



AESC INSIGHTS

DIVERSITY AS A BUSINESS IMPERATIVE

June 2015

A report from the AESC:
The voice of excellence for executive search
and leadership consultants worldwide.

www.aesc.org

 **AESC**
The Association of Executive Search
and Leadership Consultants



The Association of Executive Search and Leadership Consultants

AESC – the Association of Executive Search and Leadership Consultants – was founded in 1959. We’ve grown and evolved since those early days to an association of hundreds of member firms in nearly 75 countries



around the world. We represent the full range of firms: large and small, domestic and global. As a truly global association we know the value of diversity, and see it in practice, first-hand through the eyes of our members. Whether it’s finding and assessing diverse talent, building diverse leadership teams, or working with clients to create an inclusive culture that harnesses the power of diversity, our members appreciate the importance of diversity

as a business imperative, and can help clients capture the enhanced business results that diversity affords.

The AESC membership adheres to a strong code of professional practice and standards of excellence, which codify our commitment to diversity and inclusion. As standard procedure, AESC members identify the most qualified talent without bias, and are known to challenge the status quo, presenting candidates beyond the “usual suspects.”

Our members understand that creating a diverse culture is more than metrics. We know that diverse teams drive innovation and generate fresh perspectives. For us, diversity is not just about checking boxes for specific categories of people.

Clients who partner with an AESC member significantly increase their ability to find, recruit, and retain the best diverse talent around the world. Whether a client’s objective is to increase gender diversity on the board, build a truly global leadership team reflective of the marketplace, or ensure that leaders have different backgrounds and experiences to enhance innovative thinking, clients can count on AESC members to deliver.

To your continued success,

Karen Greenbaum
AESC President and CEO

“IBM thinks about diversity the way we think about innovation—both are essential to the success of our business. When we innovate, technology becomes smarter for clients and creates new opportunities for growth. When we incorporate diversity into our business, we create better innovations and outcomes. IBM has embraced diversity, and it gives opportunities for IBMers and our clients to achieve their full potential.”

*- Virginia M. Rometty, Chairman,
President and Chief Executive, IBM*

AESC MEMBERS GET RESULTS

The Association of Executive Search and Leadership Consultants (AESC) recognizes that diversity is a business imperative with direct implications for organizational success. As trusted advisors to those companies that drive economies, lead innovation, and compete across vital sectors and geographies, we know first-hand the power of diverse corporate leadership. Our member firms are uniquely positioned to advise our clients on the talent that will give them a competitive edge.

AESC member firms already lead the industry in helping clients build inclusive boards and executive ranks by finding highly-qualified top talent that might not otherwise be identified. Our members possess the access, the resources, and the experience necessary to help organizational leaders extend their reach. We have a proven track record of delivering results that meet your business needs.

A standard source for board positions and new corporate leadership is “who you know.” But how does a leadership team seeking to capture the diversity advantage find and attract potential leaders from outside of their circles? Our members have deep relationships and credibility with a vast array of diverse, high-performing executives.

AESC members are also in the best position to accurately and objectively assess clients’ readiness to effectively harness diversity of thought, and can assist clients in attracting, retaining and leveraging the full potential of diverse people.

As trusted advisors, we provide clients with our best, most informed counsel. That includes the business case for diversity, and the urgency with which leading companies must compete for and leverage diverse executives. We have both the opportunity and the obligation to introduce our clients to new possibilities, and help them reap the potential of new perspectives.

We are well-positioned to identify and attract talent that may be under-represented. This helps accelerate the natural pace of achieving the benefits of diversity at higher levels, effectively building a strong pipeline.

Building a diverse pipeline

As objective talent experts, AESC members have a unique insight into the pipeline for diverse candidates. While there has been tremendous progress in many countries around the world in bolstering the ranks of women in the boardroom, this hasn’t always carried through to the executive ranks.

AESC members work with their clients to ensure that we correct the status quo of the past and cultivate a pipeline of diverse talent. This is essential to maximize the business case for diversity of thought and to generate sustainable change. If an organization believes in diversity in the boardroom, they should be working with their executive search and leadership advisors to develop a plan for building a strong pipeline of diverse leaders to create sustainable change.

At the core of our company philosophy is the principle of respect for the individual. This fundamental commitment to respect guides Honda in all of our business operations. It fosters the kind of innovation and vitality that enables us to dream big and create products and technologies that make people's lives better. We embrace diversity across all levels of our business, from our associates to our suppliers to our dealers.

Honda's diversity statement

Lenovo employees represent a talented and diverse workforce. Maintaining this diversity and achieving the full potential of this diversity is a business priority fundamental to the Company's competitive success.

Lenovo's diversity statement

What do we mean by “diversity?”

An organization could be considered “diverse” if women and minorities are represented on the board, in the executive suite, and within the employee population. But this is more than a numbers game. Successful organizations look beyond diversity metrics and recognize that building an inclusive culture is vital to leveraging the benefits of a diverse workforce.

Demographic diversity refers to, but isn't exclusive to, variables including gender, race, religion, national origin, disability, sexual orientation, age, geographic origin and more. The value in demographic diversity is in accessing the resulting diversity of thought.

Richard Branson, Founder of Virgin Group, says: “Over more than 40 years of building our businesses at the Virgin Group, my colleagues and I have seen time and time again that employing people from different backgrounds and who have various skills, viewpoints and personalities will help you to spot opportunities, anticipate problems and come up with original solutions before your competitors do.” Organizations that cultivate diversity of thought and harness the power of unique perspectives are achieving a competitive advantage through increased innovation and creativity.

For the AESC, diversity means both demographic diversity and a culture of inclusion that values diverse perspectives and leverages the full potential of those differences.

Inclusion and diversity have been a focus for me throughout my time at Apple, and they're among my top priorities as CEO. I'm proud to work alongside the many senior executives we've hired and promoted in the past few years, including Eddy Cue and Angela Ahrendts, Lisa Jackson and Denise Young-Smith. The talented leaders on my staff come from around the world, and they each bring a unique point of view based on their experience and heritage.

*Tim Cook,
Chief Executive Officer, Apple*

The spending power of the LGBT community exceeds \$3 trillion globally.

Forbes Magazine, 2013

Why diversity?

The business case for diversity is not new, but research continues to support the premise that leading employers have known for decades: that diversity and inclusion are directly related to higher-achieving teams, innovation, better access to key markets, improved recruiting and retention, and healthier organizations. Multiple sources point to several compelling conclusions:

- Diverse organizations are more successful in recruiting and retaining top talent. “Diversity in leadership can help a company secure access to more sources of talent, gain a competitive recruitment advantage, and improve its global relevance.” [McKinsey]
- Organizations that harness the unique leadership styles related to different demographic groups tend to bring about improvements in organizational health, financial performance, risk management, and ethical standards. In 2015 McKinsey predicted that diverse companies will significantly outperform non-diverse companies, identifying diversity as a competitive advantage over time.
- The collective process of discovery from different points of view leads to more innovation, and more business success. Research published in 2013 by the *Harvard Business Review* reports that diverse “employees in a ‘speak up’ culture are 3.5 times as likely to contribute their full innovative potential.”
- A leadership team that is reflective of a business’ major customer base, likely provides key insight and strategies.
- Customers and clients prefer to work with businesses that reflect the customer base.

“The story is about organizations with a more diverse talent pool, especially at senior levels, manifesting a workplace culture of openness, merit and rational decision-making. At heart, the story is one of diversity and inclusion of all employees, so that a richer knowledge bank is fully leveraged and better business outcomes are achieved.” [Deloitte]

Addressing gender diversity and equality is a business and growth challenge. It is a key priority which impacts not only the performance of our organization, but also its reputation as world-class employer. For many reasons gender diversity and equality is no more an option but a business imperative!

Jean-Pascal Tricoire, Chairman and Chief Executive Officer at Schneider Electric

PepsiCo needs a team that reflects the diversity of our consumers. And that starts with creating a workplace where everyone feels welcome, including our gay, lesbian, bisexual, and transgender employees, suppliers, trade customers and partners. Creating a culture of respect and trust is part of PepsiCo's values and it's the source of our strength in the marketplace.

Indra Nooyi, Chairman and CEO at PepsiCo

Why diversity now?

In addition to the business case for diversity, the battle for top talent is fierce, and increasing pressure from within clients' regulatory and economic environments requires that organizations make serious efforts toward diversity.

- Diversity often leads to open, inclusive leadership styles, which, according to diversity expert Lauren Leader-Chivee, are “essential skills to global competitiveness. If you don't have them...you are very likely positioning yourself to go the way of Kodak or any number of companies who were poorly prepared to meet the rate of change in the global marketplace and to innovate in time.”
- The demand for talent is increasingly global. Worldwide HR consulting firm Mercer identified that rapid economic growth in SE Asia, for example, “has increased the demand for talent, in some cases straining the ability of local labor markets to keep up. In response, companies are widening their gaze, reaching out to talent pools that they may have overlooked in the past.”
- Organizations can no longer afford to ignore different demographic groups. With an aging workforce and skill shortages – particularly for science, technology, engineering and mathematics careers – the quality of leadership appointments could be greatly enhanced by broadening the pool of eligible candidates. In the United States and Europe there has been gender parity in the number of teenagers entering higher education since the 1990s, with women now overtaking men in many disciplines.
- Corporations with significant buying power, e.g., Coca-Cola, Novartis, Johnson & Johnson and Marriott International now demand diversity in the companies they hire for services. Diversity is continuing to have direct economic implications for organizations.

Diversity expert and Huffington Post contributor John Fitzgerald Gates writes “leading-edge CEOs are practicing ‘strategic diversity’ to harness business value. They recognize that diversity is not just about people; it is about every complex situation, decision, task, and perspective that imbues their companies.”

Barclays ensures that employees of all backgrounds are treated equally and contribute fully to our vision and goals. By deploying a global diversity and inclusion (D&I) strategy which now plays a significant part in our Balanced Scorecard, the diversity of our employees is embedded into our journey to becoming the 'Go-To' bank. Our five global agenda pillars of gender, LGBT (Lesbian, Gay, Bisexual & Transgender), disability, multigenerational, and multicultural, ensures that we cater for the entire network of diverse employees at Barclays.

Barclays' diversity and inclusion statement

Attracting Diverse Talent: Executive Leadership and Boards

Our members value diverse leadership. They are well-positioned to identify the most qualified talent by searching and assessing without bias. Our Code of Professional Practice (see page 10) specifically addresses the importance of diversity and inclusion for our profession. As trusted advisors, clients have come to expect AESC members to think creatively and, at times, challenge them to think outside the box. AESC member consultants know how to align executive talent strategies with business strategies and culture to enhance business success.

Attracting Diverse Executive Talent: Best Practice Framework

Whether the assignment is focused on identifying top talent for Boards or Executive positions, the following is a brief "best practice" framework to ensure success. Of course, the most important first step is selecting the right consulting firm to ensure success. By selecting an AESC member, clients know they have selected a firm that is committed to the highest level of professional standards in the industry.

Succession planning

Partner with their clients to identify the balance of experience and skills needed.

Diversity goals

Understand the clients' aspirational goals on balance and gender diversity more broadly.

Candidate support

Provide appropriate support, especially to first-time candidates, to guide them through the process.

Long lists

Present a diverse long list of highly-qualified candidates, selected with rigor and aligned with clients' diversity goals. Demonstrate creativity and fresh thinking when considering candidates.

Defining briefs

Identify relevant skills, competencies and personal capabilities, not just proven career experience, in order to expand the talent pool and provide the broadest range of qualified candidates.

Supporting candidate selection

Advise clients on how to run an interview process that is rigorous, professional, and avoids unconscious bias.

Induction

Provide best practices in induction and onboarding processes to help new executives or board members settle quickly into their roles.

Sharing Best Practices

Ensure that best practices in supporting gender balance and diversity more broadly are well-documented and shared internally.

Women's Share of Public Board Seats around the World (as of 2014) :

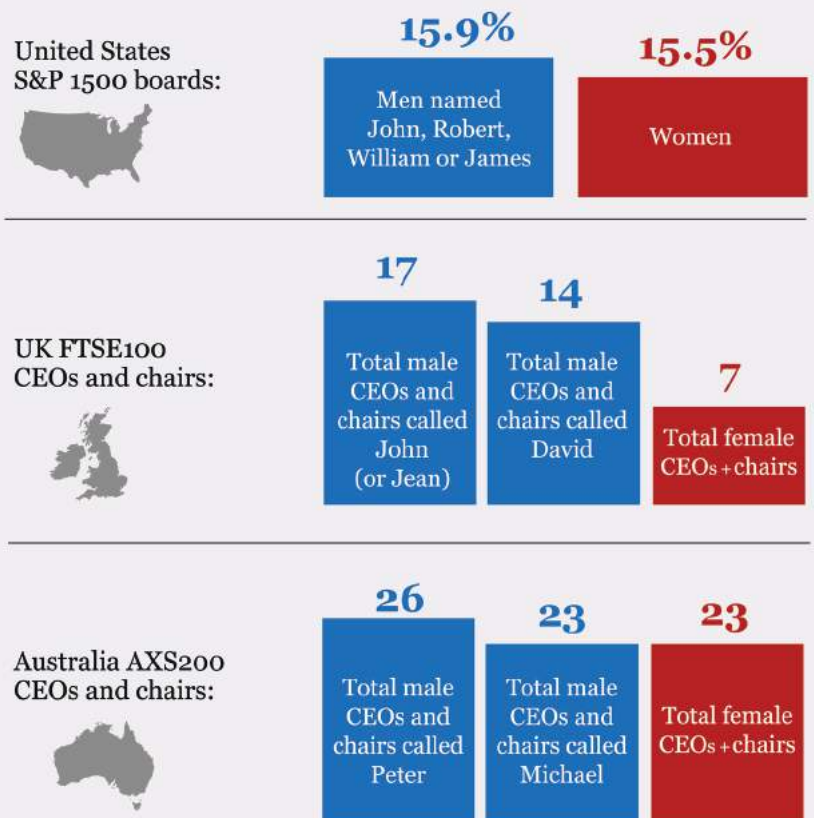
Norway	35.5%
Finland	29.9%
France	29.7%
Sweden	28.8%
United Kingdom	22.8%
Denmark	21.9%
Netherlands	21%
Canada	20.8%
Australia	19.2%
US	19.2%
Germany	18.5%
Spain	18.2%
Switzerland	17%
Austria	13%
Ireland	10.3%
Hong Kong	10.2%
India	9.5%
Portugal	7.9%
Japan	3.1%

(source: Catalyst)

Diversity in the Boardroom

- Additional pressure to diversify comes from mandatory and voluntary government interventions. Several European countries have imposed mandatory quotas for female representation on boards, and the European Parliament voted for and is pressing the Council of the EU to adopt a directive calling for a minimum 40% representation of each gender among non-executive board directors by 2040. Outside of Europe, certain governments, including Australia, India, Israel and Kenya, have enforced legislative requirements for women on boards.

Women on boards compared to popular male names:



(source: EY's "Women on US boards: what are we seeing" report)

- In recognition of the vital role the executive search profession plays in diversifying corporate leadership, dozens of the world's leading firms have become signatories to a voluntary code of conduct, which recognizes the role that executive search firms play in helping clients find and recruit women to serve on their boards and in the executive pipeline.
- The "30% Club" movement to place more women on corporate boards began in the UK but now includes CEO and Board Chair members in key markets around the world – including Hong Kong, East Africa, United States, Ireland, Southern Africa, Australia, and Malaysia. Helena Morrissey, the founder of The 30% Club and chief executive of Newton Investment Management, opposes quotas, which she finds patronizing, and instead is effectively convincing board chairs to lead the change, citing evidence that more diverse boards provide better shareholder returns.

"I don't understand why some companies and chairmen don't seem to want to have the best boards they can. The best boards are diverse in every sense and yet we don't seem to 'get' the role and value that women play in helping create such an environment!"

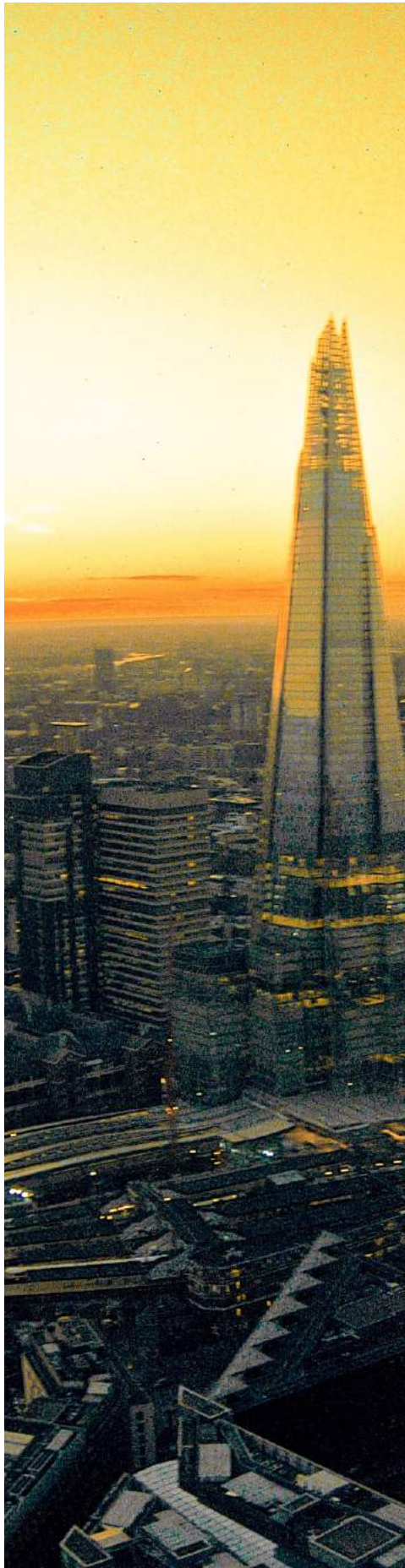
-Mike McTighe, Chairman, WYG plc

- To meet emerging demand for gender diverse boards from business leaders, regulators and governments, the AESC is a member of The 30% Club and partners with various organizations supporting diversity in leadership, including Women Corporate Directors, Global Board Ready Women, and a range of leading business schools.

Male and female directors have differing views about the importance of having gender and racial diversity on their boards. Female directors are far more likely to consider board diversity important. For example, 61% of female directors describe gender diversity as very important, compared to only 32% of male directors. Similarly, 42% of female directors describe racial diversity as very important, compared to only 24% of their male counterparts. These differences may be contributing factors to why diversity on public company boards has not increased substantially in the last five years.



Shareholders, institutional investors and customers are increasingly urging boards to diversify. They understand the business value that a diverse board delivers in terms of business strategy and shareholder value.



Our Code of Professional Practice

Members of the Association of Executive Search and Leadership Consultants are committed to the highest professional practices, acting in the best interests of their clients, candidates, the community-at-large, and our profession.

INTEGRITY

AESC members conduct themselves and their business activities with absolute integrity and are at all times open, honest, and worthy of trust.

EXCELLENCE

AESC members focus on their clients' unique business needs, providing high-quality service and using rigorous, results-focused methodologies.

OBJECTIVITY

AESC members serve as trusted advisors, exercising independent, objective judgment.

DIVERSITY & INCLUSION

AESC members value diverse leadership. They identify the most qualified talent by searching and assessing broadly without bias.

CONFIDENTIALITY

AESC members always respect any confidential information entrusted to them by clients and candidates.

AVOIDING CONFLICTS OF INTEREST

AESC members avoid conflicts of interest with clients and candidates. Where a potential conflict may exist, members disclose and resolve those conflicts.



About the Association of Executive Search and Leadership Consultants

Since 1959, the AESC has set the standard for quality and ethics in executive search and leadership consulting worldwide. Because AESC members must commit and adhere to the AESC's industry and government-recognized Code of Professional Practice, clients can be assured that AESC members are able to serve as trusted advisors for their most important engagements. As the voice for executive search and leadership consulting worldwide, today the AESC is comprised of more than 350 member firms, representing 8,000 executive search professionals in 70 countries. To learn more about the AESC and its membership, visit www.aesc.org. For information about the AESC's career service for executive-level professionals, visit www.bluesteps.com.

