

# CORPORATE SECTOR LEADERS

Financial performance may be enhanced by increasing diversity among executives and board members in the corporate sector. A 2009 study of Fortune 500 firms showed a positive correlation between a board's racial diversity, the firm's reputation, and innovation (Miller & Triana, 2009). Increasing diversity on boards requires a long-term, integrative approach. Research shows that "a diverse board is the most important aspect of corporate diversity" because "it shows the organization's commitment and sets an example for the rest of the organization" (Virtcom, 2006).

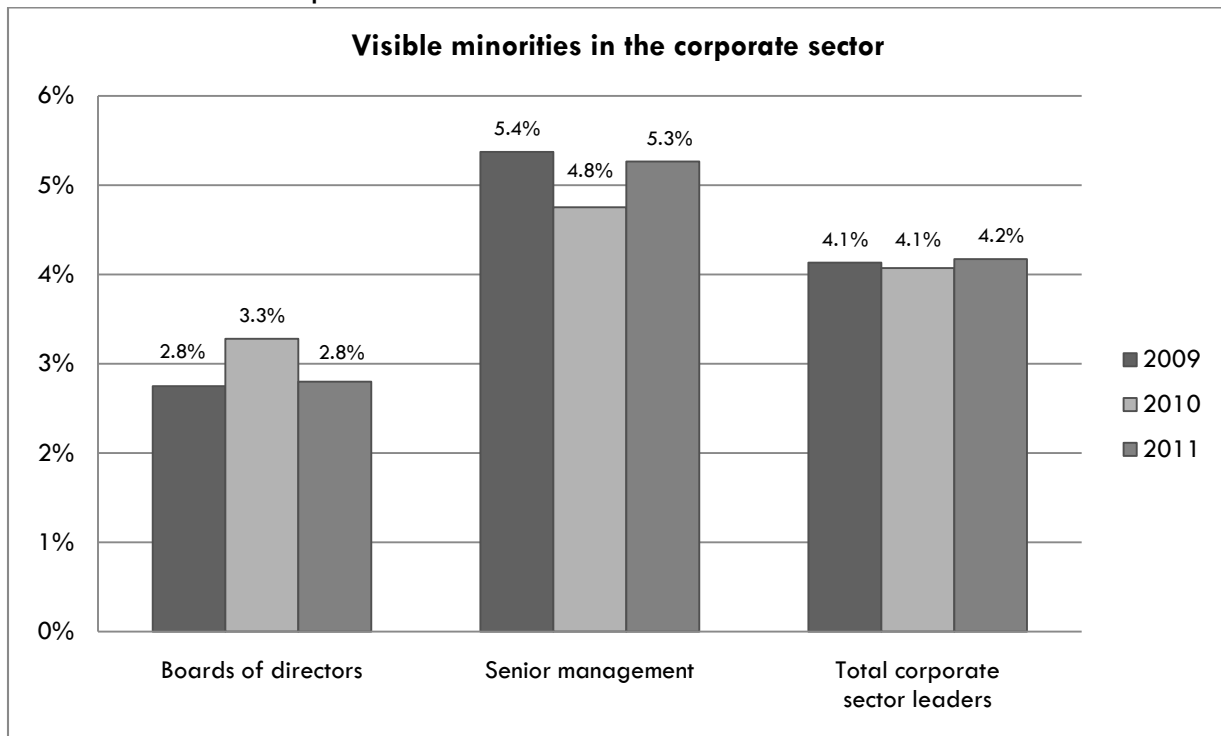
## Methodology

In 2009, researchers identified the largest companies headquartered in the GTA based on revenue reported in the Financial Post 500. The same companies were examined each year to ensure consistency. Boards of directors and senior executives were counted at each company (see Appendix 3).

## Findings

In 2011, visible minorities comprised 4.2%, or 37 of the 887 corporate sector leaders analysed, only a marginal increase from 4.1% in 2009 and 2010. Board member diversity fell in 2011 to 2.8% from 3.3% in 2010, but was consistent with 2009 rates (also 2.8%). Among senior executives, representation rose slightly to 5.3% in 2011 from 4.8% in 2010, but overall representation among senior management fell marginally from 5.4% in 2009 (see Figure 4).

Figure 4: Visible minorities in the corporate sector



It should be noted that, as in previous years, the averaging of representation masks large variances between organizations. At both the board and executive levels, there are distinct leaders and laggards within the corporate sector. Among boards analysed, only 3 of 47 (6.4%) have 20% or more directors who are visible minorities, while 37 of 47 boards (78.7%) have no visible minority representation. Of the 66 executive groups

analysed, only 8 (12.1%) have more than 20% of management who are visible minorities while 49 (74.2%) have no visible minorities among their top executives.

## **Practices that Work in the Corporate Sector**

Specific policies and practices can improve the diversity of corporate sector boards of directors and senior management so that they reflect the demographic composition of the GTA.

### **Count: What gets measured gets done**

Organizations in financial services tend to have a higher percentage of visible minority leaders than other sectors due to consistent reporting. Because it is subject to employment equity legislation, for example, TD Bank Financial Group (TD) (2011) publishes an annual progress report that identifies its policies and activities to increase diversity and engages in a yearly count.

### **Set targets**

The Royal Bank of Canada (RBC) (2010) has performance plans and organizational strategies, which include setting explicit goals around diversity. Senior managers at TD have similar diversity guidelines that determine recruitment and appointment processes (Maytree, 2011).

### **Lead: Make diversity a strategic priority**

Senior level management commitment is essential to increasing the number of visible minority leaders within an organization. For example, the president and chief executive officer of RBC also acts as the chairperson on the RBC Diversity Leadership Council, which develops and implements diversity strategies and goals. Similarly, the board of directors and the senior management of TD demonstrate their commitment through formal guidelines to ensure that the board promotes diversity, including the advancement of members of visible minority groups.

Forecasting future board openings year by year over a five-year period with an audit defines skills and diversity gaps. The nominating committee might also be commissioned to present a list of diverse candidates, a task that could be outsourced to an external search firm. TD has a focused strategy to promote leadership among visible minority groups, with a goal of becoming a top employer of choice among Canada's leading financial institutions by 2011.

### **Develop the pipeline**

Organizations can undertake outreach to ethnocultural groups, specialized media, partners and non-profit organizations (which are sometimes more diverse) to develop the pipeline.

In addition, both TD and RBC support scholarships, school-age mentoring programs or youth awards such as the Harry Jerome Award (Black Business, 2011). They also develop the pipeline by offering and promoting workshops and professional development programs.

### **Develop and sustain excellent human resource practices**

In addition to promoting targeted recruitment practices, the corporate sector can also implement a number of human resource practices aimed at increasing the number of visible minority promotions. At RBC, for example, an internal mentorship program considers diversity in its matching of mentors and mentees to promote advancement. Similarly, making the promotional process more transparent, offering training, development

programs and stretch assignments, providing alternative pathways to promotion, as well as focusing on competencies (instead of technical knowledge and experience), can result in increased leadership opportunities for visible minority employees.

**Communicate to influence: Mainstream diversity**

Diversity should be integrated across all of an organization's operations. RBC is one of the first financial institutions in Canada, for example, to establish a blueprint for diversity in procurement.

At TD, the Diversity Leadership Council implements enterprise-wide diversity initiatives and embeds diversity across the value chain, including within policies and programs related to procurement. This demonstrates TD's commitment to diversity both internally and externally. The organization also attempts to embed inclusiveness within its customer and client communications.