



## **DIVERSITY AND INCLUSION WITHIN SME FINANCIAL SERVICES: WHAT STEPS ARE WE TAKING TO IMPROVE?**

### **EXECUTIVE SUMMARY**

This round table discussion, introduced by James Sayer and Chaired by Joanne Hindle (Chair/NED, Bank of London and The Middle East, Shepherds Friendly Society), offered the opportunity for banking NEDs to discuss diversity and inclusion in the boardroom; to share thoughts and ideas on how to improve the status quo and achieve wider, more equitable representation.

It was the commonly shared view that such a goal is necessary, not simply because of a moral obligation towards boards better reflecting society more broadly, but because of the diversity of thought an inclusive board brings to the business. In short, achieving genuine diversity in boards (NEDs as well as the executive) is both desirable and beneficial.

Tangible steps are being taken to achieve this; attendees discussed various initiatives they have in place and that work for them, with further ideas emerging as a result of sharing current best practice. Action included anonymising applicant CVs, targets for longlists, advisory panels to boards, support of executive search consultants, among others.

While these steps are hopefully making a difference, it was also generally agreed that achieving diverse, inclusive boards is no small feat, and that genuine change will take time. Selecting the right person for the role remains critical, given the level of responsibility working on the board of a bank, however it was also posited that boards should be willing to take risks, and that adding elements such as psychometric testing to the selection process might offer broader insight into candidate suitability.

Clearly there is the appetite and will to achieve greater diversity and inclusion, including policy changes (although the level of uptake differs) designed to produce meaningful results.

## INTRODUCTION

Addressing a lack of diversity within business, and on boards in particular, is not new, but due to recent global events and movements, combined perhaps with a growing impatience with the slow rate of progress, it has recently risen in prominence.

There has been some positive movement: more than one third of FTSE 100 and 250 directors are now women, achieving the government directive for 33% of board directors to be female by the end of 2020. But there are losses as well – BAME directors represent 8% of the total company directorship, compared to 14% of the UK population, and 37% FTSE 100; 69% of FTSE 250 and 59% of FTSE 350 companies do not have any BAME directors (Source: [Diversity UK](#)).

For attendees specifically, our pre-discussion survey reflects a shift towards greater representation on boards however the majority of board members are still majority non-female, LGBTQ+ and/or BAME (excluding disabilities, which may be lower still), i.e. white men. Disability and class were not explored, but it's likely there are further groups of people with limited representation across boards, both at panel member level and more broadly.

That the discussion is being had, including attendance at round table events such as these, shows there is genuine appetite for change. Sharing challenges and best practice means the opportunity to increase knowledge and ideas to help inform diversity and inclusion principles in the workplace, and to gain traction with desired outcomes.

## WHY IS DIVERSITY AND INCLUSION SO IMPORTANT?

Achieving parity across businesses and their boards is expedient not simply because of societal demand for it. On the one hand there is an ethical imperative for businesses, given their influence and importance in society, to fairly reflect and include the world in which they operate. It is not only that however, it is also logically more sound for business to do so. It makes little sense that a management team of a business should not reflect the diversity of its customer base, as well as its colleagues. Diverse boards are likelier to understand the needs and wants of their customers.

In this sense we might describe 'diversity (as) shorthand for diversity of thought', with Chair people looking for board members 'contributing as broadly and as widely as possible, which comes typically from having a very broad range of backgrounds – from education, of job experience, of life experience, religious experience...'. Diversity of NEDs better serves those they represent (board members themselves, customers, colleagues) but also the business itself.

## CHALLENGES AND DIFFICULTIES

Although it was agreed that diversity and inclusion is highly important and there is generally a strong desire for it, at what pace and how exactly that is achieved is slightly less clear. Support for does not always translate into tangible actions, with some experiencing boards that 'support the values (of diversity and inclusion) but are slow to walk the talk'. In some instances, cultural differences can result in a lack of shared vision.

This is reflected in policy; where the majority of round table respondents (64%) represent organisations that have a diversity and inclusion policy in place, a sizable minority don't. In discussion most agreed the desire for greater diversity and inclusion was present in the organisations they work for, but this was only sometimes backed up with a policy in place, with some boards having a policy either in draft stage or in discussion. Tangible outcomes require tangible strategy.

While anonymising CVs is widely accepted as a positive, as discussed in more detail in section 5, not being able to recognise diverse identities has the potential to stymie positive action. Though some are typically if not always wholly easy to ascertain, e.g. gender and race, other protected characteristics may be less obvious. While it's possible to ask for identifying information during the recruitment and selection process it is not uncommon for those within under-represented groups to attempt to shield aspects of their identity in order to avoid discrimination, which is fair and also understandable.

As one panel member put it, if you are applying for positions that don't feel as if it is you they are written for, you are more likely to attempt to represent yourself in the mould that is seemingly being represented.

Furthermore, it's not always easy to get the desired representation on boards (beyond simply finding the right people), as is the case with younger people in particular, who are naturally further away from a NED position which is typically undertaken at the end of an executive management career. Advisory panels or networks, as discussed in section 5, might at least in part provide some solution to this.

Although there is an argument that there has historically (and arguably currently) an advantage given to white, straight, middle class men, the issue of potential alienation of this group was nevertheless mooted as a potential drawback of diversity and inclusion policies that prioritise diversity over inclusion, a question highlighted in the pre-discussion survey:

***'I think one of the difficulties is getting the balance right, because there is such a focus on women, LGBTQ+, Black Lives Matter etc, are we in danger of isolating white, middle class males?'***

While it was agreed that selecting the right person for the board is critical, the tendency to recruit in one's own image was raised as a possible concern. When it comes to ascertaining 'right' are we sufficiently interrogating who is deciding that, and what (albeit) unconscious biases might be in play?

Perhaps the hardest challenge is simply the scale of the task, despite commitment and desire for change, it is not something that is likely to happen overnight. This is especially true of boards where the level of seniority means the make-up has a somewhat historic element; board level change must be supported by meaningful changes throughout the corporate hierarchy, including, perhaps especially, early-stage careers.

These challenges, while seemingly broadly felt, are not absolute obstacles to change. Furthermore, discussing them is the start of overcoming them, as we are forced to consider how to navigate them.

## **PRACTICAL STEPS TO CREATE CHANGE**

While there was no vocalised favour for quotas for representation on boards, targets for longlists were generally agreed to be effective and desirable, with many having such targets in place already. Executive search consultants have an important supportive role here, with their ability to help produce longlists (and, as it was noted: if they can't, we should be asking why not), both from their extensive networks and, often, diversity training and expertise.

Anonymising CVs is another popular route for those present, and one that also seems to be working well. Executive search consultants can again play a supportive role here, and can perhaps at least partly undo the aforementioned double-bind when it comes to achieving diverse longlists; the consultant is privy to the non-blind CV, whereas it is down to the recipient/s to judge based on skills and experience alone.

It was noted that current board skills matrices can be very two-dimensional, and that a more three-dimensional approach might have the potential to generate greater 'diversity of thought', including less reliance on possible unconscious bias during the selection process. Psychometric testing such as Myers Briggs and Lumina Spark may reveal working styles and characteristics not uncovered through interviewing alone, where panel members will naturally view a person through their own personal lens.

Useful initiatives exist beyond recruitment onto boards, either through actions boards can themselves take, or through the support beyond the board. The latter is particularly useful, where a lack of diversity in existing boards has the potential to be self-limiting. Two examples included an advisory panel to the board, where expertise from outside the boardroom is utilised (including but not limited to diversity and inclusion), the second took the form of an Equality, Diversity and Inclusion (EDI) network comprised of individuals from around the business. These create an opportunity for voices that might be under-represented to be heard, allowing for greater diversity of thought (through either lived experience or expertise) without having to wait for changes to a board itself, which naturally take longer. This expertise is also utilised, in the case of the EDI, when it comes to recruitment, through assisting with recommendations and the selection process.

Not only does this lend the board expertise and broader perspectives it offers those involved, typically more diverse than the board itself, the opportunity to witness board dynamics and discussion, potentially granting confidence and aspiration towards board representation for themselves in the future.

Regular discussion may seem obvious in its simplicity, however, can easily be overlooked. Ensure board discussions regularly include the topic, with each area of governance included. Diversity and inclusion should be a clear part of the objectives of the business and be regularly communicated throughout accordingly. This means 'thinking about: what does the business stand for? How do we want our people and our customers to feel?'. Ensuring diversity and inclusion goals are at the heart of the business ethos will create impact throughout, including on recruitment. In one instance this meant incorporating diversity and inclusion into the risk management framework, with 'intolerance for a lack of diversity high on the agenda, and discussed in every risk meeting.'

Signing up to charters such as Women in Finance, Disability Confident Employers and so on is a relatively easy action to help steer change. Doing so means the opportunity to learn and to share knowledge, and they often provide useful frameworks to help shape policy.

## **AREAS FOR OPPORTUNITY**

Discussions such as these contribute to the work being undertaken to improve representation in the boardroom. Sharing ideas means expanding one's knowledge and will hopefully translate as increased initiatives within business. As with the board itself, future round table discussions may benefit from being opened up to those who work within diversity and inclusion, and/or inclusive of a greater number of under-represented voices.

While a discussion of specific metrics is not necessarily practical in a round table discussion (see appendix for more detailed survey results), a discussion about what sorts of results we are seeing, or expect to see, and also how we might measure those may provide greater context to future diversity and inclusion events: what does 'good' look like?

## **CONCLUSION**

There is much to be optimistic about when it comes to diversity and inclusion objectives, both on boards and the businesses in which they sit. There is a clear appetite to achieve broader representation, much beyond it merely being a tick-boxing exercise. This comes from both traditionally represented and traditionally less represented groups, which is itself encouraging.

That is not to say that all banks, globally, share the same ideals, nor that we should become complacent when it comes to setting (and achieving) our objectives. It was agreed that change won't happen overnight; there is plenty of work to be done that requires a number of measures, and these will have an incremental effect towards a more positive whole. Sharing ideas and interrogating thought, utilising the support of expert and/or marginalised people, combined with clear, committed policy has the power to affect change.

## **SAYER HAWORTH CONTACTS:**



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