The affirmative action plan for straight, white men

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Here's an interesting contradiction: the business mantra "What gets measured gets done" is universally understood as an effective way to monitor many aspects of performance.

And yet when it's suggested the maxim be applied to measuring the representation of women on corporate boards, suddenly the value of quantification becomes tainted by the apparently dreaded concept of gender quotas.

This may explain why the Ontario Securities Commission is taking such a restrained approach to attempting to address Canada's embarrassingly poor performance in pursuit of greater diversity on private sector boards.

In June, the OSC released a consultation paper inviting submissions on its exceptionally reasonable proposal to require public companies to start reporting the number of women on their boards and the efforts they're making to increase their representation.

Why is this important? Because a raft of business research published by prestigious business schools and management consulting agencies has made it clear: when competent women are included at the executive level, and on boards of big companies, it leads to better decisions. (And given Canada's lamentable standing on the World Economic Forum's competitiveness and innovation rankings – 14th and 25th respectively – we could clearly use the talent boost.) Some companies acted on this intelligence years ago, and as a result, have realized competitiveness and profitability gains. Meanwhile banks – forced to embrace greater diversity by federal regulators – have now become vocal advocates.

Ed Clark, president and CEO of TD Bank Group, commented publicly on the perils of failing to draw on a larger pool of candidates last year. He rhetorically questioned how he could attract the best people possible and build a better bank if he excluded all women, visible minorities, gay, lesbian and transgendered people, restricting himself to less than 30 per cent of the population.

And yet 43 per cent of the largest publicly traded Canadian companies listed on the TSC still have zero female directors on their boards.

Another 28 per cent have exactly one woman, meaning less than one-third have made any serious attempt to benefit from expanding their search to include the other half of the population. Currently, only 14.5 per cent of public company directors in Canada are women. Investors, are you paying attention? In fact, shareholder activist Carl Icahn – not your typical feminist advocate – made this point in a roundabout way a few years ago on his blog. He argued that the old boys' network approach to recruiting board members from the least threatening guys in one's network was leading to the "survival of the un-fittest."

The truth is, board appointments have been effectively implementing a de facto affirmative action program for straight, white men of a certain age and class for decades. More than 90 per cent of men serving on FTSE 100 company boards were waved into their positions without even undergoing an interview. So, far from reflecting the kind of meritocracy that might be threatened by quotas, the current system is more likely to entrench mediocrity and group think. The OSC might address this by extending the tracking beyond the boards to include the nominating committees that work to populate them.

This would not only increase the committees' ability to identify a wider variety of qualified candidates, but also make it more likely that some of those selected would reflect the more diverse skills, experiences and perspectives desired. Another critical step would be to insist that corporate boards adopt term limits for service.

Already accepted as best practice in the non-profit sector, limits would ensure renewal and permit companies to better adapt to the rapidly changing global economy. (A recent survey conducted by leadership recruitment firm Korn Ferry determined that more corporate directors in Canada have passed their 71st birthdays than are female.)

Many governments around the world have taken a much more interventionist approach to increasing board diversity.

Some have even adopted gender quotas. In Italy and France, companies and directors failing to meet government targets for female membership (30 per cent and 40 per cent respectively) face fines and risk having their board elections nullified. Belgium has dictated that all new appointments must be women until companies reach the 30 per cent target, while Norwegian companies achieved the imposed 40 per cent quota in 2009, only seven years after it was introduced.

So Canadian corporate laggards should be on their knees in gratitude that the OSC is being so cautious.

Its approach seeks merely to boost transparency and encourage companies to work harder to get the best talent onto their boards by expanding their recruitment pool to include women.

On the other hand, the Commission is also welcoming public input. Many individuals and organizations are preparing convincing arguments as to why the incremental gains achieved by the previous goslow approach are folly in the context of a 21st-century globally competitive business environment. Let's hope their voices provoke a more robust response.

Shari Graydon is the founder of the social enterprise Informed Opinions, which trains expert women to share their ideas and analyses through the media.