

# Increasing Board Diversity



The most effective company boards bring together different thinking, insights and perspectives.

**DIVERSITY AT THE HIGHEST LEVELS OF A BUSINESS IS CRITICAL.**

When leading a business, particularly on a global scale, it's vital that we have the best possible picture of market trends, customers, markets and business practices, as well as the repercussions of our actions. To see this picture fully we need a wide variety of skills, perspectives and experience among directors. That's why we need more women and a wide variety of ethnic backgrounds on our company boards.

## PURPOSE OF A BOARD

To ensure the company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, boards of directors **must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.**<sup>1</sup>



In order to achieve this purpose, the board must be able to consider a wide range of perspectives in order to make the best decision for the company.

**Diversity is the best protection against 'groupthink'.**

## ROLE OF THE CHAIR IN ENSURING DIVERSITY IN PERSPECTIVES



The role of the Chair is critical in creating an inclusive environment where everyone is comfortable and confident expressing their opinion in order to have robust conversations.



Within executive teams, there is a move away from hero leadership towards a more collaborative style and the same is true of boards. It has been noted that the Kiwi culture<sup>2</sup> tends towards agreeability and therefore consensus has been valued in the past. Today's business challenges are varied and complex so benefit from more discussion and alternative viewpoints.



Establishing a clear purpose and shared values creates an environment that allows discussion to occur knowing that everyone has the same ultimate goals.

## DIVERSITY OF PERSPECTIVE - 2 TYPES OF DIVERSITY

**Inherent diversity**  
traits you were born with

For example:

- Gender
- Ethnicity
- Sexual orientation
- Disability
- Age

**Acquired diversity**  
traits you've gained through experience

For example:

- Education
- Cultural fluency
- Language skills
- Technical skills
- Geographic mobility

- ✓ As the inherent diversity traits are easier to see and measure, they are often the focus of organisations keen to have diversity.
- ✓ Diversity is also about context. For example, in a female dominated environment diversity may mean having a male board member or on a board that consists mainly of the over 50s diversity may involve someone who is 35-40.
- ✓ Being a board member is a role that should not be taken lightly and appointments should not be made purely to bring an element of diversity to the table. Having the right combination of skills around the table is critical.
- ✓ It is important to note that while visible diversity around a board table does not automatically lead to a diversity of perspectives it demonstrates a clear intention and commitment to hearing diverse perspectives and encourages robust conversations.

*"The research is clear cut that organisations do better when they have diversity in their boards and executive teams."*

SONIA BREEZE  
PARTNER, DELOITTE

# Female Ambition



## THE FACTS

There is a misconception that there are not enough qualified women to take on board roles or that women don't want to be on boards. However a number of studies demonstrate that women's ambitions and capabilities are no weaker than men's.

A GLOBAL BCG STUDY OF OVER 200,000 RESPONDENTS IN APRIL 2017 FOUND THAT:<sup>3</sup>



Women start their careers with as much ambition as men—or more



Having children does not make women less ambitious



Ambition is influenced by company culture

A NEW ZEALAND REPORT INTO WOMEN'S CAREERS AND ASPIRATIONS BY MPOWER AND MASSEY UNIVERSITY IN JUNE 2017 FOUND THAT:

**1** Career advancement is also a major concern for a large majority of the respondents.

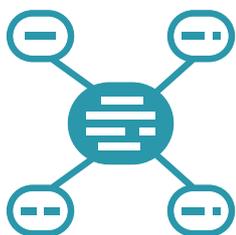
**2** Women with dependants and those without share similar profiles in terms of their aspirations to senior career roles

A MCKINSEY REPORT<sup>4</sup> FOUND THAT:

**79%** of mid or senior-level women want to reach top management compared with 81% men

## IMPORTANCE/IMPACT OF GREATER DIVERSITY ON BOARDS:

### BETTER CORPORATE GOVERNANCE



A focus on ensuring that a range of perspectives as well as technical skills are represented around the board table naturally encourages better corporate governance.

✓ A Canadian study<sup>5</sup> found that the more gender balanced boards were more likely to:

- Identify criteria for measuring strategy and monitor its implementation
- Follow conflict of interest guidelines
- Adhere to a code of conduct.

✓ "Good governance" is increasingly becoming synonymous with diversity of perspectives.<sup>6</sup>

✓ Professor Aaron Dhir from York University's Osgoode Hall Law School<sup>7</sup> identified seven consequences of having a heterogeneous board:

- Enhanced dialogue
- Better decision making, including the value of dissent
- More effective risk mitigation and crisis management, and a better balance between risk-welcoming and risk aversion behaviour
- Higher quality monitoring of and guidance to management
- Positive changes to the boardroom environment and culture
- More orderly and systematic board work
- Positive changes in the behaviour of men

# FACTSHEET *TUHINGA* Increasing Board Diversity

**PERFORMANCE** Business challenges are increasingly complex and require diverse perspectives to solve. The views of a homogenous group are less likely to consider all the potential risks, problems and solutions.



Companies with at least one female director receive a better return on their investments compared with companies with all-male boardrooms.<sup>8</sup>



Having different perspectives on the board means board will benefit from fresh perspectives, new ideas, vigorous challenge and broad experience which leads to better business decisions; insurance against group-think.



Companies with three or more women in senior management score higher in all dimensions of organisational effectiveness.<sup>9</sup>



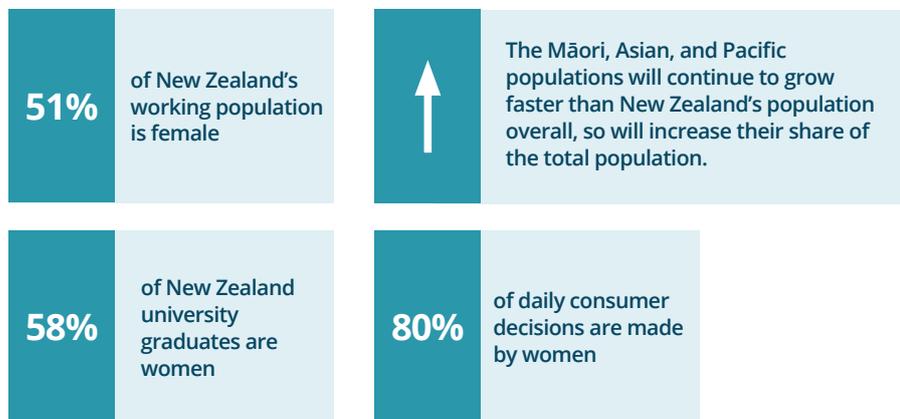
Board diversity is a high priority for institutional investors – as it is important for the long-term success and sustainability of a business, it is a high priority in order for them to act in the best interests of their investors.



HOWEVER - Existence of a diverse board doesn't automatically lead to improved performance – it's the role of chair to ensure respect for diverse views and room for robust conversations.

## ACCESSING WIDEST TALENT POOL – USING THE SKILLS OF ALL

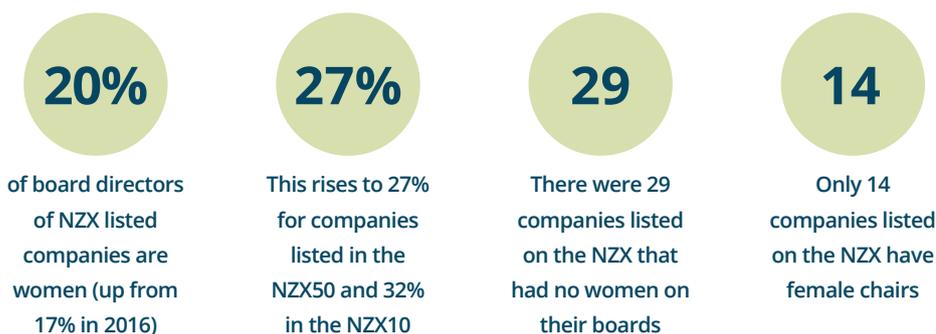
Utilising specialist search agencies, broadening networks and providing opportunities for those interested in being directors to gain some experience are all ways to access the widest talent pool.



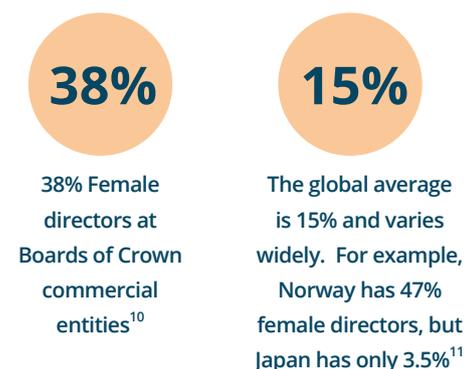
*“Irrespective of a company's industry, location or size, we believe that a lack of diversity on the board undermines its ability to make effective strategic decisions, That, in turn, inhibits the company's capacity for long-term growth.”*

MICHELLE EDKINS, GLOBAL HEAD OF INVESTMENT STEWARDSHIP, BLACKROCK

### NZX figures at 30 June 2018:



### As of April 2018:



Miranda Burdon  
Chief Executive  
Miranda.burdon@globalwomen.org.nz  
027 474 1019

Charlotte Burgess  
Partner Support and Insights Manager  
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### BEING MORE RESPONSIVE TO THE MARKET



Board directors should be able to understand and represent their market, “ensuring customer knowledge, intuition and empathy”<sup>12</sup>

- ✓ Inclusive and diverse boards are more likely to be better able to understand their customers and stakeholders and to respond to market trends.

#### Benefits include:

- Enhanced dialogue
  - Better decision making, including the value of dissent
  - More effective risk mitigation and crisis management, and a better balance between risk-welcoming and risk aversion behaviour
  - Higher quality monitoring of and guidance to management
  - Positive changes to the boardroom environment and culture
  - More orderly and systematic board work
  - Positive changes in the behaviour of men
- ✓ Globally, most directors believe gender diversity adds value to the board. The majority think it improves board performance (82%) and brings a unique perspective to the board (94%).<sup>13</sup>

*“Had we had more diversity of thought, perspective, education, gender, colour, the [global financial] crisis would have been less severe.”<sup>14</sup>*

SALLIE KRAWCHECK, FORMER DIRECTOR OF CITIGROUP

#### References

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- 5 Women on Boards: Not Just the Right Thing . . . But the “Bright” Thing by David A.H. Brown, Debra L. Brown and Vanessa Anastasopoulos, 2002
- 6 Deloitte Women in the boardroom, Fifth edition (2017)
- 7 Challenging Boardroom Homogeneity Corporate Law, Governance, and Diversity Author: Aaron A. Dhir, Osgoode Hall Law School, York University, Toronto
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- 10 Corporate Governance in New Zealand, Chapman Tripp, April 2018
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- 12 Superdiversity Institute, Diverse Thinking Capability Audit of New Zealand Boardrooms 2018, August 2018
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