

Diversity:

Boardroom Diversity - The Opportunity



Expert opinion on:

*“How diverse leadership is
better for business.”*

Diversity:

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For many, this is a question that should not even be asked – creating a diverse workplace that permeates to the top of every business is a ‘good’ in itself. For others, principally those who have to consider the more immediate needs of shareholders and other business interests, it is a legitimate question, worthy of some further analysis.

As Mazars has become an international business, expanding its global reach over the last 15 years, we have come to certain beliefs in respect of diversity:

- (1) Diversity in all its forms is of fundamental importance – it is a ‘good’ in its own right; and
- (2) It can be used to drive business success, and businesses that believe in diversity will be more successful, more sustainable and better equipped to meet future challenges.

We asked an independent observer, the social scientist and board member Dr Atul Shah, founder of Diverse Ethics, to provide evidence that tested our assertions. We also asked Dr Shah to interview prominent members of the UK business and public sector community to provide case studies of diversity in practice.

We believe that this paper confirms our belief that diversity in the Boardroom is good for business – that those with a diverse Board will create greater shareholder wealth than those without.

We have heard people in business question how they are to ensure that they positively increase diversity while also ensuring that they get ‘the best person for the job’. According to the Davies Report (2011), creating greater gender equality alone would take 70 years if the current rate of change is maintained. We believe that business will change faster if the case that can be made for diversity is sufficiently compelling.

We affirm that, over time, the business case for diversity will continue to be proven – and we expect that this will largely happen in new and emerging companies within the technology sector. To further this end, we have published this paper as an invitation for comment and debate.

Mazars would like to thank Dr Shah for his extensive fieldwork and all those he interviewed who have given their time to contribute to this paper.

Mazars LLP.



Rebecca Scott
Partner, Mazars LLP

A diverse leadership is not a panacea that will automatically deliver greater profitability or a competitive edge.

It is, however, evident from the research in this paper that Boards with a diverse leadership are comparatively better able to demonstrate behaviours such as:

- a greater knowledge of the pressures and aspirations of the company's own workforce;
- a more robust, inbuilt knowledge of issues affecting key suppliers, customers and competitors, such as geography and culture;
- building working environments and structures that attract their desired workforce;
- avoiding 'group think' – and instead seeing the same situation from other perspectives and making that count; and
- maintaining integrity with their workforce and their customers – they are more able to demonstrate that they 'live their values' – the method of communication and the message are stronger.

Global events are proving that there is a triple bottom line for organisations – economic, social and environmental, and this requires holistic thinking. The evidence in this paper shows that a diverse leadership is more effective at delivering against today's challenges.

This paper also reveals important insights about the fundamental reasons for the apparent lack of diversity in British Boardrooms, and the practical solutions for breaking this impasse. Based on a review of the research literature and broad-ranging interviews of prominent Board members from both the private and public sectors, it draws the following conclusions:

- The business case for diversity is often not well understood. Some approaches have appeared to be window dressing and have, therefore, not delivered bottom line success.

- The processes of appointment have a strong influence on the outcomes. Headhunters are often not asked to create a diverse talent pool of applications. Sometimes headhunters are hindered by the definitions of 'board talent' they have been given to work with. There is too much emphasis on 'fitting in', and too little on individuality – reducing the pool of talent from which people can add value.
- Stakeholders such as investors, regulators and fund managers often do not give emphasis to Boardroom diversity.
- There is evidence of sub-conscious bias – many leaders 'think' they are open minded, but in reality they are still looking from a narrow perspective.
- Emotional and Cultural Intelligence are critical qualities for success, but are sometimes implied rather than explicitly considered.
- Organisational structures can hold systemic barriers to creating diverse middle and top management – of which Boards are not always aware.

Research also showed that bias is often subconscious. People are unaware of their prejudices, and think they are open-minded when in actual fact they may be far from it. Also, they rarely realise and appreciate that this prejudice is influencing key decisions they are making every day. These decisions can be to do with strategy, resource allocation, people management or markets and public relations.

There is also a cynicism about how diversity is to be achieved. There is evidence that companies are trying to address this in a variety of ways, but that this is not always met with success, often hampering future efforts. There are lessons from the public sector that may work for some private sector entities.

Evidence shows that cultural and other prejudices are often inbuilt and invisible to us. The case studies in this paper tell of how businesses that have sought to address this have benefited in ways that they could never have predicted.

The business case for diversity

The Boardroom is a seat of authority. It is the steering wheel for the whole organisation. It influences culture and values, provides leadership and drive, and is accountable to its shareholders and other stakeholders. UK statistics show that Boards are, by and large, white and male, and therefore unrepresentative of the actual mix of UK or global society, especially in terms of women and ethnic diversity. The latest Davies Report (2011) predicts that it would take 70 years for the Boardroom to have equality for women at the current rate of change:

“ Inclusive and diverse Boards are more likely to be effective Boards, better able to understand their customers and stakeholders and to benefit from fresh perspectives, new ideas, vigorous challenge and broad experience. This in turn leads to better decision making. ”

There are a number of ways that diversity in the Boardroom can be encouraged in different ways, for example Norway has introduced a 40% female Boardroom quota. While this has helped move change more quickly, it does not address the underlying problem. Diversity has to be shown to be effective before business leaders can be expected to act differently.

Differences can be a huge asset if they are harnessed effectively – but the key is in how the diversity and difference is managed. Just as translating one language to another is always imperfect, so too is imposing the same set of rules and expectations on everyone. It is critical that leaders understand the power and nuances of difference – leadership and management styles of diverse peoples differ. These issues can be complex, and it would be dangerous to over-simplify them. Buying in to diversity can be a catalyst for changing how the business is currently thinking.



Ruby McGregor-Smith
CEO MITIE and Chair Race for Opportunity

I was brought up by Indian parents who were most encouraging of my professional development and very supportive. I think diversity is about best talent. Boards have to recognise best talent – look beyond the surface to find the talent within. It does not matter where the talent comes from – what is important is that the organisation recognises it and harnesses it. Fortunately, in my path to the top, I never saw barriers – I just pushed hard, creating new horizons and possibilities. A lot of companies hold their own people back because they do not understand the barriers nor are they sensitive to the particular problems minorities face. Sadly, few employers really understand the link between employee morale, cultural and emotional sensitivity and talent. Instead of widening the talent pool, they sub-consciously narrow it. We put a lot of effort into educating our managers to employ people for skill and talent. I am the only Asian FTSE 250 CEO in UK. When I go to the City, I look different, but in the process I hope I am shaking preconceptions and prejudices. Role models matter, getting people to be aspirational is also important, and companies do need to change.

Because we are in a young industry of outsourcing, we are dynamic and ambitious; there is no history to fall back upon or reputation to rest on. For more institutionalised companies, changing behaviour and culture is much tougher as they tend to be very conservative. It is in the competitive, fast-changing industries and environments that you are likely to find much more open-minded and forward thinking Boards.

I don't think Banks or Manufacturing companies will lead the way on Boardroom diversity, but we are likely to see this in the technology companies. The role of HR is incredibly important to help educate Boards and senior teams to understand the best practice around diversity. HR professionals should always be

questioning, but in my opinion they still have a very long way to go. Fortunately, we have a very good HR Director at MITIE who understands these issues fundamentally.

The process of recruitment is critical to the outcome. Do firms ask headhunters to go outside the common pool? I don't think so.

Boards do not understand diversity: they do not hire in the right way, because they don't think about it. I am disappointed by the Davies Report as it just flagged one area of diversity (gender) and thereby narrowed the debate. There are so many other aspects of diversity like race, age, disability – it did not cover these. There is such a strong relationship between cultural diversity and innovation, and this is just not understood in British Boardrooms. I am optimistic about the future – in ten years, things will change dramatically because a new generation will take over. A lot of smart young people will only work for organisations which live and breathe diversity. And it is not easy to pull the wool over their eyes. If Boards don't change, those same young people will go elsewhere or they will transform the organisation.

Shareholders and fund managers do not always understand diversity and their mindsets are often quite narrow. If owners do not encourage it, why should senior managers try to change? There needs to be a multi-faceted effort. FTSE companies need to be much braver and try to get a wider range of Directors and the Stock Exchange should put pressure on them to do so. Traditional headhunting does not work in shaping a diverse Board. Even in MITIE, which is such a diverse organisation, these questions are never regularly asked of us by fund managers, and that is quite surprising.

The modern boardroom is an island which is increasingly out of touch with the grassroots – of its own company and of society. Instead of opening up, it is closing in and building comfort zones. For example, my own style of leadership is non-hierarchical, and I tell people to see me as a person and not a job title. Boards should be on the ground and in touch with

their own people at every level of the organisation.

Unfortunately, as companies get bigger, they build more processes and layers, increasing the distance. It is shocking that global companies based in UK have such poor cultural diversity in their Boards.

At MITIE, our core asset is our people, and as a result, for us diversity and respect are key to our operations – we are a support service company, and it is our people who deliver the support service. This may not be so for all companies. Product-based companies risk losing the connection between ethics and diversity. Leaders need to be much more humble about their status and position. I often say to my people I am one of 60,000 employees – just a normal person with a grand job title. Boards should pro-actively take away their mystique and really connect with the people in every level of their organisation. Egos should be out – there are too many egos in the Boardroom. Open-mindedness is critical and needs to be cultivated and nurtured – it should never be taken for granted. There is a gap in knowledge around the fundamental meaning and best practices on diversity. We need a gold-plated standard that we can aspire to. Boards don't always know what to do. They need to be told what to do. A diversity tool-kit would really help them.

As Chair of Race For Opportunity (RFO), a non-profit organisation to promote the opportunities in employment for ethnic minorities, I have tried to take it on the path of awareness raising. We commission reports on ethnic minorities to encourage mentoring, aspiration and transformation. At present, data on progression of ethnic minorities and recruitment are very sparse. We at MITIE run mentoring circles inside and outside the organisation to encourage people to aspire and move upwards. We also get our RFO member companies to change their recruitment and training practices and give practical guidance. I am also a Non Executive Director (NED) on the Board of headhunters Michael Page International. They recognise the importance of diversity and its relationship to talent.

What does the research say?

In recent years, research has begun to reveal the benefits of diversity. While this research is ongoing, the summaries below provide further context for the views expressed by contributors to this paper and are a good starting point for discussion.

1. A European Study of women in seniority showed that there were major barriers to progress, and where they did succeed, those organisations also tended to outperform the competitors in significant ways (McKinsey, 2009). The model for progression is still very male dominated and as a result, many women choose to opt out of the system rather than make sustained efforts to climb an unequal ladder.
2. According to Kandola (2009, p.88): the lack of diversity is not only an indicator of the existing level of discrimination in an organisation, but a guarantor of further discrimination. The workforce becomes segregated through the self-reinforcing process called homosocial reproduction, whereby individuals hire and promote the people who are most like themselves. As this process continues, fewer and fewer opportunities exist for those who are different from the people in power. The longer the process continues, the stronger the dominant group's hold on power grows. The right of those at the top to determine the cultural norms of the organisation as a whole – to mould the organisation in its own image – becomes even more solidified. Homosocial reproduction is therefore a kind of amplifier of prejudice. It can also be characterised as a social strategy for over-determining fit and thereby neutralising any movement towards diversity.
3. Mainstream British culture attaches a lot of importance to status, hierarchy and authority (Garratt, 1996). Other cultures have very different attitudes to leadership, structures and power – in many cases, leaders do not want status or power, and lead humbly and 'beyond authority'. British cultural attitudes can lead to an obsession with power and control for its own sake. This can be damaging for the corporation, and servant-leadership can be enriching for the organisation and all its stakeholders, as the leaders are not after status or power, but doing a good job to everyone's benefit. British culture can also make Board Executives resistant to challenge and questioning. This does not lead to growth or progress.
4. For leaders to be trusted their behaviours and actions need to be sincere and ethical. Vasista (2010) shows how ethics is a core part of any diversity strategy, and without examining personal and organisational values and behaviours, we will not bring about any sustainable culture change. The ethos will dictate the composition, and where diversity is missing, chances are the ethos and values need fixing.
5. In the British workplace, there is evidence of identity suppression – nearly 60% of workers feel they have to switch identities when they go to work – they have to change themselves to 'fit in' (Vodafone, 2006). This makes them 'identity stressed', affecting their health, loyalty and performance. Management needs to show a lead in allowing employees to have different identities, and one way to do this is by setting an example at the top.
6. The importance and value of cultural literacy to management in a globalised world is still not understood, especially in Britain. According to Thomas and Inkson (2004), Intercultural failures occur when managers are:
 - unaware of the key features and biases of their own culture;
 - feeling threatened or uneasy when interacting with people who are culturally different;
 - unable to understand or explain the behaviour of others who are culturally different;
 - not recognising when their own cultural orientation is influencing their behaviour;
 - unable to adjust to living and working in another culture.

It is therefore important that management invests in cultivating these skills, and diversity among the Board is one route to doing so. A diverse Board member can challenge some of the most basic assumptions of strategies and decisions, thereby hugely enriching the outcomes. Also the diverse member can make suggestions

about new markets and services which the Board may never have even considered before, due to their cultural and experiential bias.

7. The modern world is overwhelmed by information and complexity. These factors can make a Board feel helpless. Interdependence is increasingly being accepted as a natural law of the Universe, in stark contrast to older notions of competition and exploitation of people, resources and nature.

According to Senge (2006), 'managers should see people as active participants in shaping their reality'. By accepting the truth about interdependence, diversity becomes a natural choice and right way of operating and working.

8. Drucker (Edersheim, 2007) has predicted that the trend in management will be from:
 - Specialisation to holistic
 - Borders to Borderlessness
 - Clear destinations to Managing the journey
 - Avoiding disruption to confronting personal anxieties and the need for personal change and transformation.
9. The CEO has a unique role in shaping the culture of the organisation. According to Drucker (Edersheim 2007), there are three characteristics of a good CEO:
 - A broad field of vision and the ability to ask and answer what needs to be done, looking at the whole organisation;
 - His or her thumbprint on the organisation's character and personality; and
 - The influence he or she has on people, individually and collectively.

The CEO has to live the purpose, the values and the principles of the organisation. Courage and humility are key characteristics of a skilled CEO, and they lead to a fearlessness about challenge or difference rather than a suppression of it. To be a skilled conductor, one needs to understand and accommodate the skills and characteristics of all the players, and combine them into harmonious orchestrations.

Other points of view – a snapshot

There is so much talent being overlooked in the UK. Organisations need to reflect the communities – the customers – they serve. Today, those communities are diverse in every sense – diverse by location, by attitude, by gender. To succeed, companies have to win the trust of those communities. Without diversity, British companies will ultimately fail to earn that trust.

Harriet Green, CEO Premier Farnell plc (writing in the Telegraph)

Many organisations operate in silos: with each division or department looking upwards and so seldom sideways at issues that cross the verticals. ... The opportunities (and threats) ahead will not come neatly parcelled to fit the department, or division, or sector, or culture or even country into which we have arranged ourselves. They will cross boundaries and come through walls – and our leaders need to be able to do this too.

Julia Middleton, Common Purpose

In an environment where business serves multi-cultural societies in global markets, there is a strong case for improving board diversity by bringing in people with different ethnic and geographic backgrounds.

Sir Roger Carr, Chairman, Centrica (writing in Daily Mail)

Companies pay lip service to diversity. Bosses insist that their people are their most important asset. But the record on women seems to reinforce the impression that companies are frightened of change. Organisations are shaped and succoured by the idea of keeping the real world they operate in at bay. Outsource the bits which may come in contact with the customers. Call up the market researchers when it is time to find out what the customers might want. Retreat into executive car-parking spaces and away-day management meetings when it's time to discuss the direction of the business. Preserve us at all costs from the dirty, muddled, diverse real world. Cut off the corporation from reality.

The fact that women make up half the workforce and fail to scramble their way up to near the top of the management tree let alone into the boardroom illustrates how effectively organisations manage to insulate themselves from the world they operate in.

BBC business broadcaster Peter Day

There are centripetal forces in human nature. People look inwards rather than outwards and the further you go out, the harder it gets. Leadership development needs to seriously invest in taking people off the tramlines and out of their comfort zones.

Sir Derek Higgs

Accessing the Talent Pool – are we fishing in exhausted waters, or do we need to change our bait?

In the UK we have, to date, resisted calls for quotas in respect of boardrooms and other forms of positive discrimination. We have, it is felt, a healthy respect for differences but we understand that the most important part of a recruitment process is to get 'the right person for the job'. One of the most potent arguments that is offered against diversity is that the talent just isn't there – many businesses consider that they are approaching their recruitment strategy in a way that is designed to identify diverse talent if it exists and, if they are not successful, it is because the talent available is not sufficient to meet specific requirements at that time.

Is this really the case? Can we argue that by continuing to recruit in the same way we expect to achieve different results? Or, is this an opportunity to reconsider the senior appointment process so that our companies, not our competitors, harness the best talent?

An example of lost talent can be drawn from the exile of Ugandan Asians who were exiled by Idi Amin in 1972. Relocating in London, by 1995 they had opened a stunning marble Hindu temple near Wembley, dubbed by David Dimbleby as 'one of the greatest additions to British architecture in the 20th century.' The community comprises primarily Hindus from the Indian state of Gujarat, one of the most entrepreneurial and fastest growing states of India today. This community also has huge social capital. Many are now highly prosperous and running large international businesses like Sigma Pharmaceuticals or Colorama, often working in cooperation and supporting one another in business. There are, however, very few Gujarati Board members of any FTSE company, either as executives, or as NEDs. This is a huge talent pool that is completely bypassed – at a loss to organisations. So to recruit, it may be that Boards need to access such dynamic and creative pools of social capital, which exist but are presently ignored. Why is this and is it possible to change this?



Nick Marsh
Global Managing Director,
Harvey Nash

Harvey Nash is a public company, with 1000 employees worldwide and headquartered in London. We have a strong Executive search business (Headhunters) employing 250 people and we place executives and NEDs globally. Fifty per cent of our own strategic management group are women – so we practise what we preach. Sadly there is not much diversity about at an executive level in Boards, worldwide. There is a big difference between the importance attached to diversity within the FTSE 100 and the medium-sized and smaller quoted companies. In the FTSE 100, there is relatively more attention being paid, although mostly for gender and the ethnicity figures are still weak. Globally, America and the Nordic countries are more advanced than Britain and parts of continental Europe are some of the worst at diversity. Countries like France are now trying to make a major change with the introduction of a quota system.

As headhunters, we have quite an influence on the people who get onto the shortlists we deliver, and the search industry is short of action on diversity in the Boardroom, sadly. The process of recruitment in the Private Sector is not open and transparent, nor inclusive, unlike the Public Sector. Unfortunately, a lot of money is wasted in the process in the public sector through advertising – it is not clear whether this wider advertising results in a better candidate list. There is a lot of self-perpetuating recruitment in the private sector e.g. one can only become a FTSE 100 NED if one is already on another FTSE 100 Board. The stated rationale for this is to minimise risk – financial and share price risk.

This makes entry very difficult, and the club, pretty closed to newcomers – even successful CEOs cannot get into their first NED position. Many of the appointments are done through

taps on the shoulder, as Boards prefer to hire people they know and are already familiar with, often hiring people in their own image. There is a lot of inertia about change – leaders want someone who would be acceptable to the markets and tend to be very conservative. It gets worse when we go outside the FTSE 100. I think there is a fear of change and the unknown, but a search firm can help open up the marketplace. However, it is a fact that even though the managers of public companies do not own the companies, they influence the Board appointments very strongly, and as a result they often do this in their own image. There is a fear of challenge. From my experience, in the FTSE 100 companies, the NED appointments are determined by strong governance skills. In smaller companies outside this list, Boards may not give as much importance to governance skills and would prefer people with outside experience and/or contacts. There are still many Boards which are white men only.

We have a women's executive network which we are driving, and we have 3000 members of this INSPIRE network. We also have a diversity portal – TBAY, which includes other areas like ethnicity and disability (which is very low down on company focus sadly). There are three types of people at senior management level – the Exec Group, the Non-Exec Group and the Senior Management Group. These groups have different proportions of men and women. The more diverse the Executive base, the greater the chance for diversity. There are pro-active programmes in place run by FTSE 100 companies, but there is a lag and it takes time for these schemes to take effect.

As diversity has only become a major topic in the last ten years, the pool of diverse and appointable people is too small. British companies are by and large very conservative – we do not like risk. Britain is good at innovating, but not good at executing on the innovation so we have been slow on the uptake of making diversity part of the Boardroom. America on the other hand is much more ambitious and risk-taking and diversity is an often talked about subject. The Nordics gripped the issue a long time ago, and are now quite advanced in terms of the proportion of women on boards. In Germany and Central Europe – diversity is

not even in the conversation. In France, if you are not part of the Grand Ecole schools, you will not get into Executive Management. Indian companies are primarily family run and so people are often not seen as being suitable for British public company boards. The more diverse the Executive base, the greater the chance for diversity. We are finding that in terms of overseas appointments, firms are more and more looking for local talent at senior management levels instead of sending an expatriate, which used to be the common policy in previous decades.

I don't think leaders fully understand the benefits of diversity. Intellectually they think it is the right thing to do, but they don't understand that to implement diversity, Executives need to change their own thinking, behaviour and actions. That is the reality. We do a lot of work around broadening minds among leaders. In the public sector, diversity is a legal imperative and requirement, so Boards have to practise it and often have positive action policies. In the private sector, there is no such explicit strong legal pressure.

We should be learning to be more entrepreneurial like India, more ambitious like America, more inclusive like the Nordic countries, more strategic like the French. Leadership is about taking risk, and Boards should become less conservative and focus on growth. I also think a diverse board should be an international board, and top companies should be looking for the best team from a global market.

Accessing the Talent Pool



Anne Watts CBE
Contributing in 2011 whilst
Chair, Appointments Commission

At the Appointments Commission we have been responsible for making over 1,000 public appointments each year within the health and social care sector using delegated authority on behalf of the Secretary of State for Health. This includes chair and non-executive director (NED) roles for a range of organisations such as NHS Trusts, Primary Care Trusts, Strategic Health Authorities and national Department of Health bodies. We also provide recruitment and selection services to a number of other government departments.

For those roles that we appoint to using delegated authority, we will often process in excess of 13,000 applications each year. The entire recruitment and selection process is managed internally by the Commission – we work closely with our clients to produce a role and person specification, advertise the role and manage the selection process. Each selection panel is likely to include representation from the organisation to which the appointment is being made, an Independent Public Appointments Assessor accredited by the Commissioner for Public Appointments, and is chaired by a representative of the person making the appointment. For these appointments, our Health and Social Care Appointments Committee is responsible for making the final appointment based on the panel's recommendation. For NHS roles and many others that are within the remit of the Commissioner for Public Appointments, we must adhere to the requirements of the Commissioner's Code of Practice.

In the last two years, the Appointments Commission has invested in a new website and e-Recruitment system to increase awareness of the range of public appointments available. We have incorporated video footage of a diverse range of non-executives speaking about their experiences and background and what they get out of their appointment to help broaden the appeal of such roles. The website itself provides a wealth of information about how to get involved and what to expect. Each week we contact a database of over 28,000 people who have expressed an interest in becoming a public appointee with details of the latest vacancies and those wishing to apply can now do so online.

It is an ongoing challenge to raise awareness of public appointments; one such way we have progressed in this area is through a dedicated Candidate Development Team. Their remit has been to focus on encouraging a diverse range of applicants from the widest backgrounds, and to provide support during the application process. This team has worked with organisations in the public, private and third sector to promote opportunities and explain the process we undertake. Initiatives have included bespoke events, speaking opportunities, tailored workshop and partnership events to help 'spread the word', particularly to under-represented groups of society. For example, we partnered with Diverse Ethics to reach out to diverse ethnic communities, informing them about the process and encouraging them to apply.

We have worked actively with the private sector to encourage applications from those with a broad range of professional skills and commercial understanding. It is important to have a range of competencies to ensure the board is operating at its optimum level. In a particularly unique scheme, we have worked with talent pools inside corporate Britain such as BT and Royal Mail, to encourage their senior managers to apply for public appointments with the support of their employer.

We are also working to extend the age profile of public appointees. The average age of a non-executive has been around 55. Many people only consider public appointments when they finish their main careers. I think it is also important to encourage people with current and up-to-date knowledge and working in the mainstream to apply. Unfortunately, it remains an issue that not enough people are aware of board-level non-executive appointments – what it means to be appointed and how to go about applying for such a role. Headhunters, whether looking to fill a role in the public or private sector, need to be questioned about where they are searching – often the short-lists they draw up are not diverse or inclusive. Cross-company mentoring schemes can help – leaders can take more responsibility for who is in their candidate pipeline.

Another key area to look at is the support available to new appointees to help them settle into their role. A non-executive role is very different from an executive role and I think sometimes this is not always understood as well as it could be. In general, I believe management and the roles and responsibilities of being a non-executive are getting tougher. At the Appointments Commission, we do induction training after the appointment to help the new Board appointees understand how the health service works. This really helps in their orientation and enables appointees to have a good understanding of the organisation, how it works and what the critical challenges and issues are. We also facilitate an annual appraisal cycle for our appointees in which all aspects of their performance are reviewed. This, along with other factors, will be considered if and when an appointee looks to be reappointed.

The business case for diversity needs to be better understood in the private sector – I think, speaking generally, that diversity is higher up the agenda in the public sector. That said, the private sector can be far more dynamic – it knows what it needs to do and gets on with it. This cutting edge culture is very important and yet it is an area in which the public sector is lagging behind. The two are becoming more alike though, particularly in terms of methods of operation. In the private sector, customers must come first and that creates an important focus which we can all learn from when bringing the public and patient perspective to bear.

Accessing the Talent Pool



Professor Binna Kandola OBE
Senior Partner, Pearn Kandola

Professor Binna Kandola, Senior Partner, Pearn Kandola and author of 'The Value of Difference – Eliminating Bias in Organisations', has consulted widely with leaders of major organisations on the very themes of leadership and diversity.

A lot of leaders understand the need for diversity but they often fail to see that they have to role model the behaviours that they want to see in the organisation. Instinctively, they consider themselves to be fair minded and they don't consider that bias is an issue. However, unconscious bias exists in all of us, including leaders, and it is something that needs to be addressed directly.

Every action of the Board member is key to the leadership he or she gives to the organisation. It is not just about words, but about conduct, behaviour, meeting agendas and the methods used in communication and engagement. There are many organisations where formal policies and statements about equality have no relationship to actual practices. In our research, we have found that for minorities, even raising the possibility of discrimination can be painful and emotionally damaging. In spite of this, evidence of a consistently increasing number of employment tribunals in Britain is a worrying trend which requires leadership pro-activity.

I have addressed prominent Boards about diversity, and I let them know they are part of the problem AND part of the solution. Leaders are often pleased to be able to talk about the issues openly, and not to suppress the debate. I would encourage them to make efforts to really understand the issues before taking actions, to be much more reflective. For far too many organisations, the tendency has been to tick boxes rather than bring about sustainable change. It is too difficult for most organisations even to ask themselves if there is something about their barrel that makes apples rot. We should all listen to very different points of view, and create space in our

organisations for these to be exchanged and debated. The link between diversity and innovation is huge, and has significant bottom-line benefits. Often leaders want very formal and quantitative data, and this removes the qualitative nuances – the evidence base for diversity is very strong, but may not be in the format they would like to see or are used to seeing.

The dominant group is highly motivated to maintain the status quo. This group will be reluctant to share resources, knowledge or rewards with others. Social dominance theory suggests that as well as jealously guarding its boundaries against leakage of power, the dominant group will actively promote the flow of rewards to people who are similar to its own members. Efforts to encourage diversity therefore run counter to the interests of the dominant group. Group members can feel a sense of betrayal which they extend beyond their personal situation to the organisation as a whole, believing that changes to the rules governing the flow of rewards threaten the very foundations and stability of the organisation. By privileging the bottom line over fairness, and using reactive learning, organisations can refine and perpetuate discriminatory routines to a high level of sophistication. This is very unhealthy and also illegal.

In the Davies Report, Lord Davies talks about gender, at the exclusion of everything else. Organisations are not engaging with diversity now – the field of focus is narrowing solely to women. I can see more white females getting promoted to Boards and all the other falling fall by the wayside. This will stop the bigger message of diversity and employment of ethnic people and could lead to serious friction. What we are not doing is understanding the problem – even consultants and Lord Davies have given a very partial representation of the research. Without proper understanding, how can we reach a sustainable solution?

Accessing the Talent Pool



Amy Ritman

Senior Course Director,
The Common Purpose
'About Time' Campaign

There is a lot of talk about the lack of diversity in Boardrooms, but little practical action or tactical strategy. At the highly successful international leadership development organisation, Common Purpose, our aim is to give people the skills, connections and inspiration they need to become better leaders both at work and in society. At our core is cultivating diversity in leadership and encouraging open-mindedness and creativity. The 'About Time' campaign to broaden the participation and involvement in public appointments from diverse backgrounds, including women, disabled people and BME professionals, was started six years ago, and the initial focus was on mentoring and awareness raising about Board opportunities.

We worked with different organisations, such as leading recruitment consultancy Odgers and applied for and received funding from the Lloyds TSB Foundation to work with leaders from BME communities to support them in their application and mentoring. From the initial campaign, 18 of the people who got involved in the project subsequently successfully applied for Board positions. We raised further support from the Anchor Trust to widen the campaign and provide practical support to apply for public appointments to all kinds of minorities. We discovered there were huge divides, and for so long the same types of people were being appointed. Many talented people began to seriously consider applying for Board positions as a direct result of our efforts.

We were flooded with applications for the courses. In our training courses, we got experienced NEDs to share their skills, organised visits for participants to Public Bodies and gave participants an opportunity to interrogate Executives and NEDs so that the dynamics of challenge and scrutiny could be understood. This dynamic is very important for leaders to understand if they are to be effective. We have also done

similar work with the Government Equalities Office, where we ran two modular courses for over 350 people, one running for four months, the other for ten, to enable people to shadow Board meetings and find mentors, meet with experienced NEDs, and share their experiences and challenges with one another. In all the courses, the feedback was consistently positive. People were inspired, felt more confident and better equipped to get onto Boards and start to make a difference.

We did very practical workshops on application forms and mock interviews, and gave participants practical skills about what to do once they were appointed. All the courses we ran under the About Time banner were very oversubscribed, indicating a very clear demand for development in this area. We are convinced that there is a clear on-going need. The primary motivation from the candidates was the huge interest in wanting to contribute to civic society. It was amazing to see the keenness, often for little or no remuneration, from people who are already very busy and committed. There is a real need to demystify the process, and encourage diverse people to join these Boards. The country is presently in a state of flux, with many changes taking place in the Public Sector and public appointments, but the need for independent scrutiny and diverse boards will remain paramount, so we are sure opportunities will continue to present themselves to aspiring non-executives.

It is hard to quantify the benefits of diversity, but evidence from Boardrooms suggest that diversity makes a huge difference to building a robust and creative Board. If anyone says that there are not enough skilled leaders out there who are women or from ethnic minorities, then our experience has clearly shown that they are wrong – there are plenty and they would make hugely positive contributions, if given the right opportunities and mentoring.

Accessing the Talent Pool



Sir Andrew Motion (Chairman)
and **Roy Clare CBE** (Chief Executive),
Museums, Libraries and Archives Council (MLA)

We recognised that although heritage collections were global, the Board was not sufficiently diverse. We wanted to remedy this and developed a special Informal Board Secondment Scheme to do so.

The Scheme is one expression of the MLA's commitment to promoting equality and diversity both within the MLA and the sector as a whole. By enabling the Board and the Executive to enjoy the benefit of advice and guidance from non-traditional sources, the MLA is better equipped to represent the needs and interests of society. This in turn means that services can be shaped to attract new audiences, as well as to maintain existing ones, thus rendering the sector more relevant and therefore more sustainable. From the outset, however, the MLA aimed to ensure that the benefits of the Secondment Scheme were reciprocal, being of benefit to the individual Secondee as well as to the wider sector. It was anticipated that by seeing at first hand the work of a fiduciary Board, Secondees would develop the necessary experience to successfully compete for full membership of a culture/arts Board elsewhere. In this way it was also hoped that the Scheme would contribute to a broadening of the demographic composition of Boards across the sector so that the benefits of the initiative would reverberate well beyond the MLA, bringing diversity and a fresh approach to decision-making throughout the public sector.

Secondees are appointed to serve for a period of one year, during which time at least fifty per cent attendance at MLA Board Meetings is expected. No payment is provided although the MLA does reimburse all reasonable travel and related expenses. Secondees are precluded from exercising voting rights, but enjoy full access to all Board papers and are encouraged to participate in Board-level debate. In view of this, they are expected to respect the confidential nature of many of the discussions and to comply fully with the MLA's policy with regard to the Register of Interests.

In order to fulfil the MLA's stated objective of using the Scheme to promote individual professional development, each Secondee was allocated, on appointment, two mentors: one from the Board and another from the Senior Executive team. These mentors were drawn from a pool of volunteers and were selected by the Chief Executive Officer on the basis of their breadth of experience and knowledge of the MLA's work. Executive Mentors initially met with their Secondee at the start of their appointment for a fairly

intensive period of induction which lasted between one to two days and included a series of meetings with staff from across the organisation, as well as a number of off-site visits to key stakeholders. Deliberately designed to be as flexible as possible, the itinerary was tailored to reflect the interests of each individual Secondee. For example, one executive mentor organised meetings with key staff at Birmingham Museum & Art Gallery, The Arts Council, Thinktank and Birmingham Library. Non-executive mentors adopted a similar approach: one trustee who is a local authority director invited his Secondee to spend a day with him and his staff. In this way it was hoped that Secondees would be provided with an overview of the scope and range of MLA activity from a variety of different perspectives. An ‘open-door’ policy then operated throughout the Secondee’s term of office, with each Secondee being encouraged to meet with their assigned mentor as and when required.

Feedback from Secondees themselves testifies that the Scheme realised its objective of being of benefit at the level of the individual. Secondees feel that by working alongside people with whom they would not ordinarily have been able to establish contact, their professional experience has been expanded, giving them a valuable insight into how a public body with a national remit operates. One Secondee found the Scheme to have been “personally energising” and rated the secondment as being “fantastic” in terms of professional development. Similarly, another Secondee, voiced enthusiasm for the way in which the Scheme had shown her “that I did have something to offer and that I did have potential in the sector”. This particular Secondee went on to describe the way in which the Scheme had “given real meaning to some of the leadership courses I have been doing with the Cultural Leadership Programme”. All Secondees commented favourably on the mentoring and induction element of the Scheme and it is clear that these two mechanisms are key to both generating a sense of inclusion and promoting greater levels of self-confidence.

In addition to being of benefit at an organisational and individual level, the Scheme also has the potential to nurture a new generation of trustees, thereby helping to ensure that Boards are more representative of, and responsive to, the communities that they seek to serve.

Lessons from the Public Sector



Dr. Ann Limb OBE
Founder and Chair,
Helena Kennedy Foundation

In my view, effective leadership and governance skills needed in public and private sectors are similar. I have been able to transfer the experience I gained in one sphere to the other. I particularly find it useful to sit as a Chair and Non Executive Director on a range of Boards as this enables and encourages cross fertilisation of ideas. One of the roles undertaken by a Non Executive Director is to hold the Executives to account through a fair process of challenge and scrutiny – and this applies equally to the public and private sectors. NEDs must perform their role with integrity, independence, sensitivity, diplomacy and fairness.

British culture can be hierarchical. Some businesspeople are motivated uniquely by the bottom line. It is important to make a connection between diversity and the bottom line. Regulation and compliance require Boards to change behaviour but not necessarily attitude. At present, it appears that many Boards are not convinced that there is a bottom line contribution made through diversity and in the UK we tend not to favour an approach that is based on quotas.

The quality and skills of Board members and the willingness of NEDs to challenge, together with the capability of the Executives, are the issues key to the operation of a successful Board. The NED needs to be able to take an objective view of the organisation and its personnel at the same time as having business success as a key goal. A good NED will be focused on the business but probably less driven by personal ambition than an Executive. The skills of NEDs have to be complementary to the skills of Executives.

Strategic skills are key to the strength and effectiveness of a Board. NEDs should not get involved in operational delivery. Balanced and diverse Boards work the best. I personally do not think being a woman automatically brings a different dimension to Board decisions – what is critical is the diversity of experience that I bring to decision-making.

I believe it is vital for Boards to seek out people with diverse backgrounds and experience and skills. In the private sector, the Board I am on has been supportive and valuing of my experience recognising that, as I have been a CEO myself, I understand the principles of good leadership. Boards need people with strong leadership skills. I have successfully led two large colleges and a major national governmental technology initiative; I have significant private sector boardroom experience. However, as a woman, competition for private sector NED positions is very fierce with a tendency for existing Boards (mostly men) to appoint in their own experience and within their own comfort zone.

In my experience, most NED recruitment is done by word of mouth or through recruitment specialists. Recruitment agencies can exert significant influence on the compilation of a shortlist. It is a very competitive world to get NED jobs in private and public sector. I have had ten rejections for every one successful position gained. Public sector remuneration for NEDs is currently subject to severe constraints. NEDs with private sector backgrounds are prized in the public sector for their commercial skills whereas the private sector does not view skills gained in the public sector as highly. It would be good to educate private sector boardrooms in the value of governance skills derived from public sector experience. It is possible that in the private sector, governance skills are not as high a priority in recruitment to an NED Board – and there is a greater interest in attracting people with large commercial networks and a high profile name. I believe that this could reduce the diversity of the experience pool available. Although I have not personally experienced direct discrimination in being a female Chair and NED, I do believe I have found it harder as a woman to get some Non Executive roles. This is a pity as I maintain that effective governance - strategic thinking, communication skills, the ability to challenge, shrewd judgment - are largely transferable skills and are needed in both public and private sector Boards.

Lessons from the Public Sector



Lynne Sedgmore CBE
Chief Executive of
Centre for Excellence in Leadership

I personally decided that I did not want to join a private sector Board, primarily because the way those Boards run is not conducive to the way I work. I believe they are particularly weak on equality and diversity, are very male, work in old-fashioned ways, with out-moded paradigms which I reject. I would have to change myself to get into the culture of those boards, and I am not prepared to do that. To me, only a 'male kind of woman' could fit into that culture. I think the public sector is far ahead in including and encouraging women in senior leadership.

Groups of like-minded people tend to set criteria subconsciously: male centred criteria put women down and make them feel incompetent and insufficient. Boards can only break out of this if the Chairman and/or Chief Executive makes a specific attempt to break the existing mould. There are too many Boards with the same kinds of people from similar backgrounds, who think and act in similar ways.

The whole issue centres on leaders understanding, appreciating and fostering diversity in the 21st century. I think diversity is a very critical core competence, and leaders need to engage with this for their own interest and development and for organisational progress, sustainability and resilience to global change. Sadly, the majority of leaders today do not understand this importance, nor do they see the need to invest in that understanding and transform their practices and policies. For many people, equality and diversity are not fully integrated into their method of operation and top priorities. For me, that is the crux of the problem.

Women have high Emotional Intelligence – they are brought up to pay attention to emotions and serve in ways that enhance their capabilities around this quality. Female qualities include empathy, bonding, understanding nuances, knowing and giving consideration to their impact on others, seeing beneath the words.

Women are excellent multi-taskers – they can manage a more complex range of tasks and relationships. The eminent management writer Peter Drucker said in the 80's that "the future of management is female" – the core tasks of leadership would become those which women are naturally

more competent in. As the world becomes more complex, moves and changes faster, as there is greater uncertainty, women's skills become very relevant. Old linear and specialist approaches are simply not appropriate for leadership in the future. Women ask 'how do we as a collective bring the knowledge and wisdom that each of us has to bring a more sustainable solution.' Women are often better at overarching systems leadership – they often know intuitively how to build and sustain synergy.

Traditional career progression prevents many women from qualifying for Boards with overly specific or male centred criteria. The talent and supply pool at these levels will inevitably be low. Chairs and Chief Executives have to think very differently about the nature of skills, qualities and leadership they want on their boards. Matching to positions needs to be done more creatively and innovatively. I implemented a positive action programme and recruited a BME female apprentice to the Board as a full Board member – and the results were very good, she made excellent contributions and she grew in confidence in leaps and bounds.

In the public sector, equality impact assessments could be key in driving this agenda, but in my experience there is still a long way to go to embed equality and diversity in its true spirit and full effect. The private sector should be more regulated to take on such important civic responsibilities, even if this means changing the law – at present, there is little evidence of the sufficient caring, transparent and accountable corporations. Overall, I do believe that in terms of the understanding and practice of governance, the Public Sector is far ahead of the Private Sector. I would recommend progressive private sector Boards to recruit from the Public Sector and value this talent dimension they would bring.

Conclusions and recommendations

The lack of diversity in Boardrooms is a serious matter. It needs to be recognised as such. It is not about quotas, or the right faces, but fundamentally about leadership, culture, innovation, ethics and behaviour. The complexities of equality and globalisation can be covered up by cosmetic window-dressing and over-simplification. This should be avoided. Instead, the huge advantages of diversity should be harnessed.

There are examples of good practice which can be borrowed. Many of them have been highlighted in this publication. However, the most fundamental aspect of leadership training needs to be addressed directly, with humility and a desire to understand the length and breadth of the issues. Any fears and prejudices need to be talked about and discussed, rather than being swept under the carpet. It will require deep introspection about the culture and behaviour of leaders and managers, and a desire to work on reform from the inside out, not the outside in. The courage to do so needs to be mustered, and what lies in store is a vast potential for openness, creativity, learning and personal and organisational growth. It has been proven that whoever understands and embraces the spirit of diversity will enrich their own life and, if we can capture this in business, enrich our opportunities for a sustainable, profitable future.

A Board is a team of leaders with a unique set of powers, resources and responsibilities. It is therefore critical that these duties are exercised with integrity, maturity, transparency and openness. Boards simply cannot ignore the values and ethics that they bring to the organisation, and how these are being practised on a day to day basis. Equality and inclusion are fundamental values which needs to be practised even before they are spoken about. It is through personal engagement and practice that leaders will bring about the behaviour transformations that are needed throughout the organisation. If this is not done, the change process will be unsustainable. The effect will be cosmetic at best.

1. Training in the meaning of equality and the consequences of inequality needs to be delivered to leaders and senior managers. The participants' attitude to this training needs to be positive – if not, it will simply not work. Given the depth and breadth of the challenges, it should be understood from the outset that this is not a short course or a soundbite, but something which needs to be delivered over a period and through a variety of approaches e.g. through personal coaching, experiential field trips, role play and theatre, and group exercises. Leaders who have broken the mould and truly live by principles of equality and win from it could inspire and become important role models. If they are not prepared to change, organisers should seek a new cadre of leadership candidates who already understand and embrace these values and spirit.
2. Equality is forcing Boards to be holistic in their thinking and leadership. This opportunity should be seized upon with gusto and not seen as a pain or hindrance. The more integrated and plural the thinking is, the greater the likelihood of equality being implemented in fundamental ways. The world is becoming ever smaller, and organisations often take advantage of this through global activities and operations. The thinking and behaviour now needs to be integrated and inclusive.
3. The merit rhetoric about Board appointments is often shown to be false and tiresome. Evidence shows that processes and criteria are often subjective and far from independent, especially in the Corporate Sector. At the very least, this weakness should be admitted – its denial will not help anyone. The more Boards sit on top of elitist mountains and argue that there are not enough candidates of equal merit, the more they will be distrusted and disrespected. Boards should want to earn the respect of their employees and stakeholders, and value this highly. Instead of leading from authority, they need to learn to lead beyond authority through lived actions, attitudes and behaviours.
4. There needs to be a serious review of the appointments, and promotional process and the criteria used to search, find and select suitable candidates. Narrowly defined criteria can lead to narrow outlooks and a lack of challenge and creativity. For example, it may not always be necessary for a Corporate Board member to have business experience. Public Sector Board members and executives often have strong leadership and governance skills and credentials, and should not be overlooked in the search process. Balanced skills are critical to any Board. Imagination, sensitivity and mapping needs to be used for this, and given the huge flow of information in the world today, it should be possible to find very suitable candidates from diverse backgrounds. Even where someone may 'appear' not to be Board-ready, there are

ways of implementing processes such as secondment and induction training which can help them very quickly become effective members and contributors. Firms should not feign from taking such calculated 'risks' to diversify their Board profiles.

5. Headhunters, who are paid tens of thousands of pounds for each senior appointment, should be tasked to source diverse candidates and help Board implement equality in its true spirit and essence. Where they do put forward a diverse short-list, Boards should be open and welcoming of this and not closed-minded and prejudiced. If a NED has already got an Executive position and an NED position, the chances of them making a constructive contribution on more Boards are limited. Boards and Headhunters should avoid over-fishing from the same pool.
6. Ultra-conservatism and bias in the boardroom can lead to an increase in risk rather than its mitigation. Cushions should therefore be removed from the Boardroom and replaced by diverse skills, experience and contacts and networks. Challenge should be seen as an opportunity to mitigate risk and grow, and to ensure multiple stakeholders are respected and heard. It should be understood that minorities often bring an enthusiasm and determination to succeed which has become instinctive and pioneering, and organisations could seriously benefit from this hunger and spirit. Avoiding them will mean that the organisation is choosing to be insular and dogmatic as opposed to plural and inclusive. It is often possible that the same person can have more than one of the above sets of skills. For example, a community leader can also be a member of a professional body and run a very successful commercial enterprise. The breadth of skills can also add to the contribution of individual Board members. Narrow skill sets and mindsets should be avoided.
7. As the interviews have shown, there are some very good models of training, governance and recruitment developed in the Third Sector and the Public Sector which could be very easily and effectively applied in the Corporate Sector. Examples include Board secondments and mentoring, Orientation training, wider advertising and transparent application processes, structured application and interview processes (including Panel Interviews), and independent approval of NED appointments.
8. Stakeholders should put pressure on management to diversify. The evidence shows that this pressure is virtually absent in the UK Corporate Sector – Institutional Investors, Fund Managers, Regulators, Shareholders, Trade Unions, Professional Bodies (like Institute of Directors) – should raise their concerns and question the management

on this critical agenda item. Traditional performance measures are not sufficient to encourage managers to embrace diversity in its substance as well as form.

9. Talented people are increasingly looking at the fundamental culture and values of an organisation before they decide to join. No longer are they willing to simply rely on brand, size, image or perception – they will want the organisation to practice what it preaches, and are known to ask these questions at interviews. Concepts like fair pay, tax justice, environmental policies, corporate social responsibility are increasingly entering the public consciousness and young people want to work with companies whose values they admire. Ethics, Corporate Responsibility and Equality are consistent values which will help organisations recruit from the best talent available. If organisations choose to rely on spin, power and size, they will not attract and retain the best talent.
10. Our understanding of prejudice/bias is changing. In the murder case of Stephen Lawrence, Macpherson's investigation found the Metropolitan Police to be 'institutionally racist' (Macpherson, 1999). Not just people, but structures, policies and practices were such that ethnic minorities were prejudiced at every level. This led to a change in the law in Britain. Inclusive Boards need to monitor the organisational structures and processes, to ensure fairness and equality are practiced at every level.

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Resources

www.mazars.co.uk – The website of Mazars, the business consultancy which sponsored this research, and has a dedicated practice to advise you in the areas of leadership and diversity.

www.bitc.org.uk – This website hosts the campaign 'Race for Opportunity' with several reports and research papers on how to increase ethnic diversity in the workforce and overcome challenges.

www.iod.com – The Institute of Directors is a national body supporting Directors and has a special training package for Female Directors.

www.citywomen.co.uk – Women in the City network supporting, empowering and connecting women who work in the male dominated financial services industry.

www.diverseethics.com – A website portal and consultancy supporting leaders who want to embrace diversity in the culture, behaviours and strategies of the whole organisation. On the site, there are interviews and a range of articles helping organisations to make this transformation.

www.appointments.org.uk – Appointments Commission website, with video interviews of diverse leaders and their boardroom experience, and a range of articles about the recruitment and appointments process. Vacancies for NEDs for Public Bodies are also advertised on this site.

www.equalities.gov.uk – Government Equalities Website, with information about the legal regulations and factsheets and research studies on equality.

www.equalityhumanrights.com – Website of the Equality and Human Rights Commission, mandated by the government to promote and protect equality and human rights in Britain.

www.commonpurpose.org – An International leadership development organisation, with a strong emphasis on diversity.



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Atul K. Shah has a PhD from the London School of Economics, and is founder of the leadership social enterprise, Diverse Ethics, www.diverseethics.com. He has written a number of books and research papers on the themes of ethics, diversity and governance including 'Celebrating Diversity – How to enjoy, respect and benefit from Great Coloured Britain'. He was lecturer at the University of Bristol and University of Essex, and on the Board of the Museums, Libraries & Archives Council and the National Council of Faiths & Beliefs. Diverse Ethics provides research, training and consultancy on the themes of Leadership, Ethics and Diversity in the Workplace. Clients include the Appointments Commission, RSPCA, Procter & Gamble, NHS, GLA, and BBC. Broadcast credits include BBC Radio 2, Radio 4, World Service and Five Live and he has spoken nationally and internationally at conferences on issues of ethics and governance. He is a member of the Institute of Chartered Accountants in England & Wales.



Diversity:

