

**BOARD COMPOSITION**

Building Real Diversity Without Geographic or Factional Capture

Why solving one form of board capture often quietly creates the other

Many associations solve the diversity problem the same way: reserve a board seat for each state, branch or chapter, and call the composition problem solved. It does prevent one danger, geographic domination. It creates another, branch politics substituting for skills and perspective diversity, and a board where a candidate's real qualification is which region they happen to live in rather than what they bring to governance.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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The Two Forms Of Capture, Not Just One

Geographic capture is the failure mode most associations already guard against: a board dominated by directors from one city or state, blind to the interests and conditions of members elsewhere. It is a real risk, and the instinct to build structural protection against it is sound. But a board built purely around geographic representation trades that risk for a different one. Factional capture happens when board seats become prizes contested along branch or chapter lines rather than on the skills, judgement and perspective a candidate actually brings, and when strong candidates from an over-represented region are structurally excluded regardless of merit, while weaker candidates from an under-represented one are guaranteed a seat regardless of it.

Neither pure model, pure geographic quota or pure skills-based appointment, reliably avoids capture on its own. A purely skills-based board risks quietly becoming dominated by whichever network the incumbent board and its nominations process happens to draw from. The solution is a hybrid structure, and one worth studying is hiding in plain sight.

A Working Example From Australia's Own Director Body

The Australian Institute of Company Directors structures its own board on exactly this hybrid principle. Its board combines a number of National Directors, elected at large rather than tied to any single jurisdiction, with a larger number of Division Directors, each representing one of the AICD's state and territory divisions, alongside the Managing Director and CEO. As at October 2026 that meant four National Directors and eight Division Directors. This structure deliberately does both things at once. The Division Directors provide the geographic representation and grassroots accountability a member-based national

body needs. The National Directors provide seats that are contested on skills and national perspective, not tied to any particular region's turn or bargaining power.

This is worth naming as a design pattern rather than a curiosity: reserve a defined number of seats for geographic or branch representation, calibrated to what your organisation's membership base needs, and reserve the remainder for at-large or skills-targeted seats, filled through a process that actively tests for the gaps in the board's current capability. Neither category dominates the other, and the balance between them is a deliberate constitutional choice, not an accident of history.

A board seat won by geography alone and a board seat closed to talent by geography are the same structural mistake, pointed in opposite directions.

The Skills Matrix As The Other Half Of The Solution

Geographic balance addresses representation. It does not, by itself, address capability. The board skills matrix, a tool the ASX Corporate Governance Principles and Recommendations (4th edition, 2019) ask listed entities to disclose on an 'if not, why not' basis, and which the AICD maintains for its own board, is the practical instrument for the second half of the problem. A skills matrix maps the capabilities, financial literacy, legal or regulatory knowledge, sector-specific expertise, lived experience relevant to the mission, against what the board currently has and what it is missing, and is reviewed and updated as directors join and leave. A draft 5th edition of the ASX Principles released in July 2026 proposes making the matrix optional for listed entities, so check the current edition before quoting it. For an association the case for the matrix rests on its usefulness, not on the ASX.

Used properly, a skills matrix does something a pure geographic model cannot: it gives your nominations process, covered in more depth later in this quarter, an objective basis for identifying gaps and actively recruiting against them, rather than simply accepting whoever nominates from whichever region currently has a vacancy.

Building This Into Your Own Constitution

- Decide deliberately what proportion of your board needs geographic, branch or sectoral representation, and constitutionally reserve exactly that many seats, no more. Reserving seats is a change to your constitution or rules: a company limited by guarantee needs a special resolution of members, and an incorporated association must follow its state or territory Act, which usually requires a special resolution and lodgement with the regulator before the change takes effect.
- Reserve the remaining seats for skills-targeted or at-large election or appointment, with the process for filling them tested against a current skills matrix rather than left to whoever nominates.
- Document this structure clearly in the constitution itself, consistent with the voting architecture principles covered earlier in this series, since board composition rules interact directly with the membership classes and voting rights already defined there.
- Test whether the structure is working by tracking, over two or three election cycles, how often reserved seats are contested or left vacant and which skills-matrix gaps remain unfilled.
- Revisit the balance periodically as part of the constitutional review cycle discussed in the previous quarter, since the right ratio for a young, geographically concentrated association will not be the right ratio once it has grown national.

Diversity on a board is not a single lever. It requires both structural protection against geographic domination and a deliberate mechanism for ensuring skill and perspective are not sacrificed to achieve it. Associations that build only one half of this tend to solve last decade's governance problem while quietly building the next one.

This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Building Real Diversity Without Geographic or Factional Capture

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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