gooden "understands the criticality of safety and quality" after serving as executive vice president of information systems for Lockheed Martin. And the newest female director, Meg Whitman, former CEO of Hewlett-Packard and eBay and candidate for governor of California, "brings an incredible breadth of experience in the startups and venture world."

Barra is continuing to lead a corporate transformation at the board level that she launched after emerging from the ranks of upper management in 2014 to take over a company just beginning to find its way out of bankruptcy and the Great Recession. She rumbled through GM's

"It's one of the best boards I've ever seen in terms of how it functions."

—Tim Solso, former Non-Executive Chair, GM

ignition-switch debacle, sold its long-held European operations, closed some U.S. plants, deep-sixed many sedans, invested heavily in digital-tech startups, committed the company to make its own electric-car batteries, and then promised to spend $35 billion to convert GM's fleet nearly completely to EVs and automated vehicles by 2035.

Along the way, Barra has dazzled industry veterans with her performance as CEO—and with her approach to the job. "She's inherently a team person and a very effective communicator across the various verticals of the business," says David Cole, chairman emeritus of the Center for Automotive Research in Ann Arbor, Michigan, who has observed and consorted with many automotive CEOs over the decades. Barra contrasts with past chiefs who "were sort of king leaders," such as Roger Smith, GM's chairman and CEO through the 1980s. "It was all about him," Cole says, "and not much about the team."

Still, it is possible to look at all Barra has accomplished as CEO and conclude there is much unfinished business, including in the area of gender engagement. U.S. automakers and their dealers have progressed light years from the days when women were considered mere auxiliaries to the auto-purchase process. Companies aim brands and vehicle personae at female sensibilities now, recognizing not only that women buy many vehicles on their own but also that their opinions score heavily in the majority of purchases. So, women today are the marketing chiefs at GM, Ford and the U.S. operations of Stellantis, Hyundai, Toyota and more.

That's why, of all the changes Barra has made, GM's board makeup may be among the most important. "Boards talk all the time about having people sitting around the table who reflect the customer base, especially if it's a consumer-oriented company," Russo says. "And women in a company like to look up to a board that is heavily populated with women who look like them. Talking the talk is very important for recruiting."

GM's governance makeover began 12 years ago, after its bankruptcy and bailout, when the governments of the United States and Canada dictated a new board.

Carol Stephenson was the Canadian appointee. "It was a pretty unnatural situation to take 13 of us, and—boom—you're a board," says Stephenson, former dean of the business school at the University of Western Ontario, with stints on a dozen corporate boards. "We didn't have a lot of experience in the industry. No one knew each other. We were on a huge learning curve, and survival was top of mind. And when we were recruiting board members, we didn't know the culture or what we were trying to accomplish."

Solso says the GM board "was dysfunctional. We didn't force people out, but people retired, and when they retired, there was the opportunity to implement" a new approach. As GM climbed out of the chasm and an industry recovery took hold in the early 2010s, its board pivoted to the future.

The board elected Solso non-executive chair in 2014 and selected him and Barra to join Russo, Stephenson and James Mulva, former chairman and CEO of ConocoPhillips, on the governance and social responsibility committee. They formed a vision of a fresh board that could best leverage GM's renewed prosperity into an even brighter future.

"We needed people who'd been through challenging times and understood what it takes for a large company like GM to make changes that need to be made and become more agile and efficient and externally focused," Russo

WHO'S WHO

General Motors Chair and CEO Mary Barra led the creation of a female-majority board over the last five years, adding new members and phasing out others, but, she says, "the fact that some happen to be women was a bonus, not a dictate."

MARY T. BARRA
Chair and Chief Executive Officer
Director Since: 2014
Additional Boards: Walt Disney Company, the Duke University Board of Trustees and the Detroit Economic Club

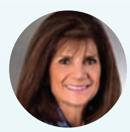
WESLEY G. BUSH
Retired Chairman, Northrop Grumman Corporation
Director Since: 2019
Additional Boards: Dow and Cisco Systems

LINDA R. GOODEN
Retired Executive Vice President, Information Systems & Global Solutions, Lockheed Martin Corporation
Director Since: 2015
Additional Board: The Home Depot

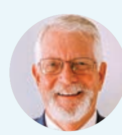
JOSEPH JIMENEZ
Retired CEO, Novartis AG
Director Since: 2015
Additional Board: Procter & Gamble

JANE L. MENDILLO
Retired President and CEO, Harvard Management Company
Director Since: 2016
Additional Board: Lazard Ltd

JUDITH A. MISCIK
CEO and Vice Chairman, Kissinger Associates
Director Since: 2018
Additional Boards: Morgan Stanley and HP



PATRICIA F. RUSSO
Chairman, Hewlett-Packard
Director Since: 2009
Additional Boards: KKR Management and Merck & Co



THOMAS M. SCHOEWE
Retired Executive Vice President & CFO, Wal-Mart Stores
Director Since: 2011
Additional Boards: KKR Management, Northrop Grumman and the Ladies Professional Golf Association

CAROL M. STEPHENSON
Retired Dean, Ivey Business School, the University of Western Ontario
Director Since: 2009
Additional Board: Maple Leaf Foods

MARK TATUM
Deputy Commissioner and COO, NBA
Director Since: 2021

DEVIN N. WENIG
Retired President and CEO, eBay
Director Since: 2018

MARGARET WHITMAN
Technology Leader and Former CEO, Hewlett-Packard
Director Since: 2021
Additional Board: Procter & Gamble

says. "At the time we were looking for a combination of skills: people who'd led large, complex, global companies; people with financial expertise. We were looking for technology expertise, as we had a lot of work to do with respect to information systems. We wanted people who'd had some consumer-marketing experience, too."

At the same time, the committee began guiding board succession in an additional direction. "Our goal was first and foremost to have the best board we could possibly have, and that meant we needed to have as diverse a board as we possibly could," Solso says.

Soon after they elected Barra chair in 2016, the board wrote a strategic plan for how its makeup should further evolve to reflect the challenges and opportunities ahead for GM. "It was clear the company was going through a fundamental transformation," Russo says, "so we laid out a five-year view of what directors would be leaving and what skill sets we believed we needed, and that has really informed a lot of the additions we've made to the board over time."

The board hired Heidrick & Struggles, the New York–based executive-search giant, landing on Bonnie Gwin, co-managing partner of its global board practice, to be GM's sole recruiter of new directors. They've stuck with her, which is an unusual practice, board members and governance experts say.

"We found [Gwin] a good adviser who understood our needs and our set of values, not just the skills we were looking for but also character and other things that needed to go along with them," Stephenson says. "She came up with great candidates for us who turned out to be great board members, so we've continued to use her."

Gwin declines to comment specifically on her work for GM. But she describes the Heidrick & Struggles approach as "putting together a skills matrix and a strategy for 10 years. What are the experiences that will be helpful and important? What boxes do current directors check, and what are the gaps?" Gwin says a board should "hold a search firm accountable for a diverse plate and consider itself accountable for considering women as part of the slate. Everyone needs to own it."

The committee considers "a skills and qualifications matrix for current directors and any additional characteristics that it believes one or more directors should possess based on an assessment of the needs of the board at that time," Barra explains. "In every case, director candidates must be able to contribute significantly to the discussion and decision-making on the broad array of complex issues facing GM."

To fill an opening, the governance

> **"In every case, director candidates must be able to contribute significantly to the discussion and decision-making."**

DRIVING THERE

Progress in women achieving corporate board seats in the U.S. slowed overall in 2020, yet pressure to achieve boardroom diversity continues to build, as evidenced by Nasdaq's recent requirement that listed companies have two diverse directors or explain why they do not. Some ideas on how to drive board diversity:

ACCEPT NO EXCUSES. The argument of a "pipeline problem" for women qualified to be directors is specious. Strong candidates exist, boards just need to double down on finding them. As Diane Hessan, a board member at Brightcove, says, "Pardon me, but when Mitt Romney said [in a 2012 presidential debate] that there are 'binders full of women' who would be qualified candidates for his cabinet, he was absolutely right: The city of Boston alone is a testament to that."

USE A WIDER LENS. Look at qualifications more broadly. Most directors are still CEOs or CFOs, the two areas of the C-Suite where women have least penetrated to date. So, consider CMOs, CHROs, CIOs and chief digital officers, where women are much more numerous. There are "general managers on their way up, division presidents, heads of nonprofits and academics," says Bonnie Gwin, chief of Heidrick & Struggles' board practice.

Helene Lollis, head of Pathbuilders, which advocates for women in business, says "many top women executives today are in marketing and HR roles, not the ones where they're typically coveted for the board. So, you have to open your lens on what makes a corporate board member."

Sometimes it's a matter of thinking more broadly. "Someone may have a compliance or HR or consulting background, and they're active in their industry and their community," says Nicole Crum, head of board practice for the Sullivan & Worcester law firm. "They may have leadership and engagement experience and an overall impressive background—but they don't show the climbing of a particular corporate ladder."

FOLLOW THE RULE OF THREE. No matter how large the board, having three female directors tends to create a transformative critical mass. "When there's one, she's like a token," Lollis says. "When there's two, it still defaults to, 'What do the women say?' But when there are three, there's an opportunity for them to be actual individuals."

Idie Kesner, member of a number of corporate boards and dean of the business school at Indiana University, says, "Sometimes three women, regardless of the size of the board, can get the flywheel going, even if it's not 50 percent represented by women."

AVOID RESIZING THE BOARD. Companies may dilute the impact of new female directors by simply adding them to the board instead of subtracting existing directors. "This strategy can be beneficial because you don't have to wait for a male director to turn over, but then, male directors continue to outnumber female directors by a large margin," says Seema Pissaris, a business professor at Florida International University.

Also, boards may add women only to replace other diverse directors in a sort of counterproductive quota system. "There can be a sense that white men stay at 80 percent, and the rest of the board—you figure out what kind of diversity you want, but you only get 20 percent," says Patricia Lenkov, head of Agility Executive Search.

ROLL DOWNHILL. Companies are also seeing more female candidates for inside-director jobs. "Technology and STEM jobs are pulling more young women along, making for a lot of extremely intelligent, experienced women who are making a move on corporate governance," says Amy Rojik, a partner with BDO's national assurance practice.

Crum notes, "Once women are in these positions, they have networks and relationships with people who also are open to being on a board. It's a dimension of diversity. You're hoping for a snowball."

Gwin advises companies to "think of this as a long-term succession-planning project. Then you can proactively meet great [female] talent even if you don't have a board opening today."

committee has worked with Gwin to generate a list of as many as 15 candidates, insisting on diversity in the pool as a main criterion. The committee and Gwin select two or three finalists and interview them.

At the same time, Barra says, while GM "does not have a formal policy governing diversity among directors, our board strives to identify candidates with diverse backgrounds and experiences." She believes "they can make us a better company in ways that transcend even the specific expertise and experiences they bring with them."

Solso sees it similarly. "It wasn't necessarily a goal that we wanted to have a female-majority board," he says. "But we wanted people with different backgrounds and perspectives who would ask the right kinds of questions. The consequence of the process was that we have a female-majority board."

Stephenson also concurs. "I never remember a discussion where we said, 'We must have five female board members,'" she says. "But we said, 'We can find really talented, skilled, qualified women, so let's do that.' And one day we woke up and said, 'Our board is half women.'"

Now that she's shaped a board that happens to have more members of her gender than males, how does Barra work with them? It's a special point for Stephenson because in Canadian corporate governance, the CEO and board chair roles typically are kept separate. "So, I was a little skeptical," Stephenson says. But Barra "works beautifully." The chair "is a great listener. She doesn't feel like she has to come in and have all the answers." Russo calls Barra "transparent and authentic."

Barra's reputation for strong and effective collaboration was one of the things that got her the CEO job, and fellow directors say she has taken that practice to a new level with them. For example, Barra phones and conducts Zoom meetings with individual directors who have particular expertise.

"She genuinely wants to know what people think," Solso says. "More than any other executive I've worked with, she wants input from the board and asks the board to comment on strategic issues, and she takes that input and responds to it. She may not agree with it, but she responds to it. Some execs go through a routine process, but Mary does a deeper dive, and as a result, board members feel they can add value and contribute."

Even with all of this, some critics say Barra's scorecard on diversity isn't perfect. Early this year, executives of Black-owned media targeted the automaker in full-page newspaper ads for not spending enough advertising dollars in their channels, going so far as to call Barra a racist. They included Byron Allen, a former comic who's now a media mogul as chairman and CEO of Allen Media Group, which owns the Weather Channel and provides video to broadcast and mobile devices.

GM hosted what Barra calls "a productive summit" with representatives of 200 such companies, resulting in the automaker's commitment to boost advertising via the complainant group. "Among many actions, we will increase our spending with diverse media, which will drive economic empowerment and a sustainable ecosystem," she says.

Regardless of how Barra handled the episode, Russo says, the charge was spurious. "The last thing anybody could call Mary is not inclusive or insensitive," she says, adding that the board "has never questioned Mary's commitment to inclusion and diversity in all aspects of how she runs the business."

In the wake of George Floyd's murder in 2020, for instance, Barra created an inclusion advisory board and has reiterated her goal of making GM the most inclusive company in the world. For good measure, GM's latest board appointments included Mark Tatum, deputy commissioner and chief operating officer of the National Basketball Association, who is Black.

Ultimately, however, Barra acknowledges that even with a new cast founded on diversity, GM's directors have a huge task ahead. "What we have done with the board has been widely recognized and well received," Barra says. But, she adds, "The board would like to receive credit not for what it is but for what it does. And that, I'm confident, will come in due time." **CBM**

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—Carol Stephenson, Dean, University of Western Ontario

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