



Do we really need diversity on our Board?

For many years, boards of directors, from the largest global organisations to the smallest, have wrestled with and in a significant number of cases, have simply failed to understand the true importance of genuine diversity on a board. This has in a number of cases led to either the performance of the board being negatively impacted and in a number of cases, particularly in the financial services sector, of serious destruction of shareholder value & organisational reputation where a board of identical mind-sets presided over a fundamentally flawed strategy or major decisions.

A number of chairmen have often commented that their eureka moment of truly understanding diversity in the boardroom is when they finally stopped for a moment, looked around the board table to see board members with extremely similar professional background, same age profile, same gender, cultural ethos, suits and frankly the same everything! This lack of diversity and the related challenge of board members being drawn from the same "old boys club" has inhibited a significant number of boards in ways that are only now being finally recognised.

The vanguard of the movement to encourage and foster greater diversity in the boardroom has focused on female board members. This is understandable given the very poor representation of female board members for many years throughout the world. The fact that in many countries, female board membership has had to be mandated through legislation is testament to the fact of how resistant many boards and sectors have been to opening up the boardroom.

While many traditionalists have objected to the various initiatives and steps taken to increase female board membership, the bottom line is that the business case for increasing the diversity profile on boards is now proven. In a recent research study of stock market growth across Europe, companies with more women on their boards were found to outperform their rivals with a 42% higher return in sales, 66% higher return on invested capital and a 53% higher return on equity.

"The real issue however is not just female diversity on the board but genuine diversity across gender, age, ethnicity and perhaps most important of all is genuine diversity of thinking."

It is now realised in progressive boards that a board's performance is enhanced by having a range of thinking styles and cultural perspectives from board members who see things differently and bring an alternative insight and point of view to the boardroom table. In many cases one of the real reasons behind the lack of diversity in the boardroom was the comfort-zone of existing directors & executive management and their "opposition" to new board members who would genuinely challenge the status quo.

Both female directors and "younger" directors are now seen as offering critical value, not only in terms of the qualities they bring to the table, and how that may broaden the scope of the boardroom debate but also in how they reflect an organisation's customer base and employee profile. While the diversity-in-the-boardroom movement continues, it is encouraging to see more and more boards genuinely move to a position of wanting a diverse team of the very best people on the board across professional background, gender, age, ethnicity and thinking style to become a genuine high-performance board team.



Kieran Moynihan is the managing partner of **Board Excellence (www.board-excellence.com)** – supporting boards & directors in Ireland, the UK and internationally, excel in effectiveness, performance and corporate governance.

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