

The Question of Board Diversity

Publicly funded sporting bodies will shortly be required to comply with Sport England and UK Sports' *A Code for Sports Governance* which includes board diversity requirements.

It's clear from the Sport and Recreation Alliance's new [The Principles of Good Governance for Sport and Recreation](#) that the Alliance would like to see **all** sporting bodies looking and performing more like their listed corporate counterparts in relation to their approach to governance issues.

The Alliance's recommended actions relating to diversity on boards are ambitious, in the context of either the sporting, or corporate world. With this in mind, sporting bodies might do well to look at "UK plc" to see how it has fared on the thorny issue of diversity on boards.

The recommended actions relating to diversity

The relevant recommended actions relating to diversity on boards are attached to Principle 4: Board Structure:

- "The board must make sure a minimum of 30% of each gender is represented to maintain gender diversity and should work towards gender parity.
- The chair must make sure that all board appointments contribute to creating a board that is balanced, inclusive and skilled.
- The board should maintain a robust and open recruitment policy and process for new directors to make sure diverse candidates are chosen based on competency, quality experience and ability."

Does diversity on boards make a difference?

There is a clear consensus amongst commentators that it does. Diversity on boards helps to promote the constructive and challenging dialogue that effective decision making requires. It also helps to engender trust and confidence amongst all stakeholders within an organisation.

There is plenty of evidence of a positive correlation between diversity on boards and a company's financial performance. In their 2015 international review "Diversity Matters", management consultant McKinsey & Company concluded:

- In the UK, greater gender diversity on the senior-executive team corresponded to a financial performance uplift: for every 10% increase in gender diversity. Earning, Before Interest Tax (EBIT) rose by 3.5%.
- Companies in the top quartile for racial and ethnic diversity are 35% more likely to have financial returns above their respective national industry medians.

McKinsey & Company acknowledge that the correlation (which went well beyond the two points highlighted above) does not amount to causation – greater diversity will not necessarily give rise to greater profits, but McKinsey & Company do link greater diversity on boards with success:

“The correlation does indicate that when companies commit themselves to diverse leadership, they are more successful. More diverse companies, we believe, are better able to win top talent and improve their customer orientation, employee satisfaction, and decision making, and all that leads to a virtuous cycle of increasing returns.”

While there are obvious differences between the sporting and corporate worlds, it's easy to see how a sporting body might equally benefit from this "virtuous cycle", particularly in relation to encouraging broader participation in sport.

What progress has been made by UK Plc?

The current picture is mixed. Looking at the FTSE 100:

- Women now make up 26% of the directors on the boards. Although this is a significant improvement on the 12.5% figure from 2010, the increase in gender diversity has stalled somewhat over the last year or so. Further, women only hold 9.7% of the executive directorships and only 19.4 % of the executive committee roles, so there is a real concern that the shortage of women in senior roles will make it difficult to achieve Lord Davies' target of women making up 33% of boards by 2020;
- According to the Parker Review, in 2016, UK citizens of colour represent only about 1.5% of the total director population, but in total, directors of colour represent about 8% of the total number of directors (compared to 14% of the UK population). 53 of the FTSE 100 companies do not have any directors of colour. The Parker Review has set a target of every FTSE 100 company having one director of colour by 2021.

Progress then, but still much more for UK Plc to do if the Davies and Parker review targets are to be met.

What can be done to encourage more diversity on boards?

Sporting bodies looking to comply with the recommended actions relating to diversity on boards could do worse than to look at what their corporate counterparts have done (and have been advised to do) in order to increase diversity on their boards:

- **Recruitment:** when opportunities for a board appointment arise, the executive/members with responsibility for defining and managing the board appointment process need to make sure that the organisation's commitment to greater board diversity is properly communicated to HR officers and/or any specialist search firms used, to expand the talent pool from which candidates are considered;
- **Personal Development:** boards and managers should develop mechanisms to identify, develop and promote women, persons of colour and others from underrepresented social and economic backgrounds, so that over time the 'pipe line' of board capable candidates in the organisation reflects, to a greater degree, the make-up of society. Existing directors should:

- Consider appropriate training, mentoring and sponsorship programmes for potential board candidates; and
- Encourage potential board candidates to take on internships, or non-executive positions with other organisations (inside and outside the sporting world) or other leadership positions;
- Working environment considerations: in an attempt to address the lack of women at the most senior levels of management, organisations should consider the opportunities that might be afforded by adopting effective flexible working arrangements and telecommuting;
- Set objectives related to the commitment to increase diversity on boards: on the basis that 'what gets measured gets done' board objectives and targets ought to be visible to all stakeholders and the board should track and disclose the progress made.

Opportunity knocks?

Increasing diversity on boards is evidently desirable and possible. It's also clear that real change on this issue will take time, commitment and planning, so sporting bodies would be well advised to address the issue now (if that process has not started already).

Sporting bodies that have the benefit of public funding will be obliged to meet the diversity requirements contained in Sport England and UK Sports' Code for Sports Governance (or risk losing some, or all of their public funding). For everyone else in the sporting world, there are more than enough good reasons to commit to the Alliance's recommended actions relating to diversity.