

# Thoughts on Diversity of Bank Boards of Directors

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In addition to digesting all the legislation recently enacted to improve corporate governance, bank boards of directors should consider another facet of their corporate structure: Diversity among bank management and the directors themselves. There are sound business reasons for promoting diverse board membership that go beyond those pertaining to social equity. The people comprising your institution's management, including the board of directors, tell your constituencies who your institution is and how you define the community you intend to serve.

Demographic trends in this country indicate strong population and economic growth among minority and ethnic groups. There is substantial support in management literature for the proposition that most of the net growth in households over the foreseeable future will be within the minority and immigrant communities. The buying power of these groups is growing commensurate with their numbers.

There are many ways to encourage and provide diverse membership of management. The most obvious is to hire and promote people of different racial and ethnic groups. Consider also diversity in terms of age and gender. Management can benefit equally from the experience and wisdom only years of living can provide; and the energy, enthusiasm, and fresh perspective of "new blood" as well. Women are increasingly filling management ranks in all industries and claiming their rightful share of economic power. There are many qualified women already serving in management roles in banks, and it is entirely appropriate for both genders to be represented on boards of directors.

Diversity is not merely the notion of adding various minorities to management. For traditionally minority banks wishing to broaden their community appeal, it could mean adding non-minorities to management or board positions. But regardless who you include, you must ensure that all members of management are qualified to hold such positions. Each individual should bring his or her unique skills, abilities, and qualities to the table. To place unqualified people in management in the name of diversity is a disservice to them, your institution, your shareholders, and the financial services industry as a whole. However, it is also incumbent upon management to recognize, recruit, and prepare all promising individuals for leadership positions.

Whatever the outward demographic signs of diversity you choose to incorporate into your management team, remember the ultimate goals of any diversity program are to encourage free and open exchange of ideas, provide a fresh perspective, and develop new markets to serve. Diversity should not be considered a challenge, but an opportunity.