

UK Boardrooms will take 73 years for gender balance

Madhav Mehra

I must commend your very timely editorial “How to build diversity on boards” (FT - 19 May). The business of attracting, appointing and retaining the best talent for our corporate leadership has never been more critical. It is time we shed some of our woolly, fuddy duddy and dangerous ideas.

Britain has one of the most deplorable ratios of women in boardrooms. While the world has undergone transformational changes during the past 10 years UK's record of women in boardrooms has improved only niggardly by 5%.to 11.7%. Meanwhile women's representation as leaders of Norwegian business has risen from 6% to 44%. Rest of the Europe is moving equally fast. With the current rate of change UK Boardrooms will take 73 years for gender balance.

Gender is not the only area where UK boardroom record is so poor. There are no Black British female directors in FTSE 100 companies. There are only 8 ethnic minority women directors in FTSE 100 companies.

It is In this context that Mr Miles Templeman's resistance to voluntary quota for women in the boardroom deserves shock and horror and a public debate. No one is arguing that you put incompetent directors in the boardroom. But surely a selection process that rejects 90% of females can simply not have merit as one of the criteria.

On the other hand look at the performance of companies headed by females or with crucial positions occupied by females. Pepsi, Xerox, ICICI Bank – last one is world's fastest growing bank. Ann Mulcahy took over XEROX strapped with \$17 billion debt and brought one of the major turnarounds and is now moving aside to work as CEO with Ursula Burns, first black woman takes over as chairman.

In 2007, McKinsey and Catalyst's respective analyses made a significant contribution to the business case for women leaders. Both reports demonstrated a correlation between women's representation at board level and the financial performance of companies worldwide, pin-pointing a 30% turning point at which women's representation has a significant impact across a set of corporate performance indicators.

It does not need much imagination to conclude it is the failure of boards that led to the market meltdown. The size of our fall would have been much less had Britain

adopted SOX (Sarbanes Oxley Act) or adapted it to our own needs and bid farewell to our light touch regime of comply or explain. Despite the wondrous applause we give it, it remains a farce which is neither measurable nor enforceable and is typical of Britain's ways of managing gentleman's clubs.

Regrettably both IOD and the City have opposed every single reform to open the market and with the same zeal and tenacity as Mr Templeman displayed to defy gender balance. You cannot shift blame on the government or the Chancellor of the Exchequer. Governments all over the world play hostage to the monied class and despite all the internal noises go for lighter regulation. Extra cash keeps everyone in thrall.

The biggest problem is lack of understanding of how diversity works and drives innovation. Wealth today is created not by perfecting the known but imperfectly seizing the unknown. Knowledge is the only asset which increases when shared. The more you dispense greater it becomes. Diversity enhances that knowledge, integrates your thinking, powers your capacity to innovate and helps you create that difference. The imperative of diversity is not leftism but because this is the only way for wealth creation. Wealth is created when customers buy your product. They no longer go for better. They buy difference. Because women think differently from men and Indians think differently from Europeans and because Puerto Ricans perceive differently from Canadian each one creates wealth by the degree of their diversity. More diverse the group, greater is the creation of wealth. Diversity's capacity to create wealth has imploded as markets have become global.

We are still time warped in 20th century and a whole lot of myths surround corporate governance. Its value drivers are diversity, dissent, democratic boardroom culture, dialogue, disclosure, disruption of cosiness, dispersal of authority, dissemination of failures – wear them like badges of honour to command trust - and training to develop directors of independent mind. Our studies indicate that all those companies who were the greatest destroyer of shareholder's equity had brilliant independent directors. Satyam is a classic example whose board had the best directors in the world – top Harvard Professor, and authority on corporate governance. Who would be brighter than John Thain and Jeffrey Skilling both toppers of HBS? It is difficult to make people understand something when their pay packet depends on not understanding it.

Everyone of the architects of market destruction – John Thain, John Mack, Lloyds Blankfein, Jimmy Cayne, Chuck Prince and Dick Fuld - was a WASMAM – White Anglo Saxon Middle Aged Male the typical stereotype Mr Templeman has for his boards. Not one of them was a female. Between them they destroyed their personal wealth of billions of dollars besides hundreds of billions of dollars of shareholders wealth and put us all into this cauldron. With their blinkered “groupthink” they ignored how the world had changed. Despite having been fined heavily by Eliot

Spitzer the then Advocate General of New York in 2001 they continued their sharp practices, screwing up investors and breached market trust and caused mayhem.

On the other hand all whistleblowers named by Time after the scandals of Enron and Worldcom et al were females – Sharon Watkins (Enron), Cynthia Cooper (Worldcom), Coleen Rowley(FBI). It is well known that women have a preservation instinct which keeps them away from joining gangsters of any kind.

It is time we cut down to size the cholesterolic male hypocrites that have choked up our arteries for so long and unleash the female power of this nation to restore British leadership through its strongest currency - business innovation.

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