

Boardroom Questions

Inclusion and diversity for growth and innovation



The business imperative



Organisations with inclusive and diverse (I&D) Boards, leadership and workforces can outperform those without

87% inclusive teams make better business decisions... directly linked to **better business performance** ⁽¹⁾

53% of organizations have **higher ROE** if their Board and Executive is diverse ⁽²⁾

56% of the largest organizations (over US\$10 billion in annual revenue) strongly believe that diversity **drives innovation** ⁽³⁾

45% of organizations are more likely to report **growth in market share** if their workforce is diverse ⁽²⁾

The future is inclusive – why now?

Changing demographics of the workforce and customer base

- A diverse workforce can **better understand and address the needs** of a diverse customer base
- Businesses without a varied mix of employees will **miss out** on the spending power of **minority markets**
- Millennials will comprise **75% of workforce by 2025** ⁽⁴⁾ and want to work for **inclusive organizations** that facilitate team collaboration and professional growth
- **Competition for skilled talent** means responding to these new expectations

Legal and investor pressure

- **Legislation** (e.g. mandatory gender pay gap reporting and anti-discrimination laws in some countries) has challenged the perception of I&D as a “nice to have”
- An inclusive culture is now seen as a **way of protecting companies** from costly employment tribunal claims
- **Institutional investors** are increasingly alert to I&D

A shifting economic landscape

- **External factors** are forcing CEOs to transform their business models, e.g. **accelerated technological change** and the rapid sprawl of the **global trading system**
- This landscape requires **new ways of thinking**, which businesses might more easily achieve with a diverse workforce
- **Innovative ideas** are not inspired by someone echoing our own voice, therefore **diversity is important**

Inclusion versus diversity: we need both

Diversity is about having **a place at the table**



The most successful organizations today **seek out, value and embrace difference** in all its forms, ie diversity of:

Thought
Perspective
Experience
Background
Appearance

Skillsets
Culture
Personality
Preferences
Communication styles

Inclusion is about having **a voice at the table**



Sources: 1) Forbes, Erik Larson, Sept 2017 based on a 2 year study of business teams in 600 companies; 2) Forbes, Credit Suisse, HBR 2017; 3) 'Fostering Innovation Through a Diverse Workforce', Forbes Insight; 4) Forbes Voice 'How Millennials are shaping the office of the future', Sept 2017

Boardroom Questions



- 1 Do we have a **strategic approach** to building a diverse Board ?
- 2 Do we know and understand the **diverse communities that are critical to our organization's success**?
- 3 Does our leadership team and do we as a Board **champion and role model diversity**? Do we foster **inclusive leadership** at all levels of our organization?
- 4 Do we have **targets for diverse Board membership**? Do we **disclose** Board skills and experience, including gender, race and ethnicity as required dimensions, and sexual orientation as an optional dimension?
- 5 Do we use a sufficiently **broad lens** to find the best candidates?
- 6 What are we doing to **attract, retain and promote** diversity of talent? Do we consider **diversity of skill sets, backgrounds and perspectives**?
- 7 What **I&D policies** do we have in place to **encourage candidates to join us**?
- 8 Do we provide advice for women and minority groups on how to progress their careers? Do we run **mentoring and coaching schemes**?
- 9 Are we **investing in our people** with **leading-edge I&D training**?
- 10 Do we **measure and reward success based on merit**, irrespective of difference and background, in a fair and consistent way?
- 11 Does our culture foster **purpose-led inclusion** that **inspires** diverse groups to work with **pride and passion**?
- 12 Do we **engage with clients** about I&D? Do we know what I&D issues our **markets** are dealing with?
- 13 Do we know and understand the **diversity of our customer, client and user base**, and the **opportunities** arising from this diversity?

What actions can the Board consider?



-  **Be patient but persistent**
Cultural change requires a long term perspective. Start the process now, and keep it going
-  **Initiate change**
Collaborate with management on a few priority I&D initiatives, be visible role models and provide support and advice to ensure they succeed
-  **Lead by example**
Board members to act as positive role models, taking on the role of mentor and champion of high potential executive women and minority groups. Build diversity into the Board and leadership team by actively looking for diverse candidate lists when discussing succession
-  **Require ownership**
Identify key executives who will be held responsible for progress - starting with the CEO
-  **Demand accountability**
What gets measured gets done, particularly when the Board is asking the questions

Contact us:



Stephen Barrow-Yu
Executive Director
People & Change
KPMG Australia
sbarrowyu@kpmg.com.au

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Liability limited by a scheme approved under Professional Standards Legislation.