

DIVERSITY IN THE BOARDROOM



As countries such as Norway, Spain and Australia, implement quotas or guidance for the number of women who sit on corporate boards, the UK, although not yet at the point of demanding quotas, is increasing pressure to change the face of the nation's boards. **Helen Alexander**, President of the CBI, spoke at a recent Inspiring Non-executive Directors Drinks Party about the impact of a homogenous boardroom and how organisations can diversify.

PRACTICAL STEPS TO A MORE DIVERSE BOARDROOM:

1. **Define the type of diversification needed**, eg, different ethnicities, socio-economic groups or educational background.
2. **Think about how you recruit and appoint board members** “Be prepared to think differently about what you do and do not need in a candidate,” says Helen. “Ask whether every candidate has to have the same set of skills, qualifications or experience.”
3. **Get outside help** “There are many keen to earn their living! Professionals present candidates who you might otherwise not think of.”
4. **Learn to recognise talent in different cultures**
5. **Be patient and keep trying** “It’ll often not be easy to find the right people first time around.”

For many, the word ‘diversification’ automatically conjures the idea of gender, but as the population becomes more varied in ethnicity, religion, sexual orientation and skills, so too should the boardroom.

As a consequence of the global financial meltdown, business reputation and the population’s trust in large organisations have reached an all time low. Helen believes that there is no better time to explore the immense amount of different ideas and skills that come from a diverse boardroom to help the business world out of its current mess.

The fabric of the boardroom needs to be challenged. By changing the view at the top, organisations are providing “the right sort of environment for the leaders of tomorrow to thrive,” says Helen. “By doing that we’ll be helping to appeal to more talented people, from whom I believe success will follow.”

There is an ever-increasing risk of groupthink from homogeneity, especially at the top of the corporate ladder. “If there is groupthink, it means that those at the top may lack an effective challenge to determined bosses.”

CULTURE OF CHALLENGE

According to research done by Malcolm Gladwell in his book *Outliers*, although airline captains and first officers split flying duties equally, crashes are more likely to occur when the captain is at the controls.

Gladwell attributes this phenomenon to the fact that captains are more likely to speak up when the first officer makes a mistake while flying the plane. First officers are less likely to point out a mistake made by their superior, the captain. The power distance between first officer and captain is the likely reason for the resulting tragedies.

This idea has some pertinence in the business world. Helen remarks on how it is thought that many of the crashes during the global economic meltdown were deemed to be due to the “over-mighty chief executive” allowed to run amok with little challenge from colleagues.

Indeed the Walker Report – a review of corporate governance in the UK and financial industry entities – released in 2009, emphasised the need for NEDs to challenge the strategy presented by executives and that the role of chairman is particularly important to create the dynamic of constructive challenge in the boardroom.

Helen asserts that a way to ensure a culture of challenge is present in an organisation is through diversity. “A key way to help create this climate is through having more diversity at the top, with talent drawn from as wide a net as possible,” says Helen. “If we want differing views – and we do - we must have different types of people, happy to challenge and speak up.”

BUSINESS CASE

There is no doubt that a more diverse board and c-suite can benefit business. The University of Michigan conducted research demonstrating that mixed teams consistently outperform homogenous teams. “Its idea,” says Helen “is that people from different backgrounds look at problems in different ways. Different people have different tools, while those educated and trained in the same way will bring the same tools to solve a problem. The result is when you bring different tools to solve a problem, team members get stuck in different places. With the same tools, everyone gets stuck at the same place.”

Diversity does not only pay with problem solving. A 2008 study by the California Public Employees’ Retirement System (calPERS) demonstrates a correlation between companies with more diverse boards and higher performance on key measures such as returns on equity, sales and invested capital.

Much research has been done showing the benefits of diversity. The University of Queensland and LSE shows that gender

diversity pays for boards in terms of performance, and interestingly “also shows that having women on boards makes for better attendance by men.”

MAKING DIVERSITY A REALITY

Even though the benefits of diversity have been clearly shown to many leaders, there is still a lack of it in major UK corporations. However, there has been progress in some, albeit slow. According to the CBI’s most recent Employment Trends Survey, 82 per cent of UK employers are taking action on diversity and a quarter of employers say they take positive action to improve equality in the workplace.

“We talk in business about the diversification of portfolios and markets being a good thing. When a business has made sure its eggs aren’t all in one basket, it gets accolades. It is high time that diversification of people was as actively pursued and praised,” says Helen.

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In addition to her role at CBI, Helen is also a non-executive director of Centrica, Rolls-Royce plc and The Port of London Authority. She is a Senior Advisor at Bain Capital and was Chief Executive of The Economist Group 1997 – 2008, having joined the company in 1984. She was Managing Director of the Economist Intelligence Unit from 1993 until the end of 1996. Helen is Senior Trustee of the Tate Gallery, Chair of the Business Advisory Forum of the Said Business School, Oxford and a governor of St Paul’s Girls’ School. She has an MBA from INSEAD and she is an Honorary Fellow of Hertford College, Oxford.

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