Corporate Governance & Corporate Social Responsibility

"Boardroom Diversity: The Role of the Responsible Leader"

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Abstract

The corporate board gender diversity agenda and that of corporate social responsibility are increasingly entwined, whether through the lens of board gender diversity *as* a corporate social responsibility, or how a gender diverse board shapes the firm's CSR engagement. In this chapter we present an abridged history of board gender diversity research and contextualise this research in relation to leaders' approaches within the field of CSR. We discuss the normative view of corporate board gender diversity, how social movements have informed the debate, the impact women board directors have on firms' CSR practices, priorities, and performance, and how the broader equality, diversity and inclusion agenda is pushing the field and the debate forward. We then highlight three challenges that leaders may face when trying to diversify their boards without fully understanding some of the issues. To conclude, a case study based on key findings from our work illustrates the successful approaches a number of board Chairs took to diversify their boards.

Sections:

1. Introduction

The topic of women and their relative absence or presence in corporate board rooms across the world has produced intense academic and practitioner interest over the last two decades. The issue of corporate board gender diversity has been frequently entwined with the corporate social responsibility (CSR) agenda, where the lack of female board representation has been debated as a social issue in its own right (Seierstad, 2016), as well as explored from an instrumental view whereby studies have explored whether or how having gender diversity shapes the board, and by extension the firm's CSR agenda (Bear, Rahman and Post, 2010; Cook and Glass, 2018). In this chapter we seek to review research at the intersection of board gender diversity and corporate social responsibility and explore how the board diversity agenda is evolving. We start the chapter with an abridged history of the research on board gender diversity before we move on to discuss CSR and the board diversity agenda. We then turn our attention to emerging fields of diversity research, with three cautionary notes for organisations endeavouring to diversify their boards. A case study on both what motivates board diversity and how to achieve it concludes our chapter.

2. Evolution of board diversity research

Academic research on board diversity started with a focus on gender, when in the 1970's and 80's very small numbers of women began to appear in the leadership of corporations (Terjesen et al., 2009). Early research considered the main characteristics of the first few women directors and their firms, leading to a focus on differences between those boards and firms with or without women. Whilst some researchers focused on identifying the barriers and enablers to board gender diversity (e.g., organisational-level structural and cultural factors, and demand-side versus supply-side), others focused on the associations between board gender diversity and firm performance; so-called input-output studies. Despite a very questionable practical logic of how adding one usually non-executive director (man or woman) to the board of a multi-million-dollar business could directly influence its bottom line, as well as academic challenges of causality and endogeneity, a substantial body of literature has developed in this area with contradictory results. Some found evidence that the presence of women enhanced performance, others that there was no relationship, or that performance declined, and that institutional regulatory context is a hugely influential factor (see Post & Byron, 2015 for major meta-analysis). These studies persist to this day despite process-based and behavioural-based studies on boards showing the importance of teamwork, communication, information processing and other cooperative facets that are not captured by input-output based models. These early studies with their focus on the impact on firms' financial performance of women on the board helped cement the field of board gender diversity as a salient topic of research. However, the conflicting results the research produced and the view of diversity only as a means-to-an-end met with criticism from scholars from critical management studies, critical accounting and feminist economics for the dominance of shareholder primacy assumptions. With the introduction of mandatory quotas in several western European countries (Terjesen & Sealy, 2016), the conversation on women on boards took on another dimension, which also had at its core the social responsibility of business to give equal access to qualified individuals to the top corporate roles irrespective of gender (Grosvold, et al., 2007). This view meant that the absence of women from boards became a social responsibility issue in and of itself. Alongside the advent of the United Nations Sustainable Development Goals and questions about business' role in society, together with greater understanding of the historic roles of power and privilege that sit behind low levels of demographic diversity, conversations have moved away from the focus purely on individualistic responsibility and the business case for diversity, to the more societal approaches to responsibility for social inequalities. This pivot also ushered in research seeking to understand whether the prevalence of women board directors in and of itself changed the board and the firm's approach to CSR, with studies seeking to understand whether women in a sense contributed, for example, a better stakeholder approach that enhanced CSR. This has also led to more recent research on board diversity considering institutional-level factors, including quotas and targets, corporate governance codes and diversity reporting measures (Page et al., 2023). In addition, the conceptualisation of diversity has moved beyond gender to include ethnic diversity, LGBTQ+, age and neurodiversity.

3. **Corporate board gender diversity and CSR: Good for business?**

The two main arguments for leadership diversity have previously been presented as oppositional: *either* the 'business-case' (based on shareholder primacy, arguing that any change is only justified with proof of added economic value) *or* the social justice case (arguing for equality of opportunity, being just and fair). However, more recently leadership diversity has become subsumed into arguments for ESG (Environmental Social & Governance) considerations of sustainability, long-term value creation and the United Nations' Sustainable

Development Goals (SDG). We would argue that responsible leaders make ESG considerations part of corporate purpose not just an agenda item at board meetings, and that those who do so and focus on the embedding of corporate board diversity not only deliver on the promise of more diverse governance, but in doing so become better environmental stewards and social champions. The research bears this out. There is good evidence that having more women on boards results in the strengthening of a range of environmental CSR practices such that women are strongly associated with more sustainable investment practices (Atif et al., 2020), renewable energy consumption (Ben-Amar et al., 2017), increased CSR disclosure (Cabeza-Garcia, et al., 2018) and improved CSR performance (Cook and Glass, 2018; Cordeiro et al., 2020). Firms with more gender diverse boards also do better on the social and governance dimensions of ESG, for example firms with more gender diverse boards have also been found to be involved in fewer discrimination lawsuits (Abebe & Dadanlar, 2021), face less dissent votes on CEO's say-on-pay (Alkalbani, et al., 2019) and improve ESG disclosure (De Masi, et al., 2021)

The role of disclosure is not only an area where the prevalence of women in and of itself can influence firm performance, but arguably the need to disclose and report on board gender diversity helped get the women onto the board in the first place. Behaviour change has been linked to reporting requirements on diversity in the UK (Sealy, 2018), which have substantially increased since first introduced in 2010, and the onset of regular spotlights on companies' achievements against this in annual public reports such as the Female FTSE Report, the Lord Davies Women on Boards Review, and the Hampton Alexander Review. With two subsequent changes to the Financial Reporting Council's (FRC) UK Corporate Governance Code (2014[i], 2018[ii]), diversity reporting is a key feature of non-financial narrative reporting, highlighted in the FRC's 2020 project on the Future of Corporate Reporting[iii]. The 2018 Code expanded the diversity focus to include the senior management pipeline and multiple characteristics of diversity (Michelon et al., 2021) and business media and investor focus on the UK listed companies has highlighted diversity as an issue of reputational and relational importance (Sealy et al., 2017).

The role of voluntary regulation around leadership diversity, reliant on normative and coercive pressures, is deemed a success in the UK, with, for example, the figures for the proportion of women directors on FTSE 350 listed boards rising from approximately 10% in

2010 to almost 40% in 2022 (Female FTSE Report 2022). Following other countries such as Australia (also with voluntary regulation) and Norway (with mandated quotas since 2008) the UK government backs the aspiration of "the 40:40:20 rule" for listed firms, where boards have at least 40% of each gender (this is also the European Commission definition of gender balance). More recently, the Financial Conduct Authority in the UK has called for the more than 1,000 finance companies under its regulation to have at least 40% women directors, at least one ethnic minority director, and at least one power position (Chair, CEO, CFO, or Senior Independent Director) held by a woman[iv].

From an institutional investors' perspective there has been increasing activity on boardroom diversity with over 30 major investors in 2019 (such as LGIM, Columbia Threadneedle, Aviva, Vanguard and AXA) implementing a voting policy against non-diverse boards. A lack of diversity in the senior management of a company is considered a risk factor, from both decision-making and talent management perspectives. In 2021, a spokesperson from Vanguard said:

"We believe there are risks for boards that lag regulatory and market expectations related to diversity, or fail to reflect the diversity of the pools of director talent they should be drawing from, or do not mirror the diversity of the workforces and consumer bases they serve,"[v]

Alongside climate change and executive pay, in 2021 the UK's Investment Association Institutional Voting Information Service issued 'amber-tops' for companies not disclosing their ethnic minority board representation and 'red-tops' for boards with less than 30% women directors. Andrew Ninian, Director of Stewardship and Corporate Governance at The Investment Association, stated:

"The UK's boardrooms need to reflect the diversity of modern-day Britain. With three-quarters of FTSE 100 companies failing to report the ethnic make-up of their boards in last year's AGM season, investors are now calling on companies to take decisive action to meet the Parker Review targets[vi]*. Those who fail to do so this year will find themselves increasingly under investors' spotlight."*[vii]

However, caution should be applied regarding placing too much emphasis on diversity metrics and ESG ratings. ESG ratings are backwards-facing and biased towards transparency, rather than outcomes and ambitions. For example, a board may have diversity in terms of demographics, but that does not mean that the board is being managed inclusively or that it has a credible inclusion strategy for the organisation (Michelon, et al., 2021). Another issue with single ESG ratings or scores is that of transferability – for example, if one more diverse individual joins the board, the company may be able to increase its carbon footprint and retain the same single rating, as the actions cancel each other out. While ESG ratings have a role to play, they should have additional qualitative and quantitative narratives to be meaningful. It's also important to note that whilst initially a focus on representation or 'counting heads' is important, diversity is more complex than a numbers game and inclusion is harder to achieve. Whilst it may be apparent that on homogenous boards whose directors all have similar backgrounds and experiences, there may be less challenge and debate (described positively as cognitive conflict) and it may be harder to see all sides of a discussion, the flip side is that if diversity is added with no attention paid to an inclusive culture, then the diverse voices are not heard, all benefit is lost and the result is friction (negative affective conflict). Since the initial studies seeking to link a token woman on the board to performance improvements of multi-million-dollar firms, research is now beginning more comprehensively to view women's role on the board as an integral part of forward thinking, liberal and responsible leadership. Women's presence in the boardroom is no longer questioned, rather their absence is, since gender diverse boards have been shown to be good for firm's performance with respect to social justice, the environment and for governance, especially in countries with greater shareholder protection and more gender balance (see Byron & Post, 2016 for meta-analysis). Well governed firms that deliver on their responsibilities to material stakeholders *and* shareholders deliver long-term value-creation not just for investors but society more broadly.

4. Caveat Emptor – Critical Mass

Whilst organisations and leaders may pay attention to research documenting *what* difference adding women to boards makes, critical mass theory stems from research endeavouring to better understand *how* women make a difference to board process (Konrad et al., 2008). Spurred on by the lack of substantive advancement made by the input-output based quantitative studies, Konrad and colleagues (2008) interviewed women and men board members to understand what women brought to the board, and whether and how this differed from their male counterparts. They found that women were only meaningfully able to bring their distinct qualities to the board process when they represented a critical mass. Konrad et al. (2008) drew on the work of Kanter (1977), who argued that where one or two women serve on the board, they are either a token or part of an out-group, and consequently their voices and inputs are broadly ignored because of gender stereotypes, hypervisibility or in-group-out-group bias. However, once women represented 3 out of a 10-person board, later operationalised as 30%, the dynamics of the board changed, and the biases that had plagued women as tokens or out-groups receded to allow women's voices to be heard. Where women constituted a critical mass, they brought three distinct advantages that shaped board culture, working practices and dynamics; 1) women provided different perspectives to men, 2) women raised issues that pertained to multiple stakeholders and 3) used their interpersonal skills to shape the board's discussion process. The study concluded that to truly benefit from corporate board gender diversity, an important lever is the inclusion of a critical mass of women, who with the collective board can shape the board process, rather than serve as tokens with representation, but no voice.

The premise of critical mass has made traction in both policy and practice-based discussions on board quotas. The 30% Club works globally to encourage firms to reach the 30% critical mass target without waiting for countries to resort to legislation. A number of countries that have introduced quotas for women on the board have also set their base target at 30% (e.g. Germany, Holland). As such, critical mass theory is arguably one of the most practically influential conceptualisations we have. Despite the obvious appeal of a simple numerical target, and the undoubted success critical mass has had as a frame for board gender diversity discussions, there are still several problems both with its operationalisation, and the implications for a broader board diversity debate. Operationally, the interchangeable use of 30% and three women in discussion of critical mass has resulted in some boards claiming that they have reached critical mass when in fact they have two women. A board comprising seven directors can argue that they have reached critical mass with the appointment of two women, since 30% would mean 2.1 women, a target that is impossible to achieve. However, at two, women may still be subjected to an out-group bias and have fewer opportunities to shape board process. Consequently, there is an opportunity for firms to decouple the policy of a critical mass from their practice, by remaining compliant in practice, if not in spirit. Some countries have sought to address this problem. Norway for example specify for different board sizes exactly how many of each gender must be represented for the firm to be deemed in compliance with the legislation.

A deeper and more pervasive challenge has also emerged as the debate on corporate board gender diversity has broadened to include other forms of diversity, in particular ethnic diversity, the only other demographic characteristic to be associated with a target in the UK (the state of California is seeking to legislate such that firms in the state must have at least one director from an underrepresented community, however the legislation is being challenged in courts[viii]). In the UK, the Parker Review stipulated that by 2021, there should be at least one ethnic minority represented across all UK FTSE boards, a target that was largely met. However, implied in this target is not only an acceptance of a tokenistic approach to ethnic diversity but an institutional framework for legitimising it. According to the most recent estimate from the Office of National Statistics, 15.2% of the UK population[ix] identifies as non-white. Across a board of seven, one ethnic minority director represents just over 14% of the board, approximately the same proportion as that found across the population of the UK. This then begs the question, should corporate board practice be informed by representation or integration? From a representation perspective, one ethnic minority across UK boards would fulfil the criteria, but 30% for women would not, since women represent approximately 50% of the population and 48% of the working population. Conversely, critical mass theory suggests that 30% is sufficient for diversity integration, which is why it has been used widely as a target for board gender diversity. However at less than 30% representation it is not clear whether or how ethnic minorities' voices would be heard. An alternative perspective would be that a board needs 30% of 'difference' to interrupt the negative dynamics of a more homogenous board. As the board gender debate expands to encompass additional issues beyond demographic characteristics these issues will become more pertinent and acute and something boards and the board Chair will be expected to address. For example, board cognitive diversity is increasingly making it onto board's agendas. It is to this topic that we now turn.

5. **Caveat Emptor – Cognitive Diversity**

A central argument in much of the literature on the benefit of board gender diversity is that it will increase the board's cognitive diversity, an argument broadly based on the assumption of cognitive diversity as an inevitable consequence of demographic difference. However, cognitive diversity and demographic diversity are distinct. Whereas demographic diversity can be defined by varying descriptive labels such as e.g., age, sex or ethnicity cognitive diversity defies an easy definition in academic research (Helfat and Peteraf, 2015). Broadly speaking cognitive diversity centres on different approaches to learning, knowledge acquisition, knowledge retention, and how data and information is processed (Reynolds and Lewis, 2017). In a major review explaining the diversity dividend in teams, Martins and Sohn (2021) distinguish between *cognitive resources* and *cognitive structures*. The former refers to skills, insights, knowledge and experiences (i.e., a *capitals* perspective). However, the latter refers to how different individuals engage with the same material in very different ways, how people react to other team colleagues, which can shape information processing, board dynamics and working practices (i.e., a *processing* perspective). Both the differences in perspective and information processing styles are required to fully reap the benefits of cognitive diversity and this "is not predicted by factors such as gender, ethnicity, or age" (Reynolds & Lewis, 2017: 2).

One of the challenges often faced by leaders as they attempt to diversify their top teams is to ensure firstly whether individuals actually bring different cognitive resources. For example, when women first entered boardrooms, it was often the case that they came from the same educational (e.g., private education and elite university) and career (e.g., large city firms) backgrounds as men on the boards, as this was the only way they could demonstrate sufficiently their legitimacy. Whilst they may hold different insights and experiences of differing gender, as described above, whether these differences were shared and heard was often a function of other factors, such as numerical representation, status, inclusive culture and leadership.

Research suggests that there are meaningful benefits to incorporating cognitively diverse perspectives in teams. For example, Apfelbaum and Mangelsdorf (2018) point out that mistakes, inaccuracies, groupthink, poor and incomplete decision-making occurs more frequently in cognitively homogenous groups, whereas cognitively diverse groups mitigate over-confidence bias. However, introducing change to homogenous groups or teams is never easy for either the incumbent or new members. Notable challenges in board practice that have been identified in the context of introducing more diversity to corporate boards include increased conflict, slower decision-making, impeded discussion due to a common language and shorthand (Erhardt et al., 2003; Knight et al., 1999; Hambrick et al., 1996; Grosvold et al, 2021). To combat these challenges, the role of the board Chair takes on an additional salience, and the relative success or failure to both integrate and meaningfully allow new and cognitively diverse voices to be heard at the table in no small part rests on the skills, insights and interpersonal-skills of the Chair (Tilbury & Sealy, forthcoming). Consequently, if firms are serious about benefitting from cognitive diversity, they need to overcome what may be some discomfort around managing different perspectives, genuine debate, including constructive dissent, for the good of the firm. So a leader's role in strategically pursuing cognitive diversity, therefore, is not just to bring the diversity into the boardroom, but also to ensure that it is expressed in both terms of resource and process.

6. Caveat Emptor – Backlash

A third cautionary note regards how boards respond to popular social movements, such as #MeToo and #BlackLivesMatter. Following the death of George Floyd in the USA in May 2020 and the huge outcry that followed globally, many organisations and leaders put out diversity statements of support. However, leaders should be wary of 'brand activism' without appropriate actions to match. Customers and potential employees are becoming more aware of a company's behavioural integrity and firms are facing backlash if their actions do not match their words. For example, Nike initially benefitted from supporting a Black American footballer who was fired for 'taking the knee' but were later castigated for having very low representation of Black or minority ethnic senior leaders. Similarly, Amazon and Airbnb leaders also published #BlackLivesMatter statements, but Amazon was then criticised for working closely with the police in America and Airbnb for gentrifying previously Black areas, pushing out residents.

Similarly, whereas ten years ago corporate diversity statements were considered progressive, today without actions or figures to match they are seen as lip service (Windscheid et al, 2016), particularly, for example with regards to a lack of boardroom gender diversity, which has been on the agenda in Western economies for over a decade. Organisations also need to be mindful of their stated motivations for increasing diversity.

The focus of the prior two decades on the business case for diversity is turning sour for minoritized individuals, due to perceptions of compromised moral legitimacy (Windscheid, et al., 2018). For minoritized groups (based on social identities such as sex, ethnicity, sexuality) the instrumentality of financially motivated increases to diversity in organisations is experienced as signalling a threat to their identities, negatively impacting individuals' sense of belonging (Georgeac & Rattan, 2022: 1). Finally, with a focus purely on diversity headcounts, without the requisite consideration of processes and culture that lead to inclusion, business leaders are likely to be disappointed that their 'add diversity and stir' approach is unlikely to lead to any obvious and immediate financial gain. This may then lead to a withdrawal of organisational support for their efforts.

7. ***Case study***[x]

In the last section of this chapter, we will consider the responsibility of leaders in diversifying boards. We share examples from a large research project looking at board diversity across National Health Service (NHS) boards in England. From a sample of 226 NHS boards, the 20 most diverse in terms of gender and ethnicity were identified and interviews were conducted with the board Chairs of 17 of those 20. These 17 boards averaged 47% women directors and 21% ethnic minority directors. Whilst public sector boards have both social performance and creation of public value at their core, in England, the private sector unitary-board model of governance is used for public hospitals, particularly in terms of composition (Chambers et al., 2020). For example, NHS England health boards have on average 13 directors, with a balance between executive and non-executive roles. The Chair is the leader of the board and ultimately accountable. Chief Executive Officer, Chief Finance Officer and Chief Medical Officer are mandated executive roles, plus approximately three other discretionary executive roles. The non-executive directors often bring private-sector skills and experience. The hospitals in this sample had between 5,000 and 10,000 employees and annual turnovers ranging from £250million to almost £1billion. The Chair is responsible for board composition, hence we conducted in-depth interviews focused on their motivations for and approaches to board diversification.

Purposeful Composition

One of the first points to note is that, even in a public sector environment with an assumption that diversity is desirable, the Chairs unanimously stated that creating a diverse board was not going to happen 'naturally', nor would it happen with a general 'wish' to be more diverse. This awareness and understanding of the issues gave permission for positive action towards purposeful composition. They were emphatic that diversification was something they had to manage very proactively, just like any other change process. They talked about being explicit, proactive, robust, clear, and very purposeful in considering their board composition. Whilst the mechanisms of change are important, it is critical to note the attitudinal approach and personal commitment and determination of those who have successfully diversified their boards.

Defining diversity

Chairs were aware of targets and some degree of measurement required for gender and ethnicity. However, they took a holistic approach, discussing other characteristics, such as sexuality, disability and age, but were concerned with broader definitions. For example, they were aware of multiple ethnicities and that one is not representative of all; particularly for NEDs, there was a desire for individuals to have some "lived experience" of mental health or other chronic illness; and some chairs celebrated having allied health professionals on their boards. Overall, it was clear that those with more diversified boards were not ticking boxes, but took a more inclusive approach, aiming for true cognitive diversity and varied perspectives on their boards, through combined skills, characteristics and experiences.

> *"You have got to be really, really clear what it is you are looking for to build the capacity and capability of your board, through that cognitive diversity. I think that people appreciate you being explicit about the current balance of the board and your desire to achieve greater diversity."*

Taking a strategic approach to diversity

The Chairs unanimously articulated three motivations and intended outcomes from having diverse boards. Most ardently, these very experienced Chairs talked about better board processes, how the composition impacts the dynamics, bringing better conversations, different perspectives, new solutions proposed and better decision-making. They recognised the challenge of managing these differing perspectives, seeing their role as *"facilitating robust conversations to get the best results"*.

Secondly, being representative of one's service users and community was discussed not as a nice to have, but as critical for the provision of the best and most effective care service. Concern was expressed that, from a patient safety point of view, *"ignorance of community issues, without representation, may lead to failure in fundamental duties"*. Additionally, having representation on the board helps build legitimacy with the community, also leading to better patient outcomes.

Thirdly, Chairs felt it was imperative that senior leadership was representative of their staff. More than 75 per cent of NHS circa 1.5million employees are female and overall almost one in five employees are from a Black, Asian or minority ethnic background, rising to 40 per cent in some areas. Chairs knew that reasons staff cited for wanting diverse leadership included issues of being understood and *"staff having faith and confidence in board decisions"*. Equally important was the aim of achieving better talent management through greater retention of talented staff, and perceived opportunities that encouraged staff to aspire. Chairs were focused on optimising talent and capability.

In terms of promoting their vision, they first identified the "levers of change"; who and what needed to change. For example, to reach a more diverse pool of potential NEDs they were proactive in outreach into different communities and networks. In addition, they spoke of a directed use of head-hunters, by which they meant only using head-hunters who had a prior reputation for producing a diverse slate of candidates and being very directive in their brief to the head-hunter. Chairs also spoke of the need for strategic communications about diversity, communicating the hospital's values and explicit intentions regarding diversity, and some promoted this on various media outlets. This was particularly the case for those Chairs who had inherited historically homogeneous boards.

In terms of then enacting their vision, the main area discussed by Chairs in terms of actually making change to their board composition was the appointment process. Chairs focused on different aspects of this, depending on where they felt they needed to make change. For example, areas covered included: rewriting the recruitment pack for values-based recruitment; stopping rolling appointments; recruitment training; gender-balanced panels; purposeful shortlists; challenging interviewing techniques; and flexing criteria.

However, specifically for executive positions there was also a focus on talent management processes, as well as creative ideas such as the use of shadow boards and board apprentice programmes for NEDs.

As well as composition, Chairs were cognisant of creating inclusive cultures, not only on their boards, but also wanting to ensure that ran throughout their organisations, so that the board and organisation were reflective of each other. Outlining their strategic approach revealed stages applicable to other strategic change processes (see Figure 1 below).

Firstly, the strategy needed to be driven by a purpose and based on data. The Chairs were familiar with diversity data at each level of their organisation, not just the board. Clear objectives were the next step, not just a vague desire to make things better. For example, targets and other measurable objectives, within specific timeframes, a clear definition of what success would look like. Targeted interventions, for example talent management programmes, based on available data, aimed at specific groups, roles, functions, levels, etc., were put in place to enable the change. And finally, accountability was key. Specific individuals had to be responsible for ensuring plans were put into action and success or otherwise monitored and reported. Inclusive diversity can be a part of board evaluation, and in some private sector organisations, measures are even linked to executive remuneration.

Figure 1: The Strategic Inclusivity Change Process

8. Conclusion

Leaders' approaches to the board gender diversity agenda and that of corporate social responsibility are increasingly entwined, whether through the lens of board gender diversity *as* a corporate social responsibility, or *how* a gender diverse board shapes the firm's CSR engagement. In addition, the absence of diversity of senior leadership teams is increasingly considered by institutional investors and stakeholders alike as a risk and negative ESG factor.

In this chapter we have touched lightly on the history of board diversity research, from early descriptive studies focused on the characteristics of the boards and the individual women directors, to studies which pitch board gender diversity as either a 'business case' or 'social justice' argument. However, we argue that these are not exclusive arguments and that leaders need to engage with business' role in society. With a greater understanding of the historic roles of power and privilege that sit behind low levels of demographic diversity, it is important that both researchers and leaders shift their focus from individualistic responsibility to organisational responsibility for and contributions to addressing social inequalities. Well-governed firms that deliver on their responsibilities to material stakeholders *and* shareholders deliver long-term value-creation not just for investors but society more broadly.

But attempts to diversify boardrooms and senior leadership teams come with health warnings. Organisations and women have learned to their cost that a "one and done" approach rarely works, with a critical mass of difference required for real cognitive diversity, and research and practice shows how disingenuous organisational attempts to diversify can backfire. In addition, more recent research acknowledges that representation in and of itself is unlikely to gain the diversity dividend so many leaders seek. In order to tap into the diverse perspectives and resources that gender and other diversity can bring, organisations and their leaders need to work to create genuinely inclusive environments. More nascent research considers process elements, including the role of the leader, influencing dynamics and decision-making and impacting elements of board effectiveness. Diverse individuals contributing differing mindsets, ethical considerations, backgrounds to strategy and operational decision making can mitigate some of the cost of more constrained linear thinking. But whilst many leaders are motivated to diversify their boards, they are less confident about how to do it successfully. In fully diversifying their boards, our case study board Chairs moved beyond a tactical approach of compliance to one of *strategic inclusivity* (Sealy, 2020), aiming for true cognitive (as opposed to just categorical) diversity, proactively seeking and managing diverse skills, characteristics and experiences, for the benefit of their organisations and beyond.

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[i] Available at: https://www.frc.org.uk/news/september-2014/frc-updates-uk-corporate-governance-code

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[v] https://www.institutionalinvestor.com/article/b1tshzrjw8fqhk/The-Diversity-Premium-More-Women-Higher-Returns Sept 28 2021

[vi] The Parker Review stated listed boards should have at least one ethnic minority director by the target date in 2021 – "One by Twenty-One".

[vii] https://www.theia.org/media/press-releases/investors-step-pressure-increase-ethnic-diversity-boards

[viii] https://corpgov.law.harvard.edu/2020/09/08/addressing-the-challenge-of-board-racial-diversity/

[ix]https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/populationestimatesbyethnicgroupandreligionenglandandwales/2019

[x] Material for this case study is taken from the report: "Action for Equality: The time is now" NHS Women on Boards, 2020, NHS Confederation, London, UK. Available at: https://www.nhsconfed.org/publications/action-equality