

Boyden Senior Executive Survey:

THE CHRO AND THE FUTURE ORGANIZATION

PART 3: Diversity of People and Thought

2019



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Global Practice Leader Message



Robert Winterhalter, Ph.D.

Global Leader, Human Resources Practice
Managing Partner, Boyden Germany

Countless companies, of all sizes and across all industries, are undergoing major transformations to manage new demands and prepare for the future. Organizations that do not keep up will become less relevant or wield less influence, in turn losing their ability to both retain and attract talent.

In order to survive and prosper amid the changes brought on by new technology and shifting perceptions surrounding the workforce, companies need to evolve their approaches to the board and management, strategy, utilization of technology, and global workforce alignment, training and hiring.

Organizations in consumer/retail, industrial, financial services, healthcare & life sciences, energy and mining, and technology need to focus leadership and the greater global team on the evolution of the modern company. A key driver of these transformations is often the Chief Human Resources Officer or senior HR executives, who are increasingly becoming part of the C-Suite and members of the board. While their positions and influence differ related to various regional and organizational factors, these executives all have a crucial role to play.

Therefore, in developing our second annual Boyden Senior Executive Survey with our partners, clients and industry colleagues, we agreed to focus on the views of CHROs, who often serve as the most important change agents steering management and global teams. Some of the survey results may surprise you.

We surveyed a global panel of 310 CHROs, senior HR executives and other HR decision makers in Australia, Brazil, Canada, Germany, Mexico, the United Kingdom and United States. Guided by key changes companies will face in the coming years, our findings have been released in three parts: Impact of AI and Technology; The CHRO Role in the C-Suite & Board; and Diversity of People and Thought.

It's important to note that while the survey data include only HR leadership, the commentators who provided analysis of our findings included a wide swath of executives including chairmen, non-executive board members, chief marketing officers, chief digital officers, country managers and others.

In Part 1 of the report, we focused on the transformative power of technology and AI, and in Part 2, we explored the rise of the CHRO role within the C-Suite and board. This third installment is centered on diversity, in terms of both background and skill sets. We found some significant differences in opinions.

When asked what is most important to creating diverse organizations, 70% of HR decision makers cited diverse views, approaches and methodologies, regardless of background. Only 30% said it is important to have teams with diverse backgrounds.

On both points of diversity, the actual results are mixed. Our data show that the junior levels of organizations are diverse, but diversity numbers drop notably in the senior executive and C-Suite ranks. From my experience, in most organizations diversity is still regarded as a bottom-up challenge and not so much top-down. My colleague, Boyden Chairman Jörg Kasten, pointed out a broader view upon reviewing the data: “Both diversity of skills and diversity of background are critical when it comes to developing a well-rounded workforce.”

We offer our many thanks to our panel of executives who contributed insight for Part 3 of The CHRO and the Future Organization, including Gerhard Bohne, Shannon DiPietro, Christian Gollasch, Carolyn Isaacs, Anna Mitchell and Marco Ryan.

There are no simple answers to complex challenges. We hope this report provides useful insights for management teams as they carefully map the future and align their global teams for the next stage of success.

Robert Winterhalter, Ph.D.
Global Leader, Human Resources Practice
Managing Partner, Boyden Germany



“The preference for ‘diversity of skills’ over ‘diversity of background’ is concerning and a potential risk. It is a temptation to stock the boardroom and C-Suite with people with similar backgrounds, just from different corners of the business world. The true value of diversity is captured when team members approach the same challenge based on different backgrounds, thought processes, and problem-solving techniques.”

Steve Nilsen,
Partner, Boyden United States

Current State

Most HR decision makers report diversity in their organizations. However, perceptions about diversity vary on a regional basis and on the level within the organization.

Nearly three fourths (72%) of HR decision makers say that entry-level and junior members of their organizations are diverse. This number is slightly lower in Canada (60%) and Germany (62%), while HR decision makers in Brazil (44%) and Australia (42%) say their junior-level employees are extremely diverse. Age, too, had an effect on response: Those under 45 (77%) are more likely to report diversity at the junior level than those over 45 (63%).

There was a drop-off in reported levels of diversity when it came to assessing mid-level talent. Only 58% say that middle management is diverse, and only one in five (22%) say middle management is extremely diverse. Again, regional differences were present. 80% of HR executives in Mexico reported that mid-level management is diverse, compared to just 50% in Australia.

We see another drop when considering diversity levels within senior management. Just under half (47%) say that senior management is diverse, and only 19% say that senior management is extremely diverse. This number was highest again in Mexico, with 72% saying that senior management was extremely diverse, and lowest in Canada and the UK (34% each). Once again, those under the age of 45 (51%) are more likely to report diversity at the senior level than those over 45 (38%).

Levels lower once again as we move to the C-Suite – only 45% of HR executives report diverse C-Suites. As before, this increases in Mexico, with 76% reporting that the C-Suite is diverse and 48% selecting extremely diverse. The lowest amount of diversity was reported among the Board of Directors. Only 41% of HR decision makers say their board is diverse.



“The ideal is to have a team that is diverse when it comes to both skill sets and backgrounds – that is utopia.”

Shannon DiPietro,
Vice President, Human Resources,
Thermo Fisher Scientific

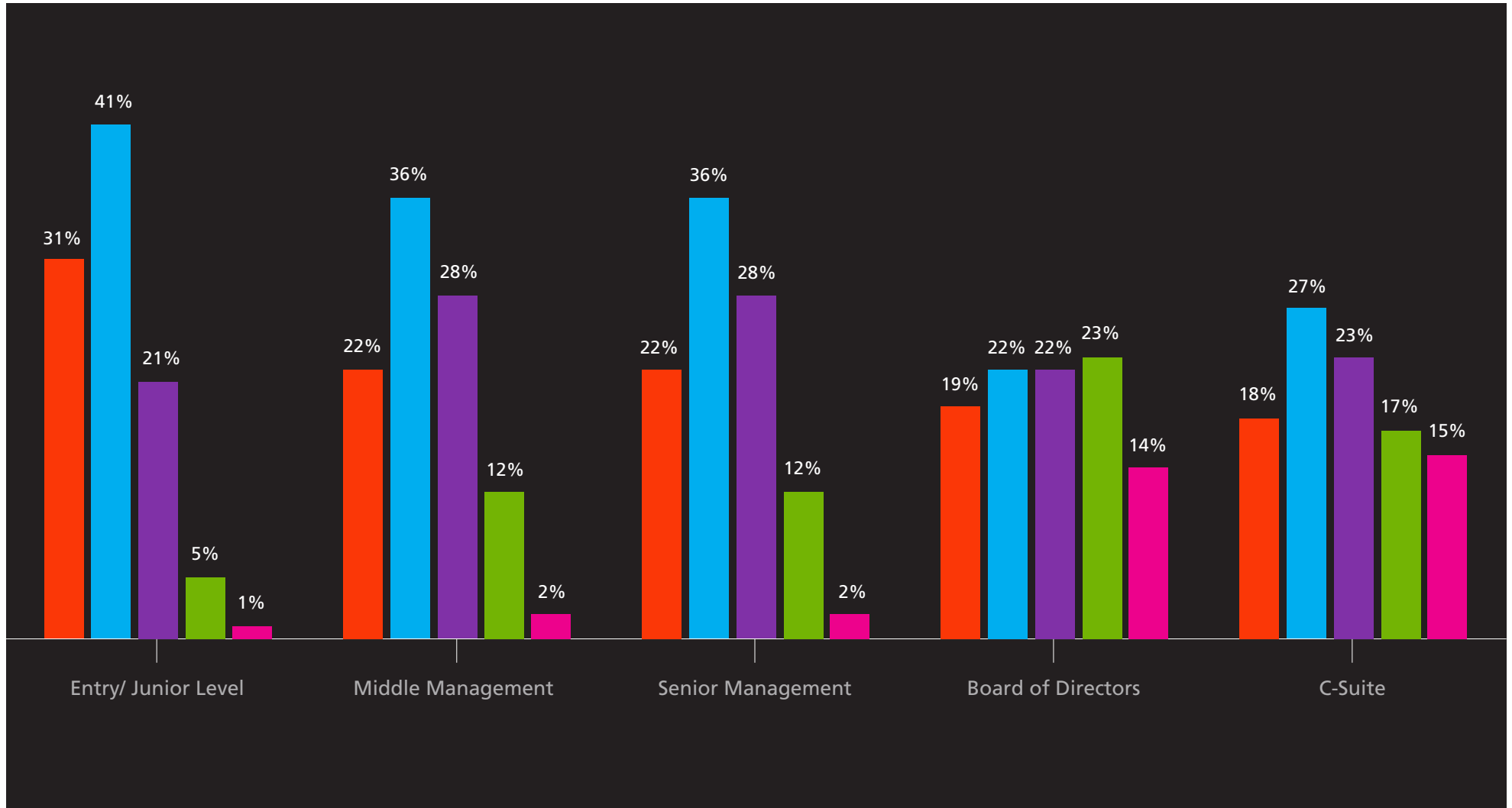


“At Boyden Australia, since 2014, 44% of all our executive search appointments have been women. This is a positive step towards achieving sustainable gender diversity at the most senior levels of leadership.”

Barry Bloch,
Partner, Boyden Australia

On a scale of 1 to 5, how would you describe the diversity of talent at your organization?

5 (Extremely Diverse) 4 3 2 1 (Not at All Diverse)





Carolyn Isaacs

Former Global Transitions Director
and Global HR Services Director,
Diageo

Skills vs. Background

Overall, HR decision makers believe diversity is critical to an organization's success. More than nine in 10 (93%) HR executives say it is important for companies to diversify their talent pool and hire people from different backgrounds. Just under two-thirds (64%) say it is very important.

HR executives are similarly aligned when it comes to the importance of diverse skill sets in the workplace. Almost all (97%) of HR decision makers say it is important for companies to diversify their talent pool and hire people from diverse industries with different skill sets, and just under two-thirds (63%) say it is very important.

When asked to consider what is more important when it comes to creating diverse organizations, the majority (70%) of HR decision makers believe it's most important to have diverse opinions, approaches and methodologies, regardless of background. Only 30% feel it is important to have diverse teams in terms of background.

However, not everyone agrees that diversity of skills trumps diversity of background. For Carolyn Isaacs, Former Global Transition Director and Global HR Services Director, Diageo, both play a critical role in driving businesses forward. *"Diversity of background and diversity of thinking add the most value. Holistically, yes, across the total business you need a variety of skills. But at a more local level, having people from different backgrounds can really make a huge difference when it comes to working together,"* says Isaacs.

Marco Ryan, Executive VP and Chief Digital Officer, Wärtsilä, echoes Isaac's thinking, noting, *"High-performing teams happen when each employee brings a specific set of skills to balance a team and provide expert insight into whatever problem or project they're working on. We need that deep 'vertical' expertise. But you also need an individual to be able to grow horizontally in terms of being able to work in different cultures and environments and with increased uncertainty."*

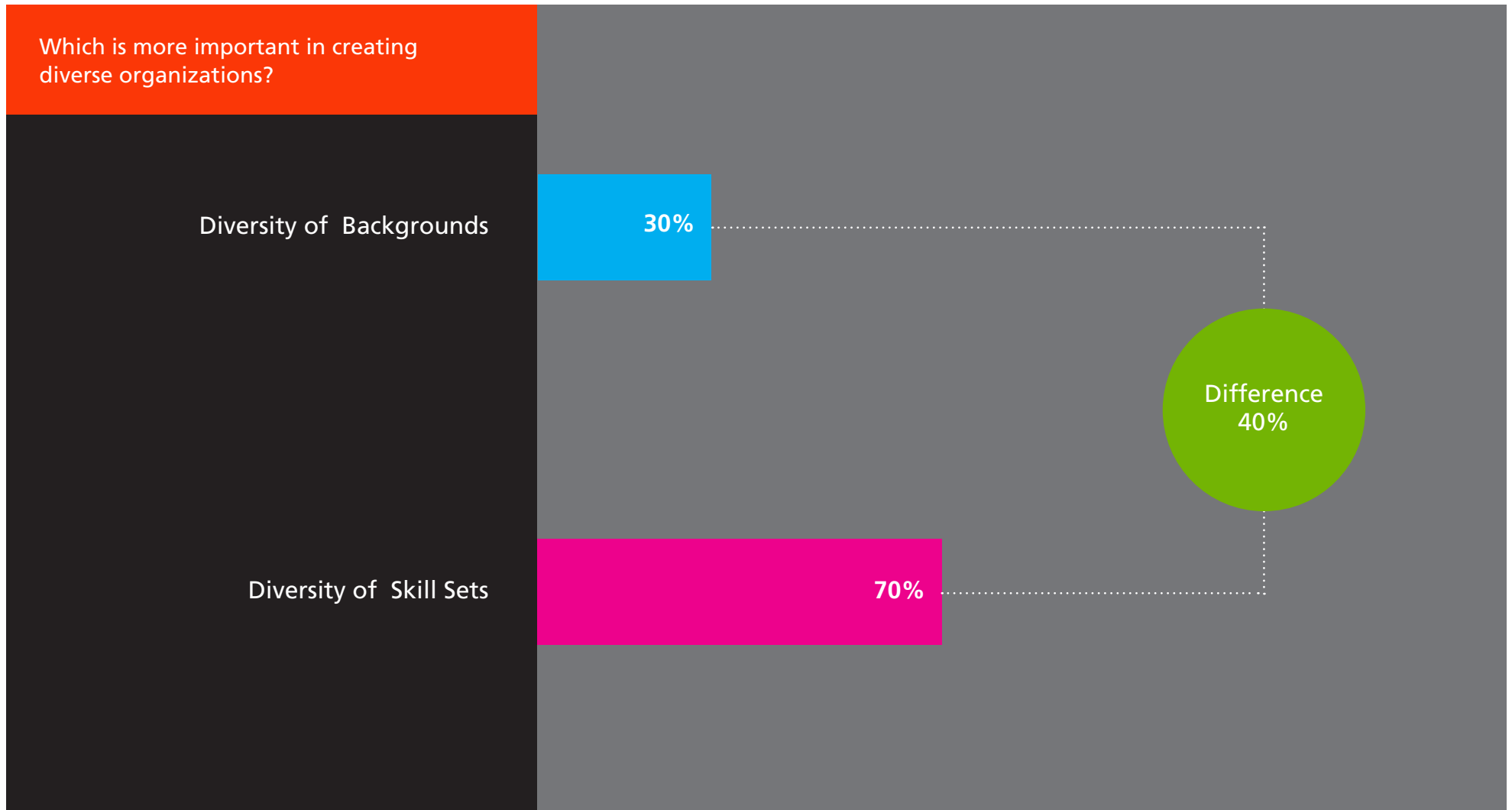


Marco Ryan

Executive Vice President and
Chief Digital Officer,
Wärtsilä

Diversity of skill sets is viewed as more important in creating a diverse organization.

Respondents indicated a similar level of importance in hiring people from diverse backgrounds (64%) and hiring those with diverse skill sets (63%), but when asked to choose between the two, 70% selected diversity of skill sets as more important in creating a diverse organization.



Continuing to Push for Change

While HR executives may not be entirely aligned on what kinds of diversity are most important, there is consensus that diversity promotes growth. Nearly all (97%) of HR decision makers agree that a more diverse workforce can lead to economic growth and greater productivity, while 61% strongly agree.

The belief that diversity is critical to the bottom line has resulted in several pushes surrounding diversity in the workplace. Overall a relatively impressive 82% of HR decision makers report that their organizations prioritize efforts to increase diversity; however there are some major differences between countries. In Mexico, this number jumps to 96%. It falls sharply, to only 29% in Canada and 24% in Australia, indicating that diversity is less of a priority in these markets.



“Diversity of skills is certainly important, but this focus needs to be strategically driven by a particular objective. Diversity of skills for the sake of diversity of skills will result in employees that are unmotivated and lost.”

Francesca d’Arcangeli,
Managing Partner,
Boyden United Kingdom and
Global Leader, Industrial Practice



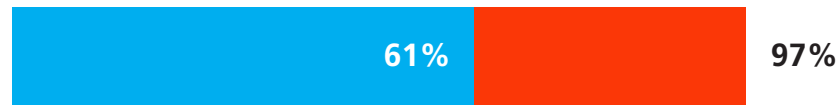
“Diversity of skills is improved if people flip from function to function – including operational and P&L – during the earlier parts of their career, so when they get to the executive level they have a deeper understanding of the business.”

Anna Mitchell,
Business, Change and
Communications Consultant
and former Managing Director,
Global Online Business, Coats

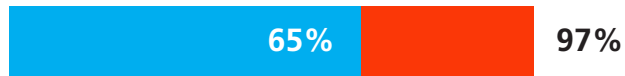
To what extent do you agree or disagree that a more diverse workforce can lead to economic growth and greater productivity?

● Strongly Agree ● Total Agree

| Global



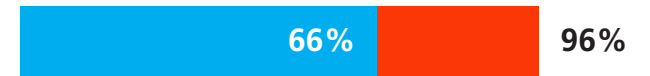
| US



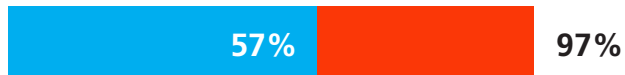
| Germany



| Australia



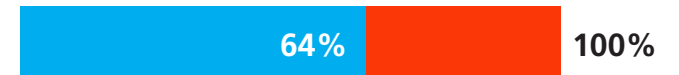
| Canada



| Brazil



| Female



| UK



| Mexico



| Male





“Diversity is an important issue and has to be considered in a holistic sense, not as a process. I confess that I do not like the word ‘diversity.’ Rather, ‘inclusion’ is a more relevant issue. Unfortunately, we still see many organizations promoting diversity without inclusion.”

Gerhard Bohne,
Country Divisional Head,
Bayer Crop Science Brazil

Diversity efforts extend to the C-Suite, with 69% of HR decision makers saying that increasing diversity in the C-Suite is a priority. The numbers are even higher in Mexico (88%), Brazil (80%) and Germany (80%), according to the HR executives surveyed.

These initiatives often carry through to the board as well. A notable 61% of HR decision makers say that their organizations prioritize efforts to increase diversity on boards. These numbers reach 84% in Mexico and 80% in Brazil, with over half (52%) in Mexico saying that diversity on the board is a high priority.

While there is some regional variation when it comes to the importance of diversity, executives across sectors and geographies seem to agree (88%) that inclusion needs to be a bottom-up transformation in which a diverse group of individuals comes together as architects of change at the C-Suite and board levels.

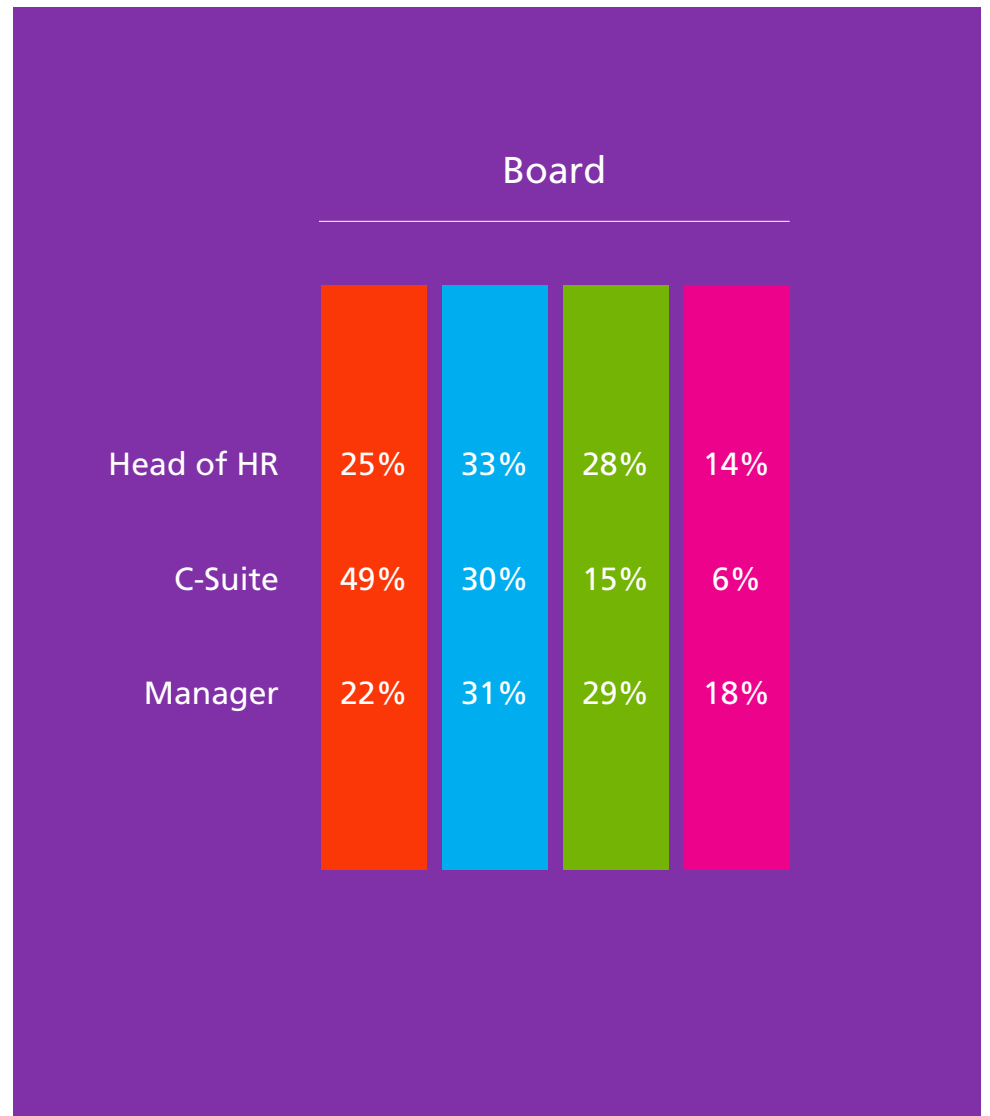
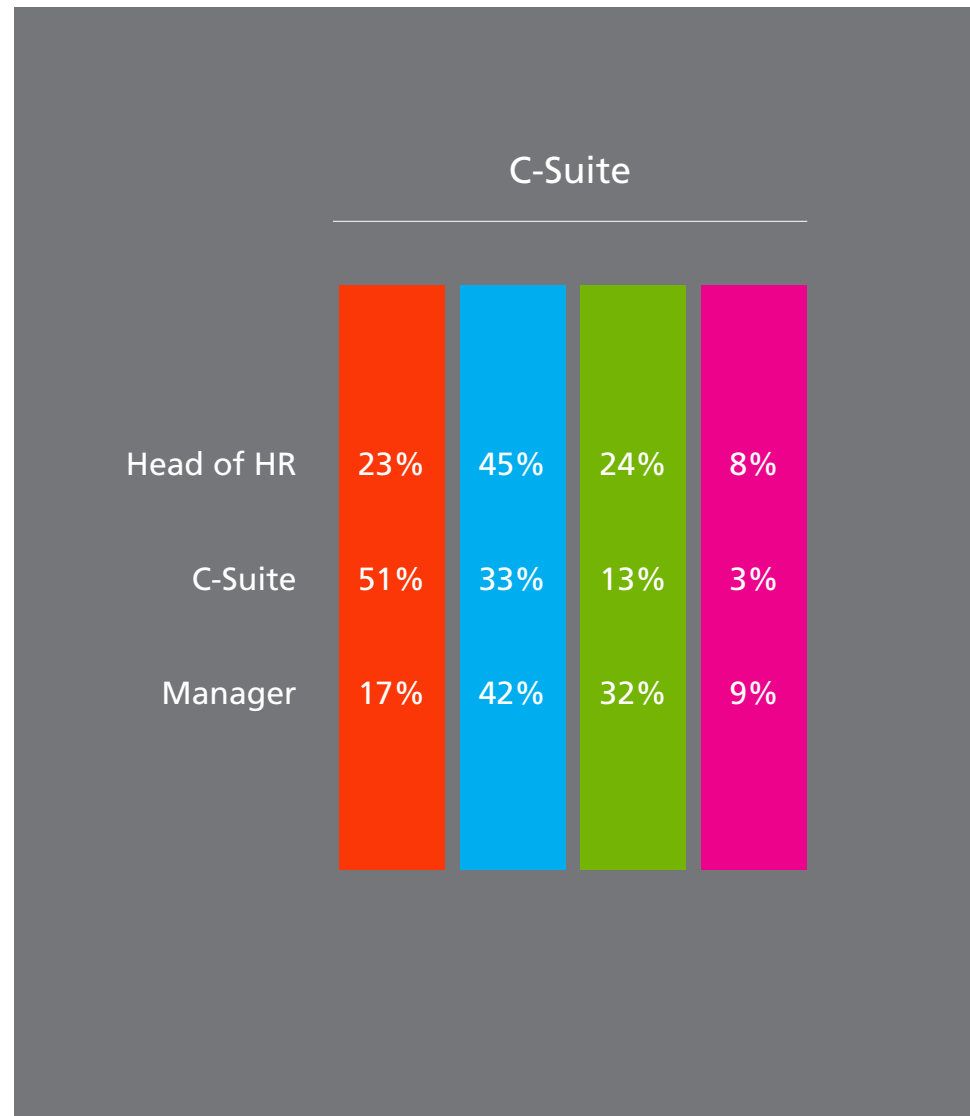


“HR executives now have the opportunity to influence their own boards to ensure that a full range of diverse candidates has been considered for all positions.”

Jeff Hodge,
Managing Partner,
Boyden United States

How much of a priority does your organization place on efforts to increase diversity in the C-Suite and Board?

● High Priority
 ● Medium Priority
 ● Little Priority
 ● No Priority



Not all HR executives see diversity as a bottom-up mandate. As Lisa Kershaw, Partner, Boyden Canada states, *“Companies of all sectors and sizes are proactively looking to hire more diverse talent. Our job is to address unconscious bias head-on and coach clients on how to be more open. Insisting on diverse candidate pools is just a start. Change must be driven from the top for diversity to really work.”*



Lisa Kershaw

Partner, Boyden Canada

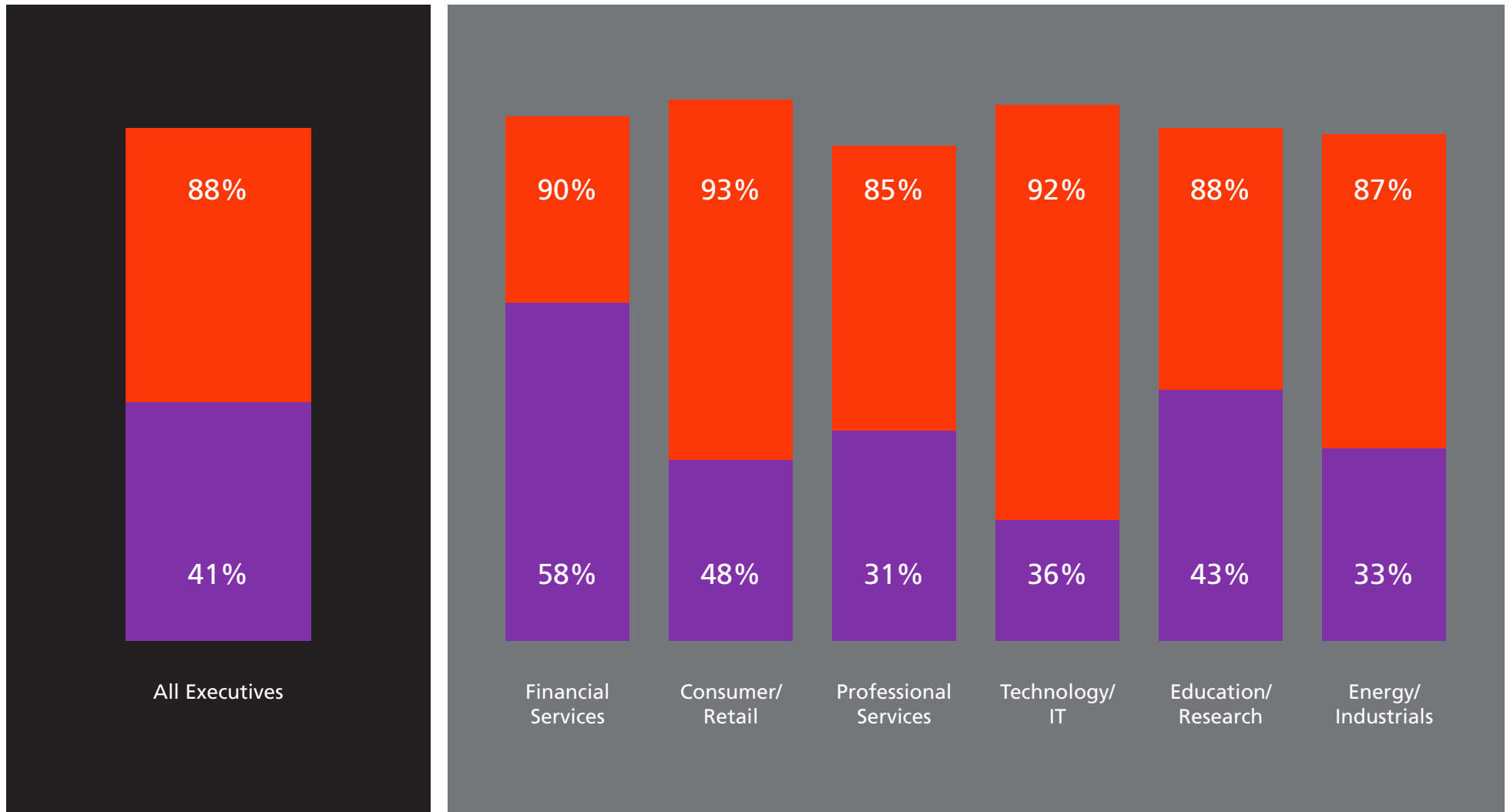


“Gender diversity in business is still a major challenge. Companies that want to increase the number of women across all ranks should focus first on their board and C-Suite. A more equal distribution of men and women at the top level shows a credible commitment to gender diversity. This does not require giving priority to gender over skills and performance, as highly qualified women will certainly emerge if a less male-focused perspective is adopted when searching for the right candidate.”

Christian Gollasch, Ph.D.
former Deputy CHRO
Carlsberg Group

To what extent do you agree that inclusion needs to be a bottom-up transformation in which a diverse group of individuals come together as architects of change at the C-Suite and Board level?

● Strongly Agree
 ● Totally Agree



Conclusion

Organizations are changing, and with that change we are beginning to see fundamental shifts in how companies work to attract and retain talent. As organizations adjust to meet a future shaped by technological advances, changing workforces and globalization, the human resources profession too will change.

Over the three parts of this report, we have examined how HR executives and decision makers perceive key themes that have the potential to disrupt their profession – namely AI and technology, the CHRO role in the C-Suite and board, and in this last installment, diversity. As outlined, there is some consensus among HR executives with regard to how the profession is changing, but these perceptions vary based on a number of variables, including age, region, industry, and company size.

We hope that this report proves useful to organizations as they continue to navigate changes in both the workplace and the workforce and align the HR function with these changes.



“Both diversity of skills and diversity of background are critical when it comes to developing a well-rounded workforce.”

Jörg Kasten,
Chairman, Boyden World Corporation
Managing Partner, Boyden Germany

Survey Methodology and Demographics

The 37-question survey was fielded by FTI Consulting under the direction of Boyden February 16-March 27, 2019 among 310 global human resources and other senior executives in several industry sectors, including 50 executives from Australia, 25 from Brazil, 35 from Canada, 50 from Germany, 25 from Mexico, 50 from the United Kingdom and 75 from the United States. The sample includes 54 C-Suite executives, 148 Heads of Human Resources, and eight Executive Vice Presidents or Vice Presidents.

Years in Current Position

Less than 3 years	12%
3 to 5 years	25%
5 to 10 years	34%
10 to 15 years	15%
15 to 25 years	11%
More than 25 years	3%

Industry Sectors

Consumer & Retail	10%
Technology	8%
Media/Entertainment	less than 1%
Energy	4%
Industrials & Manufacturing	8%
Financial Services	6%
Professional Services	22%
Education & Research	15%
Travel	1%
Real Estate	3%
Other sectors	23%

Company's Annual Revenue

Less than \$100 million	28%
Between \$100 million and \$250 million	14%
Between \$250 million and \$500 million	16%
Between \$500 million and \$1 billion	14%
Between \$1 billion and \$5 billion	12%
Greater than \$5 billion	10%
Declined to answer	6%

Gender

Female	65%
Male	35%

Age Ranges

Under 35	32%
Ages 35 to 44	33%
Ages 45 to 54	25%
Ages 55 to 64	7%
Age 65 and above	3%