Diversity Recruiting: Supply, Demand and the Matchmaking Process

Diversity starts at the top of every organization – that’s the hope at least. According to recruiters polled in a recent informal survey conducted by Hunt Scanlon Media that oftentimes means it begins in the boardroom. Diverse boards make better decisions and lead to improved company performance, they said. Yet despite the research, validation and prodding by institutional investors, a revealing 1,805 companies out of 3,192 (companies from the Fortune 1000 and Russell 3000) in a gender diversity index created by 2020 Women on Boards have zero or just one woman on their boards. The case is similar for African Americans, Hispanics and Asians as well.

So what’s the problem? What’s holding back from the progress that businesses and society would clearly benefit by? “As we live in, and businesses function in, a diverse world and marketplace, having such diversity reflected in companies can add meaningful insights to decision-making and strategic planning,” said Patricia Lenkov, founder of Agility Executive Search. “Inclusion implies that many different types of people can strive to attain leadership roles within the organization. In other words, success is open to all.” That, she said, makes it equitable and the hallmark of a true meritocracy.

New Approaches

In order for boards to become more diverse, nominating committees should initiate a few new approaches to the hiring of new directors,” said Carrie Pryor, managing director of executive search firm Greenwich Harbor Partners. “One of those approaches is to expand beyond the informal process of using the personal networks of existing board members to source potential candidates; that only results in the nomination of very similar individuals and the perpetuation of outdated networks,” she said. “Nominating committees should use the hiring opportunity to have a neutral third party assess the qualities and experiences of existing directors and find people whose backgrounds are additive.” These new directors, she added, will also have different approaches to problem solving and framing critical issues.

“We always tell clients that pursuing candidates with strong functional expertise, whether it is marketing, operations, international or digital, or any other skill set, will make the board stronger when it is analyzing a problem and determining how to proceed,” Ms. Pryor said.

“Having more than one or two retired CEO’s who are not actively involved with on-going businesses makes a board less effective,” she added. One or two retired CEOs can serve as consiglieres to the current CEO – but more than that number reduces the number of directors who are facing real world, day-to-day challenges of managing a business.” The added plus, she noted, is that functional leaders have a greater chance of being diverse in terms of ethnicity and gender.

BY THE NUMBERS

What Drives Board Diversity

52% agree that board diversity efforts are driven by political correctness

48% say shareholders are too preoccupied with diversity.

“We strongly recommend raising the number of diverse candidates to a minimum of three people,” she advised. “The highest performing boards mirror their customer base. This truism applies to companies across all industries and geographies.”

Katherine Young, president and managing partner of boutique recruiting firm Young Search Partners, said that “companies with women on their boards have higher returns on investment, lower relative debt levels, higher stock valuation and higher average growth. Companies with at least one to three women directors on their corporate boards perform better on a range of measures, including more ethical corporate governance practices.”

Ms. Young should know. She sits on the board of Women Executive Leadership, a non-profit affiliated with 2020WOB that shares their mission to increase gender diversity in the board room. “Board diversity is now becoming a (cont’d. to page 3)
Since 1979, we have focused our executive search practice around diversity.

“Strength through Diversity and Inclusion,” reflects our belief that in order to remain competitive, companies must attract top diverse talent for the management pipeline and executive-level positions. We focus on ethnic diverse leaders across all industries and functional areas.

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mandate in the boardroom – and for the right business reasons, not diversity for diversity’s sake,” she said.

“Companies with women directors and executive officers send a clear message to their shareholders and employees that they value diversity and experience,” Ms. Young said. “Women bring different and valuable perspectives to the challenges faced by corporations. Diversity of thought leads to innovation and better decision-making.”

Ms. Lenkov, who is well known for her work on board diversity and sits on the New York Steering Committee of 2020 Women on Boards, offers three main explanations for the lack of progress:

1. Demand
Legacy folklore portends that qualified diverse candidates for board seats are lacking. “We have heard this time and again,” said Ms. Lenkov. “In 2013, when Twitter went public without one female on their board they said that they could not find women who had the technical skills necessary for this technology company. In fact, most of their board members had arts degrees.”

Demand and the opportunity to diversify boards is also hampered because director tenures are often too long. The concept of board refreshment or even board turnover and succession planning are new. Not long ago, board appointments were often thought to be for a lifetime.

2. Supply
In spite of those who say otherwise, an excellent supply of qualified and diverse board candidates are available. “However, we need to continue to make conscious efforts to fill the pipeline,” Ms. Lenkov said. “This begins at the earliest ages with education and continues on through early career options and choices. Diverse employees (actually everyone) needs to think about their careers as limitless. They need to work towards positions at the highest levels and they must gain operating experience whenever and as often as possible.”

3. The Matchmaking Process
Perhaps most important is the process by which board directors are recruited. Recent research shows in 70 percent of the cases a director role is filled by using a personal network or word of mouth. “This means that most often finding a new director goes like this: The board, CEO and trusted advisors discuss whom they might know for a director opening at

(contin’d to page 4)
the company,” Ms. Lenkov said. “Hopefully qualifications enter the discussion. Oftentimes the main qualification is that this new person is known by someone from within the company’s circle of trust.” This process is neither objective nor strategic, said Ms. Lenkov. It is reactive, clearly biased and will yield a sub-optimal result.

The rest of the time an executive search firm is engaged. Although this is an improvement over the hit-or-miss nature of the first approach, it is not foolproof. “All search firms are not created equal and this is particularly true with respect to diversity,” said Ms. Lenkov. “It is one thing to jump on the issue today as it is clearly a hot topic, but boards are where they are because of the mistakes of the past. Identifying, evaluating and recruiting a director is hard and important work.”

It is always safer to put forward someone who has already done it somewhere else. “But it is incumbent on us professionals to challenge ourselves and to look outside of the usual suspects,” said Ms. Lenkov. “If boards are to improve their diversity we must be more diligent and accountable and proactive. Status quo is simply not good enough anymore.”

“Diversity in the boardroom is important because boards need to be challenged in their thinking, their decision making, and continue to evolve and grow as stewards and leaders,” said Becky Heidesch, founder of WSS Executive Search, a women and diversity owned executive search firm. “You cannot have growth and innovation in any capacity if everyone thinks the same way.”

So what gets in the way of building a diverse board? There can be a misconception that there is a lack of qualified diverse candidates. “Usually this is false,” Ms. Lenkov said. “While diverse candidates may not always be conspicuous, with some diligence and intention they can be identified and recruited. When companies rely on their own networks for new board candidates, they will likely end up with individuals much like themselves,” she said. “To build a diverse board requires a strategic and intentional effort to go beyond the usual suspects.”

(cont’d. to page 5)
“I think that in order for corporations to remain relevant in an increasingly competitive world, directors cannot ignore the crucial role that diversity plays in governance, particularly in the boardroom,” said Eral Burks, CEO of Minority Executive Search. “Companies that fail to source talent from the growing talent pool of diverse, well-educated and ambitious individuals run the risk of limiting value creation, compromising sustainability and undermining their long-term competitiveness,” he said. “This is an advantage for companies that recognize the importance of embracing a board diversity. CEOs often say “we want our employees to represent what our customers look like” So why not at the board level?”

**Inside Perspective**

*Diversity is Not a Social Crusade*

Patricia Lenkov, founder of Agility Executive Search, is widely regarded as a thought leader on board recruiting, corporate governance, composition and succession. She is well known for her work on board diversity and sits on the New York Steering Committee of 2020 Women on Boards.

Why is diversity and inclusion so important to the growth and development of a business?

As we live in and businesses function in a diverse world and marketplace, having such diversity reflected in companies is important and can add meaningful insights to decision-making and strategic planning. Inclusion implies that many different types of people can strive to attain leadership roles within the organization. In other words, success is open to all.

How does diversity of perspective in the boardroom lead to a good dynamic and better results?

Boards make decisions and solve problems. It is well known in decision theory and research that diverse groups take longer to deliberate about a decision but when they finally agree and make a decision it is superior to that which is made by homogenous groups. To over-simplify, if I am from Europe and you are from the U.S., there is so much in our frame of reference and experience that is distinct and not comparable. This means we will interpret the same information in very different ways.

What can companies do to make their boards more diverse?

Companies first need to appreciate the value that a diverse board can bring. It is not simply a social crusade but rather a matter of good governance and has been shown to yield improved financial results. Once there is an awareness and appreciation then the identification and recruitment process can begin. Boards should be aware that they need not simply look for diversity for diversity’s sake, but rather they can seek a highly qualified executive who brings a specific and desired skill-set and who also happens to be diverse.

Are female directors driving change?

Both male and female directors are driving the change. However, interestingly enough, according to the PWC Annual Corporate Governance Survey, 80 percent of female directors say the pace of diversity on boards is too slow, and only 33 percent of male directors agree. In terms of what is stopping women from getting onto boards, there are several factors. First, there has not been enough demand until recently. Also, some women, and of course some men as well, do not know how to position themselves for board opportunities. Finally, to the extent that women can assume P&L responsibility or senior finance roles, this improves chances of getting on boards.
David Windley is president of IQTalent Partners, an executive recruitment firm based in Los Altos, CA. Prior to joining the firm in 2014, he was CHRO at Fusion-io and Yahoo! Mr. Windley also held executive HR positions at Microsoft, Intuit and Silicon Graphics. He is currently a board member at the Tennant Company and Society for Human Resource Professionals.

In the following interview, Mr. Windley explores why diversity and inclusion are of paramount importance to 21st century organizations — which are focused on people more than ever before. He also examines changing demographics and the role Millennials play in the workplace. Finally, Mr. Windley focuses his attention on the hiring process — where often the problem of diversity recruiting begins.

David, why is diversity and inclusion so important to organizations today?

Many studies have shown that innovation and good solutions are enhanced when diversity exists in teams…diversity of perspectives and thought. Currently, the imperative for creating a diverse and inclusive environment for U.S.-based organizations has been amplified because of two major trends: the globalization of the workforce & customers; and the Millennial generation is more diverse than any previous generation. Bottom line, the world we operate in is more diverse.

What can you tell us about Millennials?

Millennials are the most diverse generation in the history of our country. That is translated into what we should see in today’s workforce. A report from the Brookings Metropolitan Policy Program reveals that Millennials, now 44 percent minority and America’s largest generation at 75 million strong, is set to serve as a social, economic, and political bridge to the future (and increasingly racially diverse) generations. The report says that racial and ethnic minorities make up more than half of the Millennial population in 10 states, including California, Texas, Arizona, Florida, and New Jersey — and in another 10 states, including New York, Illinois, and North and South Carolina, minorities comprise more than 40 percent of Millennial residents. Millennials also have a higher expectation of an inclusive environment at workplaces than previous generations. Not having an inclusive environment will be a detractor for many Millennials.

Describe these changing demographics and what affects they will have on executive search?

New Census statistics project that the nation will become “minority white” in 2045. During that year, whites will comprise 49.7 percent of the population in contrast to 24.6 percent for Hispanics, 13.1 percent for blacks, 7.9 percent for Asians, and 3.8 percent for multiracial populations. When you add on top of these domestic stats that more of our organizations are global, I believe a core competency of successful top executives will be their ability to create and foster an inclusive work environment. As executive search partners, we need to identify up and coming executives with these competencies now...they are the future leaders.

“Where we see the difficulty in diversity recruiting is in the hiring process of companies. The interview and assessment process is often flawed and allows for the existing bias to persist in the selection decision.”

Is it difficult to always provide a diverse slate of candidates to clients?

Providing a diverse slate of candidates is not the difficult part. Any good recruiting firm or organization can find diverse candidates at least in the proportion that exists in the talent pool. For example, in some engineering categories the female population is 15 percent, and our candidate slates tend to reflect that. With more focus and attention, we and other firms can make sure that a diverse category is over-represented on candidate slates. Where we see the difficulty in diversity recruiting is in the hiring process of companies. The interview and assessment process is often flawed and allows for the existing bias (conscious or unconscious) to persist in the selection decision. We see many examples of companies that hire for “cultural fit.” When you ask them to break that down into competencies, characteristics or behaviors that one can interview for and assess against, they often fall short. So “cultural fit” often falls back to an interviewer making an assessment that is fraught with personal bias.

What can companies do to attract more diverse employees?

The main thing that companies can do to attract more diverse employees is to ensure that they have an inclusive work cultural and environment. Your employer brand is important. Many diverse candidates will research the work cultures of prospective companies. They understand that it is not about getting the job, but being successful at the job, and an important factor in success is an inclusive work culture.
INSIDE LOOK

CHRO Influence Expands in Promoting Corporate Diversity

Plenty of organizations say they are looking to change the makeup of their workforce in terms of ethnicity, gender, sexual orientation and age, but in the end many fall far short. It’s 2018, and the view from the C-suite and boardroom still looks nothing like the ethnically and racially diverse world outside.

The importance of diversity to team and company performance should by now be a given, yet the nationalism that fueled the Brexit decision and the election of President Donald Trump is reminding HR leaders on both sides of the Atlantic that progress on diversity cannot be taken for granted, according to a report by Heidrick & Struggles.

“If companies are to reach an increasingly diverse population of customers, suppliers, and partners – or, for that matter, if they are to do the right thing – then CHROs must be more prepared than ever to instigate difficult conversations in the following three areas,” said Billy Dexter, a partner in the search firm’s Chicago office and its Americas regional diversity leader.

1. Are we meaningfully involved?

Diversity is a big bucket. “Too many companies have a fuzzy definition of which communities, precisely, they want to connect with – let alone have a familiarity with them,” said the Heidrick report. “By contrast, forward-looking companies have specific communities in mind and engage with them directly.”

2. Who’s in our pipeline (and do we have one)?

The talent pipeline is key, but many companies are hindered by inherent biases. “To fill your pipeline with black, Asian and minority ethnic (BAME) talent, start with an understanding that the journeys of these employees will be different from those of white employees,” the report said.

3. Do our diverse colleagues want to stay?

Many companies assume that top talent will rise in a meritocracy, but a combination of company culture, unconscious biases and other factors often prevents this from being the case, said the report.

“A true commitment to building a diverse workforce, from the front line to the C-suite, starts with an honest reflection on why the company doesn’t look like its customer base,” said Mr. Dexter, who co-leads Heidrick’s diversity advisory services practice that assists clients in creating diverse leadership teams. “The CHRO will be best placed to spark such conversations within the executive team and across the company. By combining sincerity, authenticity, and, above all, consistency in their diversity efforts, CHROs can help their organizations become more inclusive – a result that benefits business and society alike.”

“Diverse companies attract and retain top talent, improve performance and innovate quickly,” Heidrick’s report noted. “Diversity in gender, ethnicity, sexual orientation and backgrounds brings together different insights and perspectives that uncover new paths to solving familiar problems.”
DIVERSITY RECRUITING SPECIAL ISSUE

FTI Consulting and women’s leadership firm Mind the Gap found that about 55 percent of the professional women surveyed said they are less likely to apply for a job and 49 percent are less likely to buy products or stock from a company with a public #MeToo allegation.

Twenty-two percent of senior-level women and 20 percent of senior-level men, meanwhile, are concerned there could be an impending #MeToo incident at their organization.

The report also found that 28 percent of professional women said they have experienced or witnessed unwanted physical contact in the workplace in the last year, and nearly one-fifth said they have personally experienced it. In the past year, 34 percent of women in technology, 29 percent of women in energy, 27 percent of women in legal, 26 percent of women in healthcare and 25 percent of women in finance said they have experienced or witnessed unwanted physical contact at work.

Of the professional women surveyed who said they experienced or witnessed sexual harassment, 43 percent did not report the behavior, while 57 percent did report. Of the professional men surveyed who said they experienced or witnessed it, 31 percent did not report, while 69 percent did — a 12 percent difference from women.

Search Consultants Weigh In

Edie Fraser, CEO of STEMconnector and its Million Women Mentors (MWM) Initiative as well as vice chairman of Diversified Search, said that the #MeToo movement impacts are significant and should serve as a wake-up call. “Ramifications are everywhere — from schools and organizations, employees and recruits, to the HR world and CHROs, boards of directors, CEOs, men and women, and every organization and institution and the media. Sexual harassment affects employees and the organization’s bottom line,” she said.

“The movement focus on the reality of abuse hits a nerve,” she said. “Results include a vital focus on behavior, training, engagement and communications. So many hundreds of thousands of women and men, too, have come forward and exposed sexual abuse. What matters is seizing the opportunity to educate, set policy and show no tolerance for abuse (and overall sexism) as well. Support the leaders driving action. Place more women and diversity in the executive suite as business role models and all enlightened managers and leaders, stay vigilant.”

“Right now, I am seeing an abundance of caution in the marketplace regarding this timely and important topic,” said Shelli Herman, president and founder of Shelli Herman and Associates. “Candidates are operating with more discernment than ever relative to how they evaluate potential employers. In addition to making sure that companies have a strong track record in hiring and promoting women, candidates (male and female) want to make sure that the companies they are considering have fair and transparent policies in place to handle these allegations.”

“Build a culture that will not tolerate sexual harassment. Wake up and drive changes. Most women

#MeToo Movement Leaves Mark on Recruiting

(continued on page 10)
have experienced sexual encounters in the workplace. Drive the ‘zero tolerance’ and be part of the best places to work. Sad we needed #MeToo but we did and we still do and with that, action.”

“Companies that are already doing the right things will have nothing to worry about. Organizations who are in the midst of change can continue to fine tune their practices to ensure that everyone (men and women included) feels safe, supported, and heard in the workplace,” she said. “My general sense here is that when executives think about what they are doing both in public and private, one salient question must be: Is this practice, action or policy something we would stand by both in the boardroom and in the news media? The right things are still the right things!”

“The reality of the employment situation in this country right now is that professionals have more options, and that includes women,” said Stacy Pursell, CEO of the Pursell Group. “There are more job openings and more job opportunities available. So, taking that into consideration and operating against the backdrop of the #MeToo movement, it makes perfect sense that women are being selective in their choice of employers and avoiding those that have been implicated in allegations,” she said. “The conditions exist in the marketplace for them to be selective, and they’re leveraging those conditions.”

“It’s encouraging that executives have changed their behavior in the wake of the #MeToo movement. That’s indicative of a conscious effort to improve the culture and the atmosphere of their organizations,” Ms. Pursell said. “It’s also indicative of an effort to avoid any behavior that could be construed or interpreted as harassment. While this is good news, it’s also partly reactionary in nature, to the point where some executives may be excluding female employees from business-related activities to completely eliminate the chance of an allegation.”

“As it’s only been a year, it will take time for a more balanced approach to manifest itself in the employment marketplace and for organizations to devise and implement sensible strategies for combating harassment while still providing opportunities for women to thrive in the workplace,” Ms. Pursell added.
Heidrick & Struggles Makes Board Diversity Pledge

Heidrick & Struggles is reaffirming a commitment to promoting diversity in board of director searches globally. Developed in collaboration with Stanford’s Rock Center for Corporate Governance, Heidrick’s pledge is designed to increase the number of women and members of underrepresented groups considered by boards.

“Now is the time to make public what we have been driving as a firm globally,” said Krishnan Rajagopalan, president and CEO of the firm. “Today, we are making a pledge to our clients, candidates and employees: we commit that a minimum of half of the initial board candidates presented to clients globally on an annual basis will be diverse.”

To accelerate this effort, Heidrick will identify and interview diverse director candidates, with an emphasis on prospective directors who have not previously served on a corporate board. Each year, the firm will measure results and seek new ways to broaden and enhance global diversity efforts across each board search.

“Our firm is committed to fostering a talent landscape as diverse as the world we live in to better serve our clients and represent our employees.”

“Our firm is committed to fostering a talent landscape as diverse as the world we live in to better serve our clients and represent our employees,” said Mr. Rajagopalan. “As advisors to boards all across the globe, we recognize that identifying a diverse slate of candidates is an imperative and delivers on the deeper purpose and values of our firm.”

The recently released Heidrick & Struggles 2018 Board Monitor found a substantial increase in female directors among incoming directors in Fortune 500 companies, but a lack of growth in the percent of Hispanic and Asian directors. African-American directors are also significantly under-represented on boards.

“In the past year, 52 percent of our board of director placements in North America have been diverse,” said Bonnie Gwin, vice chairman and co-managing partner of the global CEO and board practice at Heidrick. “This is an opportunity to build momentum globally by presenting the most diverse board options to our clients around the world.”

“Today, there is no talent shortage of diverse and qualified candidates, and there are many exceptional female and ethnically diverse executives who would make highly effective directors,” she said. “Our latest data from the Heidrick & Struggles Board Monitor suggests that boards are shifting their refresh rates and opting to broaden the views, background and overall composition of the board to enhance diversity.”

See how IQTalent Partners weaves diversity into your organization.
Koya Strengthens Staff with Diversity Pioneer

Koya Leadership Partners added Maureen Alphonse-Charles as managing director. “Maureen is a strong, determined advocate for women in business. She’s thoughtful, reflective, passionate and a tireless champion for social justice,” said Katie Bouton, Koya’s founder and CEO. “Maureen is determined to increase the number of women in meaningful, important leadership roles including corporate board positions. I have no doubt that she will help move that dial and the Koya team will help her every step of the way.”

Diversified Search Places Female CEO at San Fran Fed

Diversified Search placed Mary C. Daly as the 13th president and CEO of the Federal Reserve Bank of San Francisco. Ms. Daly, who is openly gay, became the third woman among the 12 presidents of the Fed’s regional banks. As a senior executive at the San Francisco Fed, she has been a leading voice for addressing what she has described as a diversity crisis in the economics profession and at the Federal Reserve.

Academic Search Adds Three Former HBCU Presidents to Roster

Academic Search expanded its ability to attract top leadership talent to historically black colleges and universities (HBCUs) with the addition of the founders of TM2 Education Search to the firm. TM2 was established in 2016 to identify and place candidates in top administrative posts at HBCUs. John Garland, Dorothy Yancy and Sidney Ribeau, all long-time HBCU presidents, bring a wealth of knowledge of the sector.

Bridge Partners Finds Chief Diversity Officer for Gallaudet University

Bridge Partners helped to place the new chief diversity officer at Gallaudet University in Washington, D.C. Dr. Elavie Ndura comes to the renowned institution for the deaf and hard of hearing from George Mason University, where she led implementation of the school’s diversity and inclusion strategic goals. Tory Clarke, partner and co-founder of Bridge Partners, which focuses on diversity and inclusion, led the search.
More Diversity Recruiting

Egon Zehnder Elects Chairwoman in a First for Recruiting Sector

Egon Zehnder recently elected Jill Ader as its new chair. She takes over upon the retirement of Damien O’Brien who has chaired the firm since 2010. Ms. Ader becomes the first female chair within the global top five executive search and leadership advisory firms. “Jill is exceptionally well suited to guide our continued global growth and service innovation while retaining our ‘One Firm’ focus on our clients,” said Mr. O’Brien.

Carrington & Carrington Expands Partnership with UPMC to Boost C-Suite Diversity

Carrington & Carrington has started a multi-year partnership with the University of Pittsburgh Medical Center (UPMC) to help boost the healthcare giant’s diversity hiring at its most senior levels. “This is a partnership that highlights and showcases UPMC’s commitment to diversity and also their trust and confidence in our firm,” said Marian H. Carrington, co-owner and principal of the Chicago-based search firm.

CEO Worldwide Launches Female Executive Search

Executive recruitment firm CEO Worldwide has launched Female Executive Search, a recruitment platform that matches the world’s top female leadership talent with progressive businesses and organizations that value gender diversity. It also provides tools and insights to help women find their next executive leadership role and is focused on advancing the issues that matter to women leaders, such as flexible working for parents, mentorship and a commitment to challenging the perceptions of women in leadership roles.

ArtCenter College of Design Taps Witt/Kieffer for Chief Diversity Officer

Chief diversity officers are now considered part of every competitive organization’s senior management team, and institutions of all types are lining up to bring these highly sought-after leaders on board. And search firms have been stepping up. Witt/Kieffer was recently retained by the ArtCenter College of Design in Pasadena, CA to find their next diversity chief. Consultant Charlene Aguilar is leading the search along with associate Christine Pendleton.