Pipelines and the Necessity Matrix for Corporate Boards and ESG Considerations

D. Kirk Beatty, Ph.D. & Geleana D. Alston, Ph.D.

Explored in a 2020 study is the minimal to no presence of African American women in America's corporate boardrooms. Discussed is how being a male of European descent co-constructs the normal of America's corporate board leaders. Also revealed is a normal often leaving the leader unable to see beyond his expected. In this article we present the necessity matrix promoting optimal outcomes for African American women, boards, stakeholders, and ESG considerations.

Findings from the study *An Exploration of the Path for African American Women to and the Diversification of the Corporate Boardroom* surfaced constricted boardroom pipelines, the heavy focus on skills versus a comprehensive view of needs, and how both impact a robust board succession plan for optimal organizational outcomes.[1] An underutilized solution available to solve for both board needs and limitations of today's board pipelines as well as environmental, social, and governance (ESG) considerations is female talent, and even more absent is the talent of African American women.

Women are the majority in the United States. They approach equal numbers to men in the workforce. Women, furthermore, are the breadwinners in over 40% of homes controlling up to 80% of consumer purchasing power. Women outperform men in higher educational attainment for bachelor, master, and doctorate degrees. They achieve over 44% of the accounting and finance degrees, credentials that are among the desired expertise typically sought for the corporate boardroom. Women, additionally, have parity with men in managerial and professional positions. Furthermore, while women may approach opportunities differently, women often achieve better outcomes. Despite these accomplishments, the senior levels of corporate leadership are found lacking women, a competitive advantage readily attainable for boardrooms and the role of corporate board directors.

The persistence of obliviousness[2], the challenges of effective networks[3], and the realities of Black feminist thought[4] further present obstacles unique to African American women ascending to the boardroom. Obliviousness speaks to being unmindful, unaware, unconscious, or otherwise ignorant of something's existence. This includes how the dominant culture of the United States facilitates a *normal* that fails to fully recognize the value of diversity and is oblivious to the realities of African American women as being alienated, excluded, and disadvantaged. Network theories provide the lens that despite obliviousness and the subsequent certainties, networks facilitate opportunity to enter the elite echelon of corporate board directors and, conversely, for boards to have visibility and access to all needed talent. Without robust corporate board

networks, one may not enter the ranks of corporate board directors despite having the credentials to do so, and corporate boards may not obtain all needed talent. Finally, Black feminist thought provides the view that African American women are impacted by a historical legacy affecting their day-to-day lives in ways unknown to others.

Considerations for the Pipeline

For board openings, the study notes how boards often lean to candidates with CEO expertise and other C-suite roles. The reality for publicly traded companies, however, is that women are less likely to have C-suite experience and African American women even more unlikely. Even the most successful and credentialed African American women often hit the glass-ceiling, or are dangerously exposed to the glass-cliff when they do ascend to the C-suite. Some impact, additionally, is the funneling of African American women to non-corporate board pipeline career-tracks and opportunities. Thus, it stands to reason that African American women are being excluded from the boardroom simply from the lack of pipeline and promotion opportunities blocked by the glass-ceiling, or must overcome the glass-cliff experiences where the chance of success is highly improbable. Organizations and boards, therefore, must ask how to go deep into an organization, several layers below the C-suite if necessary, to find African American female talent to surface and then support this talent through the process. Data shows the talent exists.

The Necessity Matrix

The study found how much of the evaluation for the next director is accomplished with a skills matrix. As one of the male participants commented, "certainly you want to cast a wide net and make sure you've got gender and race diversity as part of that process but you don't start with diversity." He maintained a board's fiduciary responsibility to shareholders has the board starting with skills and qualifications. That fiduciary responsibility, of course, requires the corporate board to diligently act in the best interest of shareholders. This includes the assurance that all needs of the board are met - not just skills - but needs including qualifications of demographics and traits that can be just as imperative as skills depending on the applicable dynamics and board composition. Thus, boards must move beyond a limiting focus on skills to encompass a comprehensive approach to all needs that an emphasis on a *necessity matrix* can realize.

Conclusion

In the article *The Need for People People: The current megatrends driving the need for greater HR representation on corporate boards*[5], Jon D. Rickers and William L. Sparks speak to the primary purpose of the board – ensure financial success by "overseeing the company's affairs and supporting the interests of its shareholders and stakeholders." They refer to the *The Director's Manual: A Framework for Board Governance* and its author, Peter Browning. A seasoned director of 14 public company boards, Browning identifies three indispensable questions required of boards: "1. Do we have the *right CEO*? 2. Do we have a *robust succession plan* in place? 3. Do we have the *right strategy* and *talent* to execute effectively?"

Of course, the *right CEO* will be heavily interested in the *right strategy* promoting *talent* for a *robust succession plan*. The successful plan will further provide for a pipeline to real opportunity for the diversity of demographics and traits as well as skills and credentials that best meets all needs of the board, including ESG considerations. Otherwise, the succession plan will be inadequate feeding a less effective strategy. The successful succession plan includes a pipeline that provides visibility and opportunity to the organization's broad talent as well as to ensure the talent of African American women has real, equitable opportunity to surface in the boardroom. This pipeline must extend deep into the organization as well as external to the organization feeding inward. Without a deep, expansive and inclusive pipeline an organization risks not having the talent required to fill the gaps in need, including the ever increasing ESG pressures from governments and shareholders alike.

As the summer of 2020 so clearly showed, demographic diversity is a need that must be considered just a diligently as skills and credentials. At times this need must be top of the order, particularly in America. Consequently, the role of the skills matrix must be expanded to a comprehensive necessity matrix. For the hesitation that may exist for this shift in thought, consider how many organizations were left unprepared to address the suddenly recognized gap on their board because their pipeline and board networks did not sufficiently include African American women, a gap so obvious and expansive after the death of George Floyd. Thus, for sitting directors to adequately meet their duties to the boards, shareholders, and stakeholders they represent, they must have the broadest network possible to meet this responsibility. They must, therefore, be willing to participate and passionately network outside of their normal, be curious, and freely step into places and venues once unknown or not considered. In doing so boardrooms will find the talent to meet ESG needs and the gaps a necessity matrix will surface, including the great talent of African American women – the competitive advantage often ignored.

Authors:
- D. Kirk Beatty, Ph.D. - Founder & President/CEO, Adroite & Datatech Information Services, Inc., www.datatechis.com, https://www.linkedin.com/in/kirkbeatty/
- Geleana D. Alston, Ph.D. – Founder & CEO, Alston Educational Group, LLC and Associate Professor of Leadership Studies and Adult Education at North Carolina A&T State University, https://www.linkedin.com/in/geleana-drew-alston-phd-b4228b52/

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