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Bringing Diversity to the Boardroom

Women now account for 17.3 per cent of all directorships in the FTSE 100. Criticaleye finds out whether the pace of change is too slow and how diversity in a business can only serve to enhance performance

Opinions are divided when it comes to promoting diversity in the boardroom. There are the less progressive types who find it a rather tedious debate borne from political correctness. Others understand the pressing need to be braver and more imaginative when searching for directors who possess the right mix of insight, knowledge and expertise in ever more competitive global markets.

Companies with boards filled with facsimile executive and non-executive directors are going to struggle. **Alison Carnwath**, Chairman of commercial property and investment company Land Securities Group, comments: “The backgrounds of board members should strive to reflect the complexity of a business as they have become more complex, more global and they have often become more regulated.”

In this sense, perspectives from different cultural backgrounds will become invaluable. **Pankaj Ghemawat**, Criticaleye Thought Leader and Anselmo Rubiralta Professor of Global Strategy at IESE Business School in Spain, says: “We tend to be so rooted in what we have experienced, it’s important to get people with different viewpoints and backgrounds to develop a global perspective, rather than... from one particular point of view.”

Besides, a healthy board should always be a lively blend of individuals who provide varied, challenging debate and insight. **Donald Brydon**, Chairman of the Royal Mail Group, comments: “There are huge benefits to diversity: the avoidance of group think; the introduction of different ways of thinking, which can often be found within sexes and nationalities as

“*You want the best people on the board, whatever their background, gender, race, origin, creed or colour*”

much as between; the importance of role models and [the] understanding of diverse customer groups, being just some examples.”

A LONG ROAD

The focus on diversity has largely been to get a greater number of women onto boards. According to **Lord Davies**, who recently updated the findings of his 2011 review panel’s report [Women on Boards](#), a growing number of “companies see that having more women at their top table makes good business sense, especially if we are operating in a global market”.

A snapshot of the FTSE 100 from earlier this year shows that women now account for 17.3 per cent of all directorships (13.2 per cent: FTSE 250), up from 10.5 per cent (6.7 per cent: FTSE 250) two years ago. Improvements have been made, but given there are only 192 women directors on FTSE 100 boards out of 1,110, it is clear that plenty of work has to be done if **Lord Davies’** recommendation of female representation of 25 per cent by 2015 is to be achieved.

Lucy Dimes, UK CEO of telecoms concern Alcatel-Lucent, admits that there’s no silver bullet: “There’s no simple answer to all of this but we have to keep on about it and keep on with the initiatives and the various codes of requirement even if they are voluntary. It’s sort of change by stealth, keep persistent at it and it will change and it is changing.”

Alison says: “Progress is slow and it is something that tends to be generational. It’s going to happen but might take longer than perhaps people thought... and politicians are in a terrible rush to make an impact.”

The consensus is that boardroom quotas designed to force change are a bad idea. **Margaret Ford**, Chairman of support services concern May Gurney and Non-executive Director of media company STV, says: “I am not a fan of quotas but I am a fan of transparency. So in other words, I would want an annual report and for chairmen to explain why the board is comprised the way it is.

“If you haven’t got diversity of experience on the board, shareholders should ask them why. When you shine a light on things and require people to explain, then that gets you further than artificial quotas.”

For some, there is a larger issue to be addressed here. **John Ormerod**, Chairman of specialist education concern Tribal and Non-executive Director of ITV, says: “The real management responsibility is career development opportunities for women. In particular, to make sure they are better equipped to [move] into the boardroom.” ▶

The smartest organisations fully realise that diversity has to be about effective talent management – you want the brightest people for your business. **Margaret** says: “In any good team, whether it’s a board or

not, having people who can play different roles and complement and challenge each other is what gives you good decision-making capabilities.”

Martin Towers, Senior Independent Director of plastic packaging business RPC Group, explains: “The board is plainly a meritocracy... You want the best people on the board, whatever their background, gender, race, origin, creed or colour. In that context, the diversity issue is all about making sure there’s a level playing field for the process of meritocracy to work, to get the right quality of people.”

“*Having more women at [the] top table makes good business sense*”

Research by global law firm Eversheds, [The Board Report](#), found that the majority of board directors (61 per cent) believe that diversity in its widest sense – diversity of skill-set, expertise outside of industry sector, international experience, age and background, as well as gender – has the most effect on board performance.

Analysing the boards of top 100 companies in the UK, Europe and the US, over 120 Asia-Pacific companies, 50 Middle Eastern companies and 30 companies from Brazil, the research found that just under half (49 per cent) of respondents thought that having more directors on the board with experience of a different industry sector is related to better company performance.

However, only 16 per cent deemed age as an important factor, with gender seen as even less relevant (10 per cent).

John Heaps, Chairman of law firm Eversheds, says that “the 2013 report demonstrated that by far the majority of directors who were interviewed were of the view that diversity in its widest sense was an important aspect of good board performance”.

WHERE NEXT?

Diversity of talent has to be the primary goal. **Donald** argues that the need to create a team relies on incorporating particular skills and experiences, such as around international expansion, and demands ready-made directors as “the board is not a training ground”. Rather, it’s a place strictly for those who understand the drivers of a business’s success.

The best chairmen and CEOs understand this simple truth which can be lost amid media scrutiny and political point scoring. **Joelle Warren**, Chairman of executive and NED recruitment specialist Warren Partners, says: “Increasingly we’re seeing massive changes in businesses through new technology and globalisation. Customers’ changing habits mean boards have to change also to reflect that.

“They need a broad range of skills, different experience and they have to reflect the markets and customers which they service. This means they have to be diverse in all sorts of ways, whether that is gender, cultural background, age, education, class or ethnicity.”

Changes for the better are underway but there are still a vast number of boards trapped within their comfort zones. They

fail to equate diversity of thought and experience with running a business that can compete and win on the global stage. ■

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Featuring Commentary From:



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