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BOARD DIVERSITY IN THE SPOTLIGHT:
A POST-PANDEMIC, GENDER-INCLUSIVE RECOVERY

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About the Author:
Diana is an impact entrepreneur. She is the co-founder of Aurora50, the social enterprise that created the '20 for 2020' initiative which works with market leaders to drive female representation at board level. The initiative launched in the United Arab Emirates on the 8th March 2020 with anchor partner, ADNOC. Diana has substantial experience growing businesses in the information services, training, and events industry. She has a degree in Business and Finance, and is certified in Advanced Design Thinking. Diana is also a senior advisor to Circle of Hope, founded by Sheikha Shamma bint Sultan bin Khalifa Al Nahyan, and committee member for the Association of Corporate Treasurers (Middle East).

Will 2020 be the year board gender diversity stalls or will the great reset drive change and a new commitment towards gender balance?

Under the highly challenging circumstances of the COVID-19 pandemic, many boards have questioned if their executive leadership is adequately equipped to prepare for the new normal which is yet to be defined.

Sadly, with so few women holding a seat at the table, many of these discussions are still taking place without the collective intelligence that diversity and inclusion brings. This simple truth holds: Different people look at the same problem differently, which enables them to come up with different solutions. Diverse and inclusive boards serve companies better under conditions of extreme disruption and complexity.

Bob Garratt's thought-provoking book, The Fish Rots from the Head, highlights that corporate success or failure depends on board performance. Companies headed by boards locked into group think are least prepared to deal with a multi-faceted crisis.

McKinsey research highlighted that gender diversity is key to financial success: Companies in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than companies in the fourth quartile. Similarly, for Australian ASX-listed companies, a recent study (Bankwest Curtin Economics Centre & Workplace Gender Equality Agency, 2020) found that an increase of 10% in female representation on boards led to a 6% increase in the likelihood of that company outperforming its sector on three or more performance and profitability metrics.

The competitive edge of a gender-balanced board can translate into billions of dollar's of value-add, which is why investors and rating agencies increasingly factor the gender diversity of boards into their assessments of company performance.

Boards and companies that do not accelerate their diversity and inclusion initiatives are placing themselves at a disadvantage by limiting their access to talent, diversity of thought, innovativeness and appropriate leadership styles.

The Gulf Region

Research has found that just 1.5% of the 6,000 board seats in the GCC are held by women (2017). According to the UAE Gender Balance Council, 70% of ADX and DFM listed companies in the UAE have no women on their boards.

Compare this to the international picture. As of 2019, 100% of S&P 500 companies had at least one woman on their board (representing 27% of all board seats), and more than one third of all FTSE 100 board seats are held by women.

With only 3.52% of board seats held by women in the UAE, the challenge to reach the 20% target set by the regulator, the Emirates Securities and Commodities Authority, as well as the Gender Balance Council cannot be under-estimated.

Moreover, the World Economic Forum (WEF) reported that it will take 99+ years to reach gender parity globally and we will need 140+ years to achieve gender parity in the Middle East and North Africa.

Fortunately, the COVID-19 pandemic has also provided a silver lining – an opportunity to re-think and reset. With female-led governments raising awareness of women successfully navigating the pandemic, gender diversity has become part of leadership discussions at all levels of business.

Although it predates the COVID-19 pandemic by a few weeks, the 20 for 2020 initiative that Sheikha Shamma bint Sultan bin Khalifa al Nahyan and I founded (under the social enterprise Aurora50) in March of this year turned out to be extremely timely. This would not have been possible without the support of many leading organisations, including the INSEAD Corporate Governance Centre. Our collective aim is to source and support board ready women with their journey to the board room, and throughout their first 12 months as new board director. The initiative addresses many of the systemic problems identified from our research with practical solutions needed to build a board career including customised training based on cohort assessments, networking, profile building and mentoring by seasoned board directors.

Sheikha Shamma shared her hopes following the Aurora50 Board Summit: Pathways to Gender-Balanced Boards:

"The Great Reset sees diversity as a source of strength. Diversity and inclusion help us build new-found resilience – of the human spirit, of our corporations, of our countries and of the global community of peoples in the post COVID-19 world. In the simplest terms, complexity, like we are experiencing now, is better served through diversity because different people see things differently."

Our hope is that, through an ecosystem approach and our “20 for 2020” initiative aimed at driving gender balance at the board level, we can create pathways for more women to have board careers.

Imagining the future of boards and the broadening scope of corporate governance

The role of the board is to scan the environment and develop foresight, formulate policy, and set the strategic direction (e.g. the company's vision, mission, values and purpose), keep the management team accountable, oversee risk and contingency planning, and generally help to balance short term and long term perspectives.

As the message hits home that sustainable and resilient organisations depend on stakeholder-centric rather than narrow shareholder-centric approaches, ‘learning’ boards become ever more important. And learning depends on diversity. Boards are still accountable to shareholders, but in addition, they must consider the legitimate interests and expectations of a much broader stakeholder community.

As our world becomes hyperconnected and younger people become more involved in issues such as climate change, biodiversity and sustainability, boards are also grappling with the responsibilities they have as responsible corporate citizens. The increasing demands of stakeholders and of socially conscious investors are driving ESG alongside data stewardship to the top of the board agenda.

Covid-19 has added additional complexity to environmental, social, governance and data stewardship issues. Harvard Business Review, in their article on how COVID-19 is rewriting corporate governance rules, emphasised that the “new environment is characterized by an increasingly complex set of pressures and demands from various stakeholder groups, heightened expectations for societal engagement and corporate citizenship, and radical uncertainty about the future.”

One of the issues now at the top of the agenda for many investors and shareholders, is diversity. As more governments and shareholders call for increased transparency on gender statistics, effective boards are seeking ways in which to leverage the potential competitive advantage provided by an underutilised talent pipeline.

The choices companies make today will have a lasting impact on gender equality and company valuations for decades to come.

Whilst many governments are implementing legislation to drive gender balance, a genuine shift towards supporting diversity can only start from within through its internal culture, environment, and overall business strategy, all of which are determined by the board.

Senior leadership and nominations committees arguably have a responsibility to consider their impact on both the supply side (the development of the pipeline of female board directors), as well as the demand-side for female directors.

It is the Chairs duty to take a leading role in determining the composition and structure of the board, to consider the overall size, the balance between executive and independent directors as well as the balance of experience, gender and personality of the directors.

To develop the most effective boards of the future we need to consider how our actions today will impact the talent pipeline of tomorrow.

So is the board part of the problem or part of the solution?

This month Aurora50 completes the assessments of a cohort of women supported by some of the largest and most influential organisations based in the UAE. Together they are committed to supporting the development of a pipeline, not just by providing board-ready women with their first board roles, but also committing to supporting them in developing a board career. The approach is rigorous, robust and merit driven. After the initial individual and cohort assessments, the board women become part of a learning network and a training programme delivered over 12 months in a structured manner, mindful of regional cultural norms.

Now is the time for ESG&D

In the face of the so-called 4th industrial revolution, some captains of industry have already pointed out that data security will become a measure of competitiveness and future performance, and that the traditional ESG oversight by boards has evolved into environmental, social, governance and data stewardship (ESG&D). I would venture to say that long-term sustainable value, health and resilience of a company depends on a second D, Diversity. ESGD&D oversight by boards is what will define the successful company of the future.