

# “Dare to choose the right boards”

The Second AP Fund’s 2014 Women’s Index reveals that the percentage of women on the boards of publicly quoted companies has risen over the past year by two percent, to 24.7 percent. This is the largest increase since the Second AP Fund started its measurements in 2002. Even if things are moving in the right direction, much remains to be done to benefit from the diversity and competence that companies otherwise lose out on.

The Second AP Fund has interviewed two experts in this field, Monica Lagercrantz and Therese Reinfeldt, of Lagercrantz Reinfeldt AB, who assist large companies and organizations with board analyses and the recruitment of board members and CEOs. Here they share their expertise and offer advice on recruiting board members. It is not just a matter of increasing diversity. First and foremost, it’s about creating better boards.

## **Start at the right end**

“Basically, it’s about having the right attitude and the courage to choose the right board. To succeed, you need to start at the right end, with a factual analysis of the board’s work, value creation and composition, and to identify the competence requirement based on the company’s challenges and opportunities in the short and long term,” notes Therese Reinfeldt.

“The need to conduct a factually based and structured board analysis in association with an external party should be the self-evident starting point for a recruitment process. It ensures greater control, which in turn assures greater reliability in identifying the right candidates. This promotes diversity,” says Monica Lagercrantz.

Logically, this development is good for the companies and good for owners too – which makes one wonder why more have not yet chosen to go this route.

“We are convinced that owners will increasingly be going this route, as these issues come more and more to the fore. Ultimately, the natural consequence will be an improvement in the quality of the recruitment process and more women will be elected to boards and executive positions,” states Monica Lagercrantz.

## **Underpin the process**

Subsequently, the analysis should serve to underpin the rest of the recruitment process, as in the development of a job profile for the post to be filled. Otherwise, it is all too easy to revert to old habits.

“When no clear criteria are defined, it is natural to look at names already familiar to you in your own network, since this feels most comfortable. If so, it is no longer just a risk that the company will lose out on access to competent candidates: it becomes a certainty,” says Therese Reinfeldt.

“Start in plenty of time! An extremely common explanation for the fact that owners and nomination committees end up relying on their own networks – however good their original intentions – is that the process is initiated too late in the season, both in terms of the board analysis and the recruitment process itself,” states Monica Lagercrantz.

## **Facts better than myths**

It’s important to ignore myths that can limit your choice. “One is that women often decline offers of board and executive positions. Another is that they lack the appropriate competence. Our experience, based on more than 300 board recruitments, featuring a large number of female directors and chairs, is that such claims lack any factual basis,” notes Monica Lagercrantz. Many still claim that a director or chair who lacks experience as a CEO cannot contribute as much. According to Therese Reinfeldt, this is not so.

“Actually, our board analyses sometimes indicate the reverse. The less experienced receive higher ratings than candidates with longer experience. This can derive from greater commitment, a determination to excel in the boardroom and up-to-date operative competence. This is something more nomination committees should understand and learn from.”



Therese Reinfeldt



Monica Lagercrantz

## Five steps to the right board

1. **Start in time** – Lack of time can undermine the best intentions.
2. **Conduct a board analysis** – Identify the required competence based on the company's strategic needs.
3. **Base the job profile on the analysis** – Be consistent. Stick to the facts and conclusions derived from the analysis.
4. **Expand the selection of candidates** – Dare to seek candidates outside your own networks. You'll find more than you expect.
5. **Ignore the myths** – It is untrue that women are not interested in sitting on boards or that a board member must have experience as a CEO to succeed.

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