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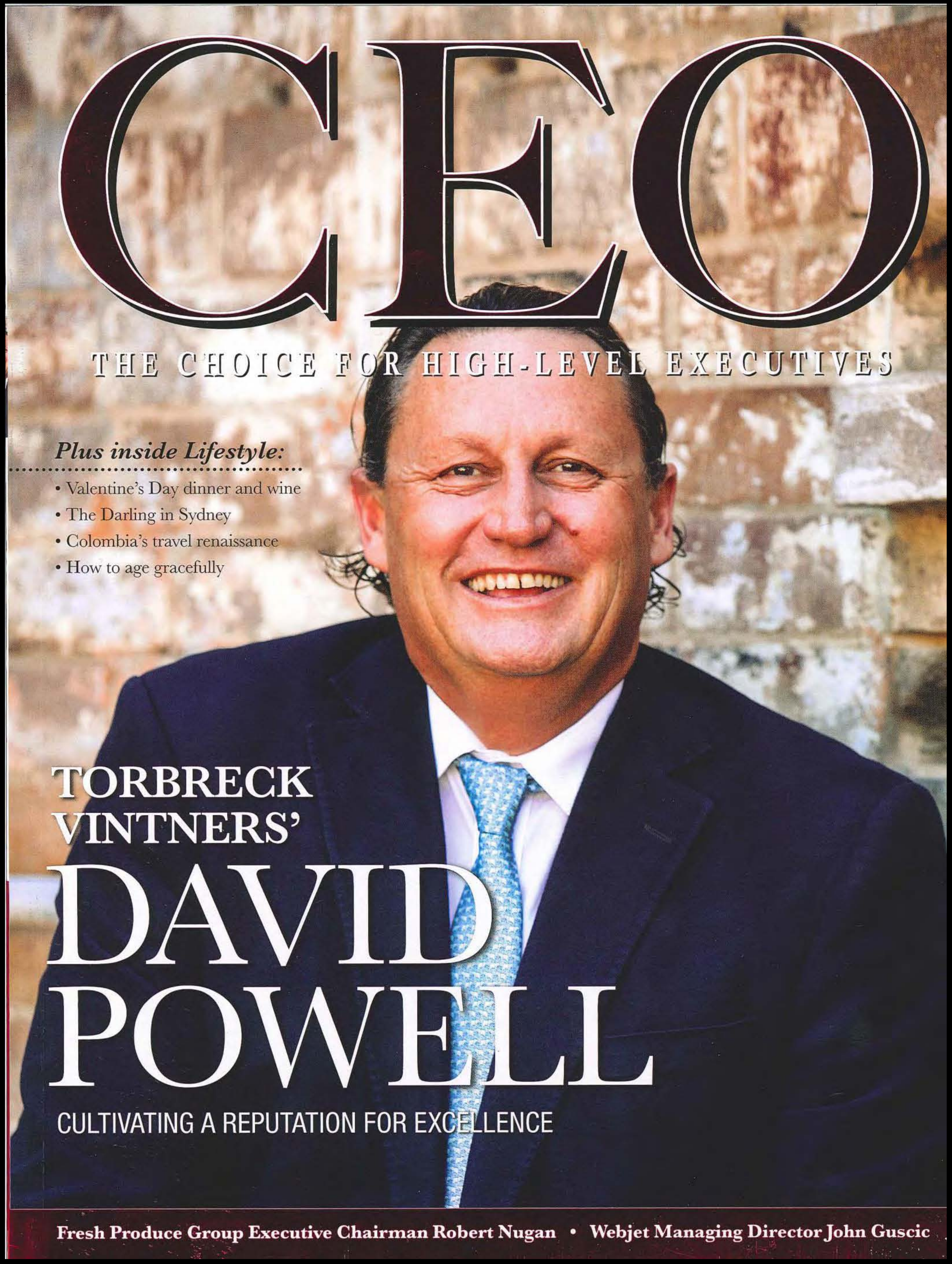
THE CHOICE FOR HIGH-LEVEL EXECUTIVES



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CULTIVATING A REPUTATION FOR EXCELLENCE

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A New Approach to Diversity

BY VANESSA GAVAN

WITH GENDER DIVERSITY ON THE RISE IN THE WORKPLACE, EMBRACING THIS CHANGE CAN SET YOUR COMPANY ON THE PATH OF SUCCESS AND INNOVATION.

Gender diversity has a legitimate place in governance, and quite rightly so. It gets a lot of airtime. However, the value of diversity goes beyond addressing under-represented social groups; it makes different types of thinking available to solve complex business problems, optimises boardroom performance, and drives transformational business change. Homogeneous group-think will not achieve the best outcomes. What you need at the table is a range of opinions, experience and knowledge, as well as a willingness to listen.

In recent years, shareholders have become more active and vocal in the area of diversity, demanding executive teams and boards that better reflect the range of an organisation's customers and employees. During the 2010 AGM season, multiple boards and nomination committees were, according to Anthea McIntyre in *Tomorrow's boards: Creating balanced and effective boards*, "subjected to increased scrutiny over their membership and selection practices."

Much of this scrutiny is focused on gender equity. Some companies, including the Big Four, have responded by embracing diversity voluntarily. Others have been persuaded by new ASX corporate governance guidelines which mandate the establishment and reporting of gender equity programs. Since the guidelines were announced in January 2010, the number of women on ASX 200 boards has increased by more than 50 per cent. But we can certainly do better; women make up just 13.8 per cent of today's ASX 200 board members.

In international terms, Australia lags behind a host of other countries, including the US (15.7 per cent), South Africa (15.8 per cent), Germany (16 per cent), France (22 per cent), Finland (24.5 per cent), and Sweden (27.3 per cent). Furthermore, one third of ASX 200 boards have no female directors at all.

The mix of leadership strategies, thinking styles, and risk profiles that gender diversity brings to leadership roles are major contributors to stronger corporate performance.

LINKING DIVERSITY TO BUSINESS RESULTS

There is no doubt in my mind that a mixture of male and female executives and directors can make a significant contribution to business success. A comprehensive new report from Credit Suisse Research backs this up. Gender Diversity and Corporate Performance was a six-year study of 2,400 companies around the world which shows that those with female directors perform better in challenging markets than those with all-male boards. The shares of companies with a market cap of more than US$10 billion performed 26 per cent better than comparable businesses when there were women on the board, and their net income growth was 4 per cent higher.

According to the report, the mix of leadership strategies, thinking styles, and risk profiles that gender diversity brings to leadership roles are major contributors to stronger corporate performance.

I would like to take this argument a step further by proposing an even broader definition of diversity for leadership teams—one that goes beyond affirmative action. In my opinion, boards and executive teams would benefit from a more strategic mix of skills, expertise, viewpoints and ideas. The selection process should take this kind of diversity into account too. ⟶

Having a mix of ethnic, social, and gender backgrounds is useful as a starting point for this approach, but few companies address diversity from a broader, outcomes-based perspective. They favour assigning targets and quotas to under-represented social groups so they can meet the mandated requirements. This does little to drive better business outcomes, can breed resentment with other groups, and does nothing to advance the spirit of diversity.

THE ADVANTAGES OF REAL DIVERSITY

While there is plenty of data supporting gender equity, there is—to my knowledge—no empirical evidence that a broader approach to diversity has any business merits. However, as the leader of a consulting firm in the trillion-dollar professional-services sector, I have worked with hundreds of organisations and I have seen diversity at work, particularly at executive and board level. I know its business value is greater than ticking a moral or regulatory box.

A genuinely diverse leadership team leverages the business value of having access to different outlooks, management styles, communication styles, values, opinions, experiences and behaviours. The leadership platform is enriched by having a team of people with different frames of reference, providing a wider range of strategic options to explore when making decisions.

More ideas

Ideas are at the heart of every business decision, and the more diverse the team, the wider the pool of ideas to choose from. Diverse management teams are better at capitalising on growth opportunities and business improvement ideas and at managing a more productive organisation. A lack of diversity means stagnation and no new ideas.

More innovation

Creation, reinvention, and new ways of thinking are vital for business growth. A diverse mix of people with different ideas, opinions, and experience creates a team that is more willing to challenge accepted thinking and be open to experimentation.

More calculated risk

A diverse team means different attitudes to change: some people see the risk in everything while others are infinitely optimistic. New ideas are essential for business growth, especially in challenging market conditions, but they are also inherently risky. With a diverse team of leaders, your organisation is more likely to stay competitive.

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MANAGING A DIVERSE TEAM

There is no legislation or regulation governing how organisations should select directors or executives for the broader definition of diversity that I have outlined. The final mix relies on how leaders select their team members. To be successful, the selection must be strategic, taking into account the impact of every individual on the group dynamic. Throwing a bunch of people into a team and calling it 'diverse' entirely misses the point.

Assembling the optimal team is the first step. To get the best out of the opportunities true diversity creates, the team must then be managed well.

Highly diverse teams can be difficult to motivate and manage, especially at a senior level. The ties that bind team members are looser than when everyone is 'on the same page' for everything. There will be more debate and friction, so tensions will arise. Members who are unused to being challenged can be frustrated or angered by opinions different to their own and can resort to applying stereotypes to other members. They may band together with like-minded members, creating silos of opinion and ideas that block progress.

If managed well, these tensions can be resolved, resulting in a positive and collaborative environment where lively debate is welcomed and is fruitful. One of the leading academics in the field of corporate governance, Jeffrey Sonnenfeld, believes that having an extremely contentious board is essential for high-performing companies.

In his article 'What Makes Great Boards Great', which appeared in the September 2000 issue of *The Harvard Business Review*, he stated: "If a board is truly to fulfil its mission—to monitor performance, advise the CEO, and provide connections with a broader world—it must become a robust team: one whose members know how to ferret out the truth, challenge one another, and even have a good fight now and then."

Lack of genuine diversity is a threat to corporate success. Embrace it at the highest level and it could be a game-changer for your organisation. ●

About Vanessa Gavan

Vanessa Gavan is the founder and managing director of Maximus International, a niche organisational performance consultancy. An entrepreneurial business in nature, Maximus helps organisations achieve specific business goals and has a strong track record in the leadership arena.

For more information, visit *maximus.com.au*.