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Executive Search & Board Advisory

## DIVERSITY AND BOARD COMPOSITION – WHY NOT CEO AND CFO?

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*"Life is either a daring adventure, or nothing."* Helen Keller

Blenheim Partners are being asked by Chairs to identify those candidates who have the ability to contribute to the Board with capability for being a future Chairman. With the dynamic changes to the business models particularly in digital and with the emphasis on broader insights in the Boardroom we are being encouraged to consider a wider set of skills and backgrounds.

Diversity has been prominent in terms of Australian Board composition in recent times but primarily with a gender focus to increase the contribution and debate by the inclusion of talented women.

As it currently stands in the ASX 100, as of July 2017:

- Thirty-seven CEO's have over five years in their current role (37%)
- Five CEO's are female (5%); and,
- Four CEO's are Non-Caucasian (4%).

As it currently stands in the ASX 200, as of July 2017:

- Seventy-six CEO's have over five years in their current role (38%)
- Ten CEO's are female (5%); and,
- Nine CEO's are Non-Caucasian (4.5%).

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In our recent paper, where we interviewed over seventy-five Chairs, Non-Executive Directors and Chief Executive Officers ('CEO') many of the participants felt that the discussion of diversity of Boards was being framed in narrow, demographic terms with gender at the forefront of the debate. There was clear agreement that getting more women represented on Company Boards was an important initiative and should continue to be progressed.

However, limiting the discussion of Board Diversity to gender alone is masking the need to achieve a broader concept of diversity on Boards. This is clearly evident in the following comment, "I think diversity has nothing to do with limiting ourselves by counting the females and males around the Board table."

When diversity as a theme was raised in the discussions with participants, it was rarely raised alone. These discussions were more centred on the need to get new thinking into the Boardroom and the terminology used by the participants regarding this broader definition of required diversity on Boards was more in terms such as:

- Different voices;
- Experience of P&L ownership;
- Relevant industry experience;
- Exposure to different backgrounds, e.g., Scientists, PhDs, Trade Union officials, Public Sector employees;
- International experience/Networking knowledge or immersion in the culture of the markets being targeted;
- Cultural backgrounds with leadership experience;
- Entrepreneurship;
- Experience, with some battle scars;
- Risk orientation; and,
- Thought, i.e., not linear in thinking.

What has been uncovered is participants reacting to what they perceive as a rather narrow concept of Board diversity. What was conveyed was a need for a far broader concept of Board diversity than anything overtly considered at this time. Things like industry experience, cultural perspectives, and styles of interaction as examples are more important to Company Directors when they think of characteristics of Boards and Board members. This mindset was reflected in the broader range of dimensions identified by the Directors interviewed when the topic of diversity was introduced to the discussion.

Many felt, looking at Board and even Executive composition as a lever to foster growth, Boards should broaden the simplistic demographic notion of diversity when looking for talented Directors to one where the diversity lens shifts from one viewing gender diversity alone as the outcome, to one where diversity in a broader sense is used as an enabler of growth.

### Breaking With Tradition – A Contrarian View

When current Chief Executive Officers were asked what backgrounds they found most valuable in the Boardroom, the majority answered those individuals who were former CEOs, who understand and have had ownership of a P&L, grasp the fact that changing strategy takes time and bring with them real battle scars.

If we consider the CEO's thoughts in regards to Board composition there is an argument one can put forward to examine current CEO's and Chief Financial Officers ('CFO'). They fulfil many of the

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requirements of having P&L ownership, currency and understanding of technology as well as diversity of gender, experience and other sector insights. They also bring with them high levels of energy and battle scars.

In the United Kingdom and the United States, Boards encourage their CEO's and CFO's to join other Boards as part of their broader development. Why don't we in Australia consider such a proposition more frequently?

The normal response to the question is time pressure. That is, how can an Australian Board allow a current CEO or CFO to sit on another board?

In the United Kingdom and the United States, Boards meet less frequently and therefore have the ability to encourage their key executives to become Non-Executive Directors.

There may well be an argument for questioning why Australian Boards meet more regularly than their United Kingdom and United States counterparts, and as a result are missing the opportunity to acquire outstanding and current talent in the Boardroom.

## Blenheim Partners specialise in:

- Executive Search;
- Non-Executive Director Search;
- Board Strategy and Structure Consulting;
- External Succession Planning; and
- Executive Re-Engagement / Transition.

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Founded in 2012, our team have acted as specialist adviser to many of the world's leading corporations on Board and Executive performance, capability and succession planning.

Our consultants have worked with clients from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

Our work includes assignments that are both local and international in scope.

Our team consists of senior Search Consultants, Human Resource Directors,

Psychologists, Coaches and exceptionally experienced Researchers.

Blenheim Partners is continually investing in knowledge and understanding as exemplified by our Thought Leadership "The Challenges of Attaining Growth", Industry Papers and monthly Market Intelligence reports.

Our philosophy is to develop deep and committed relationships with a select number of clients and help them deliver a superior performance by optimising the composition of their Board and Executive team.

Our culture is built on pride, professionalism, esprit de corps and client service.

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