

DIFFERENCE MAKERS



*A Leader's
Guide To
Championing
Diversity On
Boards*

DR NICKY HOWE
ALICIA CURTIS

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Praise for *Difference Makers*

“I recommend this book to all those who believe we deserve better organisations. Effective, sustainable organisations are those led by people who understand and represent the many different people they serve. If you believe that diversity of experience, age and demographic is the key to better problem-solving and innovation then this is a must-read. This book shows us how we truly can be the change we wish to see in our society.”

Rabia Siddique, international humanitarian,
author and advocate

“Howe and Curtis have produced a book that builds capacity and develops a sound rationale highlighting the importance of diversity in achieving good governance. They have not simplified the issues for mass consumption but, rather, built a solid case and then demonstrated their thinking. Complexity is a reality in all not-for-profit management and governance and this important work provides thinking executives and board members with a nuanced and thoughtful resource designed to help meet the challenge.”

Professor David Gilchrist, director, Curtin University,
School of Accounting Not-for-profit Initiative

“*Difference Makers* delivers intriguing research to show how diversity improves social, productivity and financial outcomes for organisations. Importantly, it includes tools, tips and templates to help you harness the positive power of diversity and optimise the performance of your board. If you seriously want to make a difference – you must read *Difference Makers*.”

David Koutsoukis, international speaker and author,
founder of the Exceptional Teams Academy

“This outstanding insight into how to effectively embrace diversity is a true roadmap for creating better organisations, better companies and a better society.”

Rhys Williams, 2015 Young West Australian of the Year

“Difference Makers: A Leader’s Guide to Championing Diversity on Boards is a powerful leadership and governance story that Nicky and Alicia share based on their own personal learnings, experience and wisdom. The book includes practical tools, checklists and activities for both the aspiring and experienced director.”

Angie Paskevicius, CEO, Holyoake
and 2015 Telstra WA Business Woman of the Year

“An interesting, challenging and inspiring book for anyone who aspires to making a difference in their lives, organisations and communities.”

Garry Gower, Board Member, Moorditj Keila Community Group

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Foreword

This book will change the way you think about diversity and give you meaningful tools to assist you in your quest to become a champion for diversity on boards. The authors epitomise what it means to be champions of diversity and change. Their work in this space is innovative, consistent and successful. For them, this is not a fad, but the very way they live and lead.

While I am a proud Australian, I am stunned by the lack of progress and willingness to achieve diversity on boards. This problem is not limited to big corporates but includes a lack of true diversity on government and community boards. Our statistics remain a national embarrassment and are mostly measured around gender. While attempts to address gender inequality on boards are a good start, we need to broaden this discussion beyond statistics to the real meaning of diversity and the inherent benefits to the business. This proposition is captured so well and is the very essence of the book; and that is that ‘diversity of thought’ is a much more productive proposition, ensuring that diversity on boards can offer different perspectives and capabilities. Research is definitive about this, that boards bringing diversity of thought to the board table will make better decisions leading to better outcomes. Why then is progress slow?

Achieving diversity is not easy and requires good leadership and lots of courage. Organisations need to have a fundamental cultural shift. CEOs and chairs need to champion the change and demonstrate commitment by walking the talk and committing to diversity

in the broadest sense. They need to hold their leaders and their boards accountable for changes in behaviour that guarantee a culture supportive of diversity in all its forms. The rewards are substantial, including enhanced innovation, a healthier bottom line and a substantial talent pool.

I first met Alicia and Nicky many years ago when they were introducing the idea of the young leaders on boards of aged and community organisations. They had my attention! Having been a director for over 25 years on a range of boards, it became personal. I could relate to the picture they were presenting; the absence of young people around the board table with me. My work as a facilitator with board directors and potential directors was also a visual reminder of the absence of young people in mainstream governance programs. The passion with which Alicia and Nicky spoke about their work and their plans to run a 'young leaders on aged care and community boards' governance program was inspirational. It was inspirational because of its difficulty and potential impact. It was, of course, predictable that they met many obstacles and much resistance. The status quo, particularly on many aged care and community boards, was seen as desirable by some. However, as with all good entrepreneurs, they did not give up and presented their ideas far and wide. I was inspired to see many CEOs and chairs come 'on board' and believe that their idea for a governance program for young people was indeed a worthy one. It is these leaders who stand alongside Alicia and Nicky as they champion diversity on boards.

The courage and expertise that Nicky and Alicia show in their everyday leadership is extraordinary and it's no surprise to me that they have written such an excellent book. Alicia is an inspirational young woman whose passion and grace in her work is evident every day. Her inspiration is contagious. Like many others, I joined

100 Women, a philanthropic organisation co-founded by Alicia, because of the inspiration she showed for empowering other women. Her lists of achievements are numerous and her desire and ability to lead was evident at a very early age. Nicky also epitomises authentic leadership. Her approach to building capacity in others is integral to her leadership. Nicky is both persuasive and influential in her work as a CEO. Together they have connected with a common cause and it is inspirational to see the final product of this book, a result of many years of exceptional work. So sit back and read on. Open your heart and mind as you allow Nicky and Alicia to challenge your paradigms and mindsets about diversity and provide you with practical suggestions and tools to assist you in your journey towards true diversity.

Dr Sue van Leeuwen
Consultant and Non-Executive Director
Former CEO, Leadership Western Australia

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About the Authors

Dr Nicky Howe is a CEO with a passion for building the capacity of individuals, organisations and communities. She has a doctorate of business administration from The University of Western Australia, a postgraduate in management from Flinders University and is an adjunct professor at the School of Business at The University of Notre Dame. Nicky is a leadership and management expert and has a diploma in ontological coaching from Newfield Institute. She is the author of *Better Relationships with Those You Lead* (2013), a handbook of practical skills and strategies for leaders and managers.

Alicia Curtis is one of Western Australia's most inspiring young social and business entrepreneurs, an award-winning speaker and a leadership facilitator. Alicia established Alyceum in 2002, developing innovative transformational leadership programs. Alicia has a master's degree in business leadership and was named one of the *Australian Financial Review's* 100 Women of Influence in 2014. Alicia is the co-founder and chair of the collective giving circle called 100 Women, which combines donations into a funding pool to grant to causes that empower women.

Together they founded the Engaging Young Leaders on Aged Care and Community Boards governance program.

Preface

Why this book is different

When we commenced our journey of seeking to create more diversity on boards, our focus was on generational (age) diversity, which we intuitively thought would also bring a combination of three different sets of attributes. These included:

- **experiential** – educational, business, functional and market
- **personal** – personality, interests and values
- **demographic** – gender, ethnicity, geography and generation.

We were driven and committed to using a range of communication media to get our message out. These included speaking to individuals and groups at meetings, in boardrooms, at industry conferences, workshops and at ‘Unconventions’.¹ We also did a lot of writing both on a formal basis – through developing and submitting funding applications, business cases, proposals, articles – and more informally via blogging, tweeting and posting on LinkedIn.

Through this journey we realised we had a powerful leadership and governance story to share. It is not just our story; it is a shared story that we think is important to building a civil society. At its foundation is a story of systems leadership that is seeking to create more diversity on boards. What motivates us and serves as our ‘why’ is building world-class aged care and community services to better serve people in need.

We have been privileged to experience and work with board directors and CEOs who were seeking to create more directorship diversity and young leaders who were contemplating taking on their very first directorship. We are grateful to have supported many young leaders to secure their first directorship.

We have also been privileged to experience prejudices and biases from board directors, CEOs and senior executives who thought we were crazy to suggest young professionals could become board directors. Whenever people share different points of view, there is growth if those courageous conversations are conducted using the principles of nonviolent conflict. We listened, they listened and together we created a bigger truth. We sought out these courageous conversations in order to understand their concerns, the impact of their world view, their predispositions and preconceptions. We have asked for feedback, talked about age, race, gender, disabilities, sexuality, faith and other diversity dimensions to seek to understand and be understood, and we keep reading and developing ourselves.

The issue of diversity and inclusion – our own responses to difference – may be an ongoing leadership challenge. We only have to consider the time it took to make an apology to Australia's First People to see how entrenched predispositions, preconceptions and unearned advantage are.

In saying this, we would like to show our respect and acknowledge the traditional custodians of this land, of elders past and present, on which these events take place.²

It has been incredibly helpful for us to have been supported by board directors, CEOs and senior executives who, when asked to back us, were keen to describe the benefits of board directorship diversity; they understand the business and social imperative.

Our goal is to reframe the debate about who can take up a board directorship so differences are seen, not as negatives, but as positives. Valuing someone who has a different point of view or a different

experience can enhance problem-solving and spark innovation. It can build better boards and ultimately better organisations.

We have learnt much and seek to share with you our insights so we can create a world-class civil society – one that includes all of us.

What we don't cover

This book will not and was not intended to:

1. Educate you in your legal directors' obligations and duties on a board and how to discharge them.
2. Teach you about management.
3. Discuss how diversity can be led at an organisational level.

Why we use the word 'chair'

Many (ourselves included) have questioned whether there's much wrong with the term 'chair' from a gender perspective.

A female chair objected to being called a 'chairwoman', quoting the explanation that the 'man' in the term 'chairman' came from 'manus', the Latin for 'hand', and thus wasn't sexist at all.

It's a remarkably common assertion and also one disputed at many forums. *LeadingCompany* contacted Macquarie University professor of linguistics Pam Peters, who for many years was a member of the Macquarie Dictionary's editorial committee. She laughed when *LeadingCompany* put the question to her.

"That's a bit of a red herring," she said. "A big one."

'Manus', the Latin word for 'hand', is part of the origin of words such as 'manual' and 'manufacture'.

"But it gets into compound words only as 'manu,'" Peters said. "With the 'u' attached. It's never in there just as 'man.'"

Also making the chair–hand origin unlikely is the fact that 'chair' has French roots. "You rarely get compounds formed out of French and Latin roots in modern English," Peters continued.

She's heard the chair–manus assertion before. "It's been around since the 1990s, because that was when the pressure for non-sexist, inclusive language first surfaced. It was one of the defence mechanisms for people who didn't want to change the term – a fig leaf for people to say it wasn't a reference to 'man'."

Peters said, "I've always thought of it as a very ad hoc argument."

In Australia, the 1995 edition of the Australian Federal Government's *Style Manual* tried to find non-gendered ways of referring to people in official roles. Peters says John Howard, who was elected prime minister in 1996, was keen not to have language interfered with. "He issued an edict that everyone should continue to use 'chair'. It was a bit of a unilateral Australian style edict, and those who answered to him made sure to use 'chair'."

We come from the perspective that language creates reality, so we will use the word 'chair'.

Having got that matter sorted, we hope you enjoy the book!

Dr Nicky Howe and Alicia Curtis
Perth, 2016



PART ONE
*Why
Diversity*

1

Why Business Needs Diversity

How can we effect change in the world when only half of it is invited or feels welcome to participate in the conversation?

Emma Watson

Let's start with what diversity is. In our conversations it is interesting to listen to how people describe and discuss diversity. Many people describe it as the visible differences between people, such as gender and race. Often this has come about through education about equal employment opportunity and the focus on eliminating discrimination based on these differences. However, this narrow definition eventually short-changes what diversity really means.

Diversity is about what makes each of us unique. It includes our backgrounds, personality, life experiences and beliefs. Diversity is all of the things that make us who we are. It is a combination of the visible and invisible differences that shape our view of the world, our perspective and our approach.

WHAT'S THE DEFINITION?

The *Oxford Dictionary of Human Resource Management*³ describes diversity as the concept of recognising the wide variety of qualities possessed by people within an organisation, emphasising the individuality of people, and the importance of valuing each person for his or her unique combination of skills, competencies, attributes, knowledge and personality traits.

To leverage diversity we need to recognise, understand and utilise each individual's uniqueness, everyone's talents.

ACTIVITY

Let us start with you taking a quick snapshot of yourself and the diversity you bring to your leadership and governance.

What is/are your age, gender, level of education, abilities, disabilities, work experience, cultural background, socioeconomic status, profession, sexual orientation, organisational level, political ideologies, number of caring responsibilities, religion? Are you an Aboriginal or Torres Strait Islander?

When you start to answer these questions about yourself, you can see the rich tapestry that makes up you. However without people taking the time to listen to your story and what you can offer, your diversity may be seen only as how you physically look.

We know that people who look physically the same don't all think the same. So a broader view encapsulates the idea that diversity is really about diversity of 'thought' – where different perspectives and capabilities are the point of difference, rather than our visible characteristics.

Broadening the definition of diversity

So what does this mean for the business case for diversity? It offers a more inclusive and engaging discussion than one focused on

visible diversity, which is often dualistic and therefore conflict-ridden. And it creates a new line of inquiry about the nature of the business case, shifting the question from:

- How can increasing gender and cultural diversity help us improve business outcomes?

To a conversation that is about:

- How rich is our knowledge bank?
- Do we have the variety of perspectives necessary to deal with complex problems and to create innovative solutions?
- Do we really understand our customers and our markets?
- Do we understand how the inclusion or exclusion of diversity by others is a strength, a weakness, an opportunity or a threat?

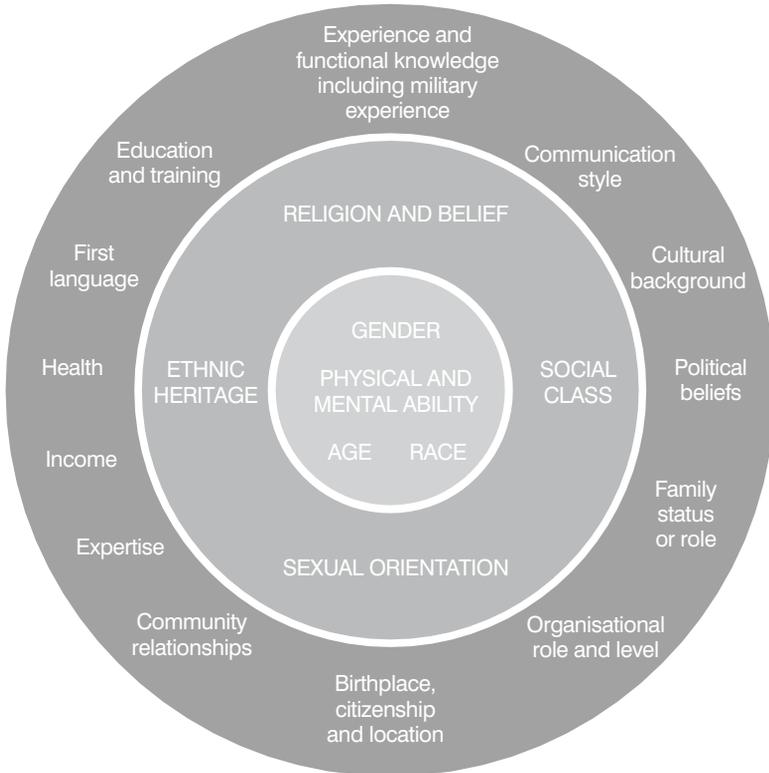
Currently, diversity is often discussed in stark numeric terms, such as the percentage of women or minorities on a board. This definition not only fails to capture the dynamic and complex nature of diversity but also has a tendency to drive resentment and backlash among majority groups. Therefore, to lay the foundation for diversity, organisations must broaden their definition and cultivate the expected behavioural changes.

The Diversity Wheel overleaf, from *The Diversity Paradox* by the B Team⁴, helps us to reframe our thinking about diversity.

MODERN-DAY AUSTRALIA

The next question is “What is the state of our nation?” A core competency for board directors is understanding the environment in which the business operates. As directors we can ask ourselves, “Do we understand the changing demographic of our nation?” In 2013,⁵ Australia had 23 million people, of whom 28% were born

The Diversity Wheel



Typically **more visible**
core diversity dimensions

Typically **less visible**
core diversity dimensions

Secondary
diversity dimensions

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overseas; the main language spoken is English, however there are over 300 other languages spoken. Our stated national values include:

- respect for the freedom and dignity of the individual
- freedom of religion
- commitment to the rule of law
- parliamentary democracy
- equality of men and women
- a spirit of egalitarianism that embraces mutual respect
- tolerance, fair play and compassion for those in need, and pursuit of the public good
- equality of opportunity for individuals, regardless of their race, religion or ethnic background.

Inherent in these national values is diversity. However as you keep reading you will see that the behaviours that enact our national values may not be demonstrated in our society or on our boards.

QUESTION

When you analyse your own organisation's values, how aligned are they to your nation's values? How aligned are they to your own values?

THE VALUE OF DIVERSITY

When we say the 'value of diversity' we are using the term as a noun; we are asking you to consider diversity as a principle or set of standards of behaviour: a judgement of what is important in life.

Richard Barrett in his book *The Values-Driven Organisation* highlights that organisations seek to work within a set of stated values in order to create a high-performance culture and create value

for their customers. He says a number of critical issues preoccupying the boardrooms of large, medium and small companies and organisations around the world include:

- How do we increase profits and shareholder value?
- How do we deliver on our organisational mission?
- How do we attract and retain talented people?
- How do we build brand loyalty?
- How do we ensure that ethics permeate the corporate culture?
- How do we build a resilient, sustainable company?

What's emerging is the opportunity to see the inherent value in diversity. When we hold the value of diversity as important we are making a statement that says we appreciate and acknowledge our differences. Our behaviours will seek to:

- 1. Understand the unique strengths and limitations of others, as well as our own**

We take the time to become aware of one another's background, interests and assets, while actively seeking to understand perspectives different from our own.

- 2. Create an inclusive environment**

We recognise the value of, and strive to ensure, multiple perspectives are represented in all we do.

- 3. Learn and grow by obtaining other points of view**

We actively seek to diversify our leadership, governance, staff and volunteers to ensure that many different opinions and beliefs are part of, and enrich, our professional, educational and personal experiences.

However, the business case for diversity is also argued in the context of the value of diversity as a verb – that is, as an action – incorporating diversity into business and enjoying the social benefits that derive from it.

WHY BUSINESS NEEDS DIVERSITY

We are increasingly living in a world that can be described as Volatile, Uncertain, Complex and Ambiguous – to use the acronym, VUCA. Under these conditions it makes it difficult for leaders to predict the future of their business with any precision.

Futurists can help leaders to identify large, transformative global forces that define the future due to these forces having a far-reaching impact on business, economies, industries, societies and individuals. They identify global mega trends that businesses need to consider when developing their strategic plans. These forces include the digital future, the rise of entrepreneurship, global marketplaces, the urban world, a resourceful planet and health reimaged.

“Fast Forward: Leading in a brave new world of diversity”, *Future[Inc]*⁶, published by the Australian and New Zealand Institute of Chartered Accountants, explores how global mega trends are making diversity an imperative for business. It argues that demographic changes and the continuing war for talent means diverse talent will be chased by organisations around the world.

In Australia we have already experienced the impacts of the growth in China (which remains our most important trading partner despite slowing down its growth). With Asia’s continuing economic transformation, there will be an increase in diverse markets along with globalisation and digital innovation requiring diverse ideas. Shaping all of this will be the leader of the future.

A glimpse into the future

Drawing on the work of *Future[Inc]*, let us briefly look at the three forces it predicts will have a heightened impact for leaders in the Asia Pacific.

1. Diversity of markets

Think about which cities are the economic powerhouses of today. Where do you think this power will shift to by 2030?

A gentle yet unstoppable flow of financial power will move from the West to the East and this will peak with more than 20 of the world's top 50 cities ranked by GDP being located in Asia by 2050, up from eight in 2007.⁷ This reallocation of wealth, trade and power will see Asia home to two-thirds of the world's middle class by 2030, compared to one-third today,⁸ providing local organisations with an enticing opportunity to access the next billion consumers.

Making a Difference: Organisation

Have you heard about the China Australia Millennial Project (CAMP)? It's a world-first project uniting top young leaders (aged 18 to 35) from China with their Australian peers for a bilateral business incubator across a broad range of industries, peaking in a five-day summit during the Vivid Ideas festival in Sydney. Its vision is to deepen networks, friendships, develop new meaning and expand ongoing collaboration between Australia and China.

Visit www.alyceum.com.au/bookbonus to take a look at the website.

2. Diversity of ideas

We have already hit the age of ideas and seen its effects on business and community. Globalisation, digital innovation and hyper-

connectivity are changing the nature of consumption, competition, how markets work and what consumers expect.⁹

We have seen overnight how this has already reshaped whole industries – consider the last time you bought a newspaper; are you one of the many who now shop online? Banking today is very different from 10 years ago. Universities are competing for students, not only nationally but internationally. Many iconic brands such as Kodak, Borders and Blockbuster have been replaced by new thinkers and new players who deliver services very differently. Consider Uber, Upwork and Airbnb.

Opportunity or threat, it is a reality that has propelled the innovation of new business models, products and processes to the top of business agendas.

REFLECTION

Think about how these ideas could change and evolve the industry that you work in. For example, there are already websites that allow for consumers to pick and choose their home care nurse directly, cutting out the middleman in the aged care sector.

3. Diversity of talent

Consider the people you currently work with: what is the average age, what is the gender diversity and how many have migrated to live in Australia? There are shifts in the demographic shape of the workforce and the expectations of equality of opportunities and work/life balance. However, unlike the shifts to different markets or digital disruption, workforce implications could easily go unnoticed as one of the key factors of the business landscape. Now more than ever before, organisational success will be dependent on the ability to optimise a diverse and dispersed talent pool.

Demographic changes and the continuing competition for talent mean diverse talent will be sought after in organisations around the world.

No longer do our young leaders only seek work opportunities in Australia, they search for work around the world.

This may mean they live elsewhere. Or they live in Australia, yet the company they work for is based offshore. In addition, Asia's continuing economic transformation will result in diverse markets, along with globalisation and digital innovation, requiring diverse ideas.

Take a look at yourself

What results do the composition of your board and the management of your organisation achieve?

McKinsey's research report¹⁰ *Why Diversity Matters* examined company data for 366 public companies across a range of industries in Canada, Latin America, the UK and the US. This research looked at metrics such as financial results and the composition of top management and boards. The findings showed:

1. Ethnic diversity

- Companies with high racial and ethnic diversity were 35% more likely to have financial returns above the national industry average.
- Two factors specific to the US emerged from the data in relation to racial and ethnic diversity and better financial performance. First, for every 10% increase in racial and ethnic diversity on the senior executive team, earnings

before interest and taxes (EBIT) rise 0.8%. Second, racial and ethnic diversity had a stronger impact on financial performance than gender diversity. This may be due to the positive results seen by companies that had previously implemented strategies to increase the representation of women in senior levels of business.

2. Gender diversity

- The financial return of companies with high gender diversity showed they were 15% higher than the national industry average.
- For every 10% increase in gender diversity on senior executive teams of United Kingdom companies, EBIT rose by 3.5%.

3. Across the board

- Bottom-quartile companies were those with the lowest diversity of both gender and ethnicity and race.
- In reviewing the datasets of all 366 companies, no industry or company was high on both dimensions. Certain industries performed better on gender diversity and other industries on ethnic and racial diversity.

This means there are huge opportunities for companies to embrace diversity in order to create the competitive differentiator that can increase their market share.

REFLECTION

What do these findings mean to you? Do you have personal experiences to support or refute these findings? Have you discussed these findings within your board or leadership team?

Making a Difference: Report

The Committee for Perth undertook a two-year gender equity research project called Filling the Pool. The report explored the underwhelming results of women participating and progressing in corporate life in Perth. It resulted in the Filling the Pool report, which included a roadmap recommending 31 strategies for business, government and individuals.

Visit www.alyceum.com.au/bookbonus to read the report.

It's important to recognise that correlation does not necessarily equal causation; in other words, greater diversity doesn't automatically mean more profit. However, the link indicates that companies committed to diverse leadership are more successful. The Filling the Pool report shares:

More diverse companies, we believe, are better able to win top talent and improve their customer-orientation, employee satisfaction, and decision-making, and all that leads to a virtuous cycle of increasing return.

The research also suggests that other types of diversity such as age, sexual orientation and global mindsets are likely to bring some level of competitive advantage for companies that are able to attract and retain diverse talent. Currently 97% of US companies fail to have senior leadership teams that reflect the make-up of the country's ethnic labour force.

CHAPTER SUMMARY

- Diversity is about what makes each of us unique and includes our backgrounds, personality, life experiences and beliefs. Diversity is all of the things that make us who we are. It is a combination of the visible and invisible differences that shape our view of the world, our perspective and our approach.
- The value of diversity is about understanding your own values, the organisation's values, the nation's values and the business and social value of diversity.
- In a world that can be described as Volatile, Uncertain, Complex and Ambiguous (VUCA) it's difficult for leaders to predict the future of their businesses with any precision.
- Diverse markets, diversity of ideas and diversity of talent are forces that increase the requirement for leaders to demonstrate and embrace diversity and inclusive behaviours.