Ready and waiting

There are more qualified Canadians than ever ready to serve on corporate boards, but opportunities today are scarce. At a time when businesses are challenged to keep up with the pace of change, directors Deborah Rosati and George Horhota, both of whom have earned the Institute of Corporate Directors' ICD.D designation, make a case for bringing new skills into the boardroom

Through its Directors Education Program (DEP), the Institute of Corporate Directors has helped prepare aspiring directors for the boardroom and improve the effectiveness of those already serving. Across the country, some 5,000 men and women have completed the program since 2003, many of whom have gone on to earn the ICD.D designation, recognized as the mark of the director community in Canada.

On the supply side, the talent pool of motivated and qualified directors keeps growing, thanks to initiatives such as the DEP. But on the demand side, there has been no material increase in board vacancies. Indeed, among Canadian public companies last year, board turnover amounted to only 9 per cent. Renewal rates are similarly low in the United States, as incumbent directors in both countries opt for long tenures.

Low rates of board refreshment on both sides of the border are surprising, given the transformative forces every industry finds itself struggling with today. International competition, cybersecurity and digital disruption are just some of the trends that demand fresh talent be recruited to the boardroom.

Research shows that boards are aware of the need for new skills, but they are not acting. For instance, in 2015, a PricewaterhouseCoopers global survey of directors serving on the boards of large companies found that 85 per cent of respondents were dissatisfied with the way their companies were "anticipating the competitive advantages enabled by technology." Almost as many, 79 per cent, said their boards did not sufficiently understand technology.

Today, when even market leaders are looking over their shoulders and overhauling their strategies to keep up with new challenges, one would expect to see greater demand for new director skills and higher rates of board renewal.

Board stagnation affects all director hopefuls, especially women. The Canadian Gender and Good Governance Alliance says that, "a disciplined approach to board renewal remains the most fundamental condition for refreshing board composition and creating an opportunity to increase the number of women on boards."

Boards' aversion to renewal is a key reason securities regulators and institutional investors (and their associations) continue to explore ways to impose mandatory gender targets on boards, and to set term limits for directors. After all, the progress on voluntarily bringing gender balance to boards is less than inspiring. The proportion of seats on Canadian public company boards held by women was just 14.5 per cent last year – an increase of only 1.9 percentage points from the previous year. Furthermore, 37 per cent of Canadian public companies failed to have any female board members.

Recent evidence suggests that faster board renewal may be the best means to accelerate the number of female directors. Last year, Canadian public issuers reported that of the 505 board seat vacancies filled, 26 per cent were awarded to women – almost twice the percentage of women occupying all board seats.

We need to get both men and women "leaning in" to bring the next generation of corporate directors to the boardroom table. We can do this by having boards take an honest annual inventory of their directors' skills, mapped against the changing competitive markets in which their companies operate. Only in this way will companies be able to secure the talent they need to remain effective. And increasingly, the new, talented directors they'll add to their boards will be women.

Board renewal can be a strategic opportunity that creates shareholder value – so what are you waiting for?

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