

SA LEADERSHIP DIVERSITY REPORT

A look into inclusion and diversity in South African leadership teams and their perceptions on the topic



ODGERS BERNDTSON



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FOREWORD

While SA Inc seems to be scoring highly compared to the rest of the world when it comes to inclusion and diversity (I&D), we are concerned that transformation has become something of a scorecard exercise rather than a deep, deliberate commitment. To explore that assumption, we conducted research in partnership with the Institute of Directors in South Africa (IoDSA) to better understand perceptions of diversity and inclusion in South African organisations, and outline where there might be room for improvement.

We believe that almost all organisations should hold I&D to be a pivotal part of good governance. Our findings identify some of the differences between diverse and non-diverse organisations (see methodology for definition on page 7), with a special focus on how diverse leadership teams and boards result in more diversity within an organisation. This benefits a business in myriad ways, including its bottom line. This is evidenced by the fact that the Refinitiv Satrix I&D Index (which tracks the nation's top I&D scorers) outperforms the Refinitiv South Africa Total Return Index in terms of annualised return (if backdated for five years). Additionally, this report focuses on hiring practices, and how to attract and retain top diverse talent through fair, non-biased recruitment.

Ultimately, our aim with this research is to get SA Inc talking about these tough topics and to give organisations a compass for entrenching deliberate transformation at a cultural level, now and in the future.

At Odgers Berndtson, we routinely assist some of South Africa's – and the world's – most prominent organisations with top-level searches. We are committed to driving a strong, fair transformation and hiring agenda, and we are proud to play a role in creating robust talent pipelines for SA Inc.

Together, we can drive lasting change.

Lauren van Halderen and Chania Stempowski

Joint Managing Directors, Odgers Berndtson Sub-Saharan Africa

EXECUTIVE SUMMARY

Where SA Inc Stands

Last year, Bloomberg reported that women held **29%** of board seats in South Africa's top 100 listed organisations, versus an average of **20%** on major G20 exchanges. Additionally, South African women chair **11%** of these organisations, whereas the G20 average is just **5.5%**. In terms of parity, McKinsey found South Africa ranked highest among African countries with an MGI Gender Parity Score of 0.76 — indicating medium gender equality (gender parity is set at 1). For context, the African continent collectively scored 0.58.

McKinsey's Delivering Through Diversity Report looked at +1000 organisations across 12 countries and found South Africa scored highest for diverse representation on executive teams (**16%** of executive positions are held by black individuals). However, considering **79%** of the country's population is black, there are still significant strides to be made. In fact, the same study found most (**69%**) of the nation's large organisations are still led by white executives.

Race and gender remain the main metrics being recorded from an I&D perspective. There is little information available on other inclusivity benchmarks, such as representation for LGBTQIA+,

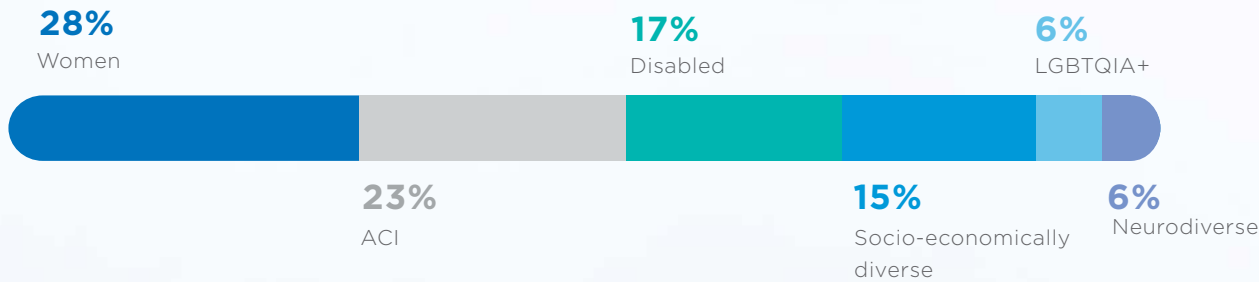
young, and disabled persons. Research Gate reports that the representation of employees with disabilities stands at less than **1%** of total employees in the public and private sphere. In terms of LGBTQIA+, the South African Workplace Equality Index (SAWEI) is currently the continent's only index measuring LGBTQIA+ inclusion in the workplace. In 2021, just 23 companies took part, however, positively, these scored higher for inclusivity than participants in previous years.

In addition to the above, the King IV Report considers I&D to mean more than just race and gender when it comes to the composition of a board as outlined in Principle 7: 'The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.'

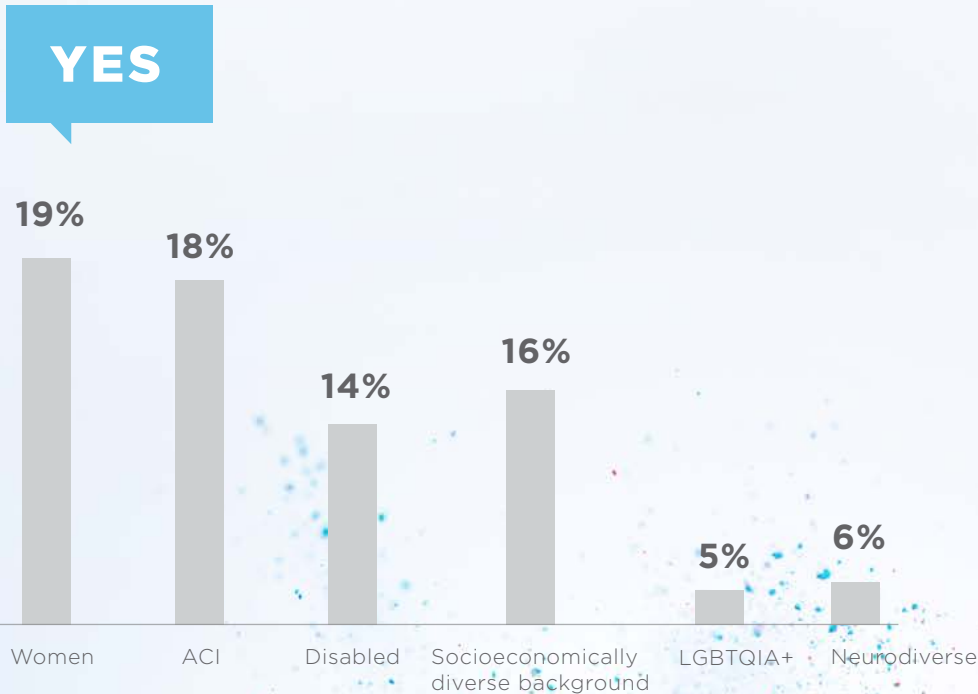
Our Findings

The research suggests that there may be confusion about people's definitions of diversity. For example, the table below shows that African, Coloured or Indian (ACI) and female representation tend to be the focal points for I&D. Disability, neurodiversity, socioeconomically diverse, and LGBTQIA+ talent are less of a mandate.

Do you have an outreach programme to recruit leadership team members from the following groups:



Do you have an outreach programme to recruit Board members from the following groups:



Another critical insight to emerge is the ongoing issue of hiring suitable, diverse candidates. Organisations interviewing for board positions said their top problem in finding appropriate leaders – among underrepresented and diverse candidates – is a lack of board experience and relevant background for the role.

Unconscious bias also remains a big issue, with over **40%** of organisations having no anti-bias measures (see page 8) in place.

We believe that I&D needs to be a moral and business imperative for corporate South Africa, and a critical focus for SA Inc. True transformation moves the needle, driving an organisation’s bottom line as well as greater economic growth and socio-economic inclusion for the nation. While South Africa is ahead of the curve on paper, there is still much to be done.

The survey responses show that both boards and executives need to focus on more deliberate diversification that goes beyond a tick-box exercise. Positively, answers show that diversity begets diversity—diverse organisations are more likely to seek diverse hires at leadership and board level. Also, diverse organisations are more likely to prioritise and escalate their transformation efforts, with dedicated I&D committees and targets.

It is evident that there is a need to have some critical conversations over whether our definition of inclusivity is outdated and narrow. Given our history, it is understandable that race has been the predominant focus. Now, perhaps it is time to broaden the lens. To achieve this objective, a collective will and broad collaboration are needed to make a real difference.

DIVERSE ORGANISATIONS HAVE THE **EDGE**

Based on the data obtained from the survey participants on the current status of I&D in their organisations, we were able to divide organisations into 'diverse' and 'non-diverse' categories, allowing us to compare the two. From this, some notable findings emerged.

1

Organisations with a diverse leadership team are twice as likely to partner with an I&D membership organisation (see page 8) in the recruitment process for board and leadership positions.

2

Organisations with a diverse board are more likely to have set targets for I&D. Board respondents from non-diverse organisations are three times as likely not to know whether their organisation has set I&D targets.

3

Diverse organisations are more likely to set I&D targets for their leadership teams.

4

Almost half of the respondents from organisations with diverse leadership teams say they have anti-bias recruitment measures in place.

5

20% of the respondents from diverse organisations say there is some, but not enough diversity in their organisation's leadership team. For non-diverse organisations, this rises to over **50%**.



THE DESIRE TO DRIVE A STRONGER DIVERSITY AGENDA

Encouragingly, our research shows there's significant awareness of the need to entrench a strong transformation agenda at board and leadership level.

75% of board respondents report having meetings to discuss I&D,

with almost a third saying these meetings take place more than five times a year. However, nearly a quarter of leadership team respondents expressed that these discussions never take place, and half said they only take place less than five times a year.

Encouragingly, **83%** of all those surveyed said their company's boards are well-represented,

but a quarter said there are still too few members from underrepresented groups. Additionally, a third of leadership executive respondents say there's insufficient representation of underrepresented groups at leadership team level.

Over 70% of all respondents were willing to broaden the requisite background experience

for board positions to attract more diverse candidates. Organisations are struggling to find diverse talent and are prepared to take steps to address this. We strongly recommend strategic succession planning to ready high-performers for board and leadership-level roles, along with increased recognition of director designations for those serving on boards as well as membership of professional bodies to strengthen conduct requirements. We need some creative solutions to cut through existing bias, create an inclusive definition of diversity, and foster top talent from school level up.

We recommend:

- Having nationwide, critical conversations around what deliberate transformation means – and what's working and what's not.
- Agreeing upon a definition of diversity within an organisation.
- Broadening diversity mandates beyond the traditional focus on gender and race.
- Setting clear diversity targets at board and leadership level that everyone is familiar with, alongside constant communication and feedback.
- Benchmarking against competitors to ensure internal diversity statistics are on track.
- Partnering with executive search and diversity membership organisations (such as the IoDSA to widen the search pools) to connect with diverse talent.
- Ensuring all employees know about your I&D efforts and measures for reducing bias.

METHODOLOGY & RESEARCH

The data for this report was gathered by means of an online survey distributed to both the IoDSA and Odgers Berndtson databases as well as the JSE Company Secretary database. The purpose of the survey was to obtain insights on the status and sentiment around the current diversity and inclusion practices of South African board and leadership teams. In total, 574 responses were received, however, only a total of 349 responses were used due to incomplete responses.

The 349 respondents include 151 Non-Executive Directors (NEDs) and company secretaries (that served on more than 1 board), and 154 executives and company secretaries (that represent 1 organisation) as illustrated in Figure 1. The respondents represented a range of businesses from small to large-listed companies with the NED respondents representing 352 boards in total, as most of the NEDs serve on more than one board. The surveys took on average 17 minutes to complete and no incentive was provided to encourage responses. Analysis of the survey data was conducted by Eighty20.

Throughout this survey we refer to diverse vs non-diverse companies. Those who answered the question “Does your organisation’s leadership team include members from underrepresented and diverse groups?” with “yes fairly” or “very well represented” were classified as Diverse, and those who answered “yes but not enough” or “no” were classified as Non-Diverse.

A graphic representation of the respondents from the survey is illustrated in the diagram below

Respondents

Company Secretary

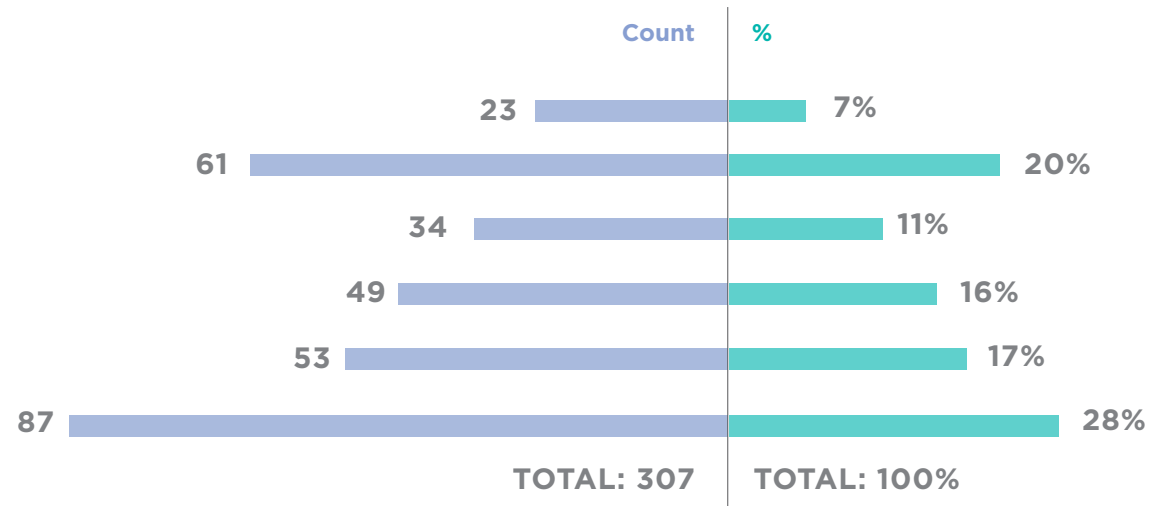
Executive Director (CEO)

Executive Director (other C-suite)

Executive Management (C-suite not on the board)

Independent Non-Executive Director

Non-Executive Director



OTHER IMPORTANT DEFINITIONS:

I&D Membership organisations These organisations work with companies across South Africa to create safe and equitable workplaces that enable all employees to contribute to their fullest potential as well as advancing leadership for a changing world.

Some examples

- The International Women’s Forum South Africa Chapter <https://www.iwfsa.co.za/>
- The LGBT+ Forum <https://lgbtforum.org/>
- The AWCA <http://www.awca.org.za/>
- The ABSIP <https://absip.co.za/site/>
- The Cohesion Collective, a specialised Equality, Diversity and Inclusion training, assessment and advisory firm <https://www.cohesioncollective.com/>

The term ‘recruitment bias’ An unconscious bias forming an opinion about candidates solely on first impressions. Research shows that the hiring process can be biased and unfair. Unconscious racism, ageism, and sexism play a big role in who gets hired. Unconscious biases have a critical effect on our judgement, which can result in making hiring decisions in favour of one person or group to the detriment of others. In the workplace, this can impede diversity, recruiting, promotion and retention efforts. Left unchecked, biases can also shape and influence a company or industry’s culture and norms.

Leadership team The term ‘leadership team’ means executive directors (that serve on the board as directors), executive management (C-Suite) and those managers who directly report to them (senior management or management). Included within the leadership team respondents are those company secretaries who represent a single organisation.

Board The term ‘board’ for the purposes of this report, means non-executive directors that serve on the board of directors. Included within these respondents, are those company secretaries who serve on multiple boards or organisations.

INTRODUCTION

When done correctly, diversity is a powerful tool that can catalyse meaningful social change and give an organisation a significant competitive edge. A 2019 McKinsey report showed that, over time, organisations with gender-diverse leadership teams were **25%** more likely to have above-average profitability when compared to organisations with less gender diversity. Similarly, organisations with more ethnic diversity are likely to outperform their less diverse peers by **36%** in profitability.

As one of the world's leading executive search firms, Odgers Berndtson has always strived to help clients address their diversity challenges through more inclusive search methodologies and in-depth research.

The 2022 report on Leadership and Diversity offers a compelling snapshot of the state of inclusion and diversity in South Africa, including key insights about how the country measures up on a global stage. Each of the following chapters offers a nuanced look at some of the major issues affecting I&D in South African organisations at board and executive leadership level.

CHAPTER ONE

LEADERSHIP TEAMS AND BOARD MEMBERS: ARE THEY ON THE SAME PAGE?

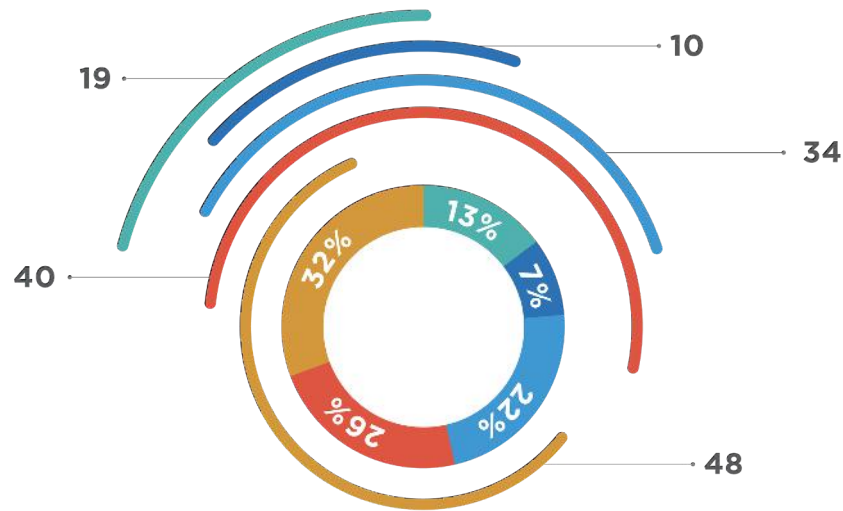
Having a board and executive leadership team that pull in the same direction is crucial to the success of any organisation. This is especially true as it relates to setting and meeting I&D targets.

In our study, we surveyed board members and leadership teams to get a sense of how well they felt their organisation was doing in terms of gender and ethnic representation. More than **60%** of the leadership team respondents say that on their organisation's board, most members (**50%** or more) are African, Coloured or Indian (ACI). Board members similarly indicated that, on average, the boards on which they serve are well-represented when it comes to ethnic diversity. More than **70%** of board-level respondents say that there's over **50%** ACI representation. Among the leadership team respondents, just **10%** say there is no ACI representation at board level.

NED LEVEL RESPONDENTS

On average across the Boards that you serve, what is the ratio of African, Coloured or Indian (ACI) to White representation?

Total respondents: 151

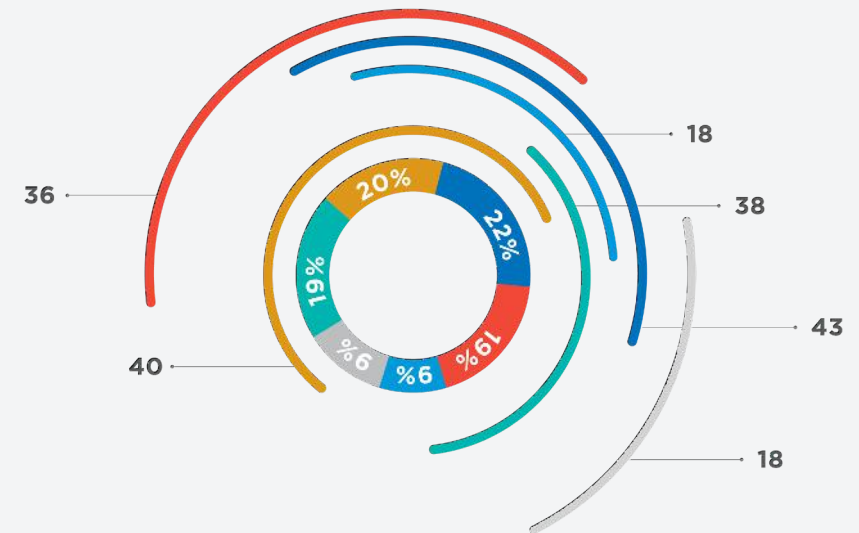


- 100% ACI representation
- Less than 25% ACI
- More than 50% ACI
- Less than 50% ACI
- More than 75% ACI

LEADERSHIP LEVEL RESPONDENTS

What is the ratio of African, Coloured, Indian (ACI) to White representation on your organisation's Board?

Total respondents: 193



- 100% ACI representation
- Less than 25% ACI
- More than 50% ACI
- Less than 50% ACI
- More than 75% ACI
- No ACI representation

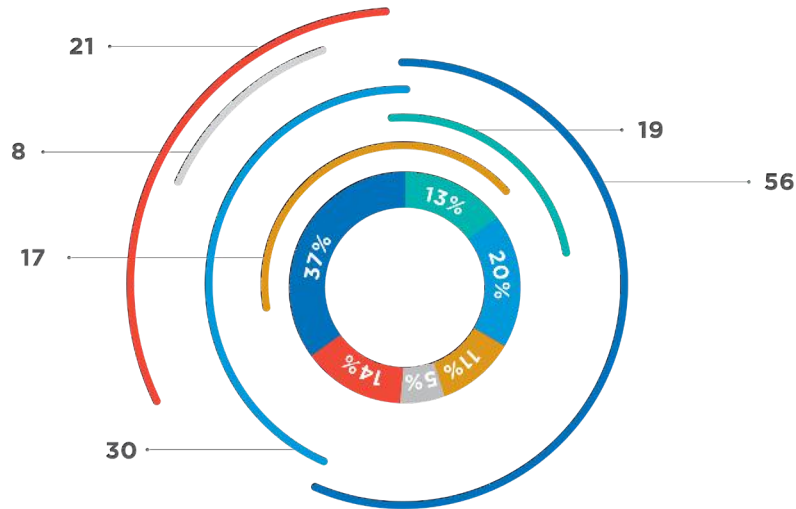
In terms of gender diversity, **20%** of both sets of respondents say there is majority (**+50%**) female representation at board level. Of the leadership team respondents, only 13% say there is an equal 50/50 split between men and women, while **20%** of Non-Executive Directors (NEDs) believe there is equal representation. Around **11%** of NEDs say that less than **30%** of their board are women, while 28% of the leadership team respondents reported less than 30% women representation on their boards.

NED RESPONDENTS

(Including the company secretary)

On average across the boards that you serve on, what is the ratio of women to men?

Total respondents: 151

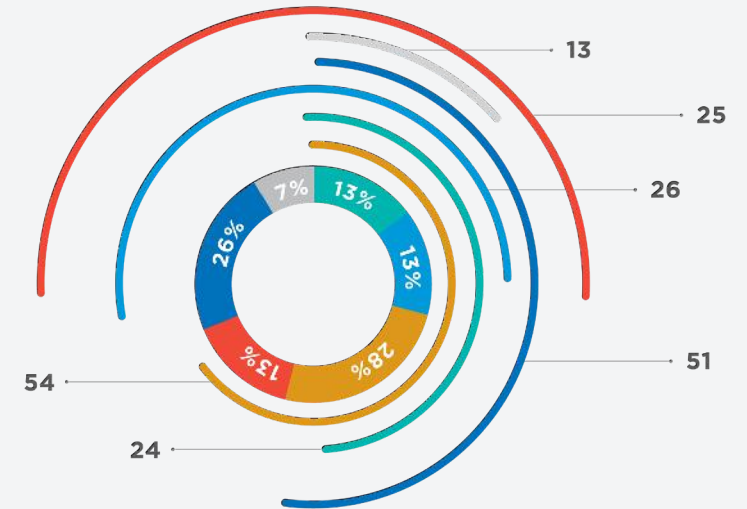


- 30% women
- Equal 50:50 split
- Less than 30% women
- Less than 50% women
- More than 50% women
- More than 75% women

LEADERSHIP TEAM RESPONDENTS

What is the ratio of women to men on your organisation's board?

Total respondents: 193



- 30% women
- Equal 50:50 split
- Less than 30% women
- Less than 50% women
- More than 50% women
- More than 75% women



Chania Stempowski from Odgers Berndtson says, "The difference between the reported representation of boards from leadership teams and board members can perhaps be attributed to the fact that leadership teams and boards can sometimes have different approaches to meeting diversity targets. Leadership teams tend to have a more granular view of these targets, whereas boards may be looking at it from a higher-level perspective. There may also be different definitions of diversity at play, causing the disconnect."

It is imperative that leaders align on a working definition of diversity for the organisation, with clear targets set at both board and leadership team level. A deliberate I&D agenda should be driven. Notably, while only **40%** of both boards and leadership team respondents reported that their organisation had a board committee responsible for the organisation's I&D agenda, both leadership teams (**55%**) and NEDs (**79%**) believe this is important.

HOW DIVERSE BOARDS AID TRANSFORMATION:

Transformation has been and continues to be a significant issue in South Africa. While noteworthy steps have been taken to improve diversity and inclusion, there remains considerable work to be done. PwC's latest non-executive directors report demonstrates that boards still do not fully represent the country or the organisation's shifting stakeholder profile.

Non-executives remain largely

white (48%)

and

male (71%)

A contributing factor to this is that many organisations seem to be attempting to meet their transformation goals by simply making once-off hires without addressing systemic structural issues like recruitment bias. This can lead to organisations failing to remove the institutional barriers that impede meaningful diversity.

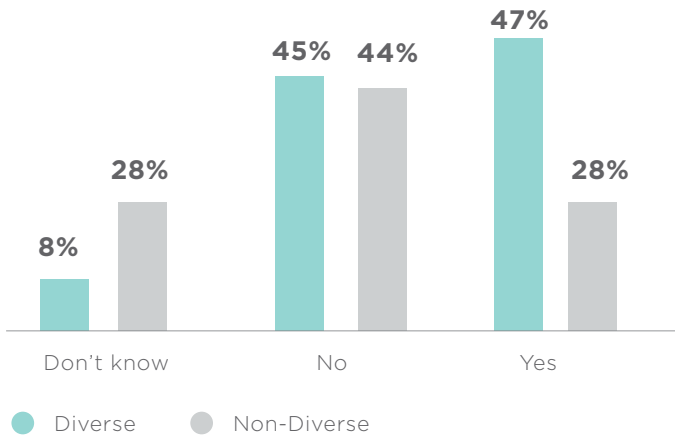


Lauren van Halderen says, “Making once-off hires doesn’t work. Without holistic and comprehensive diversity strategies, organisations will remain untransformed. Being more open-minded and deliberately inclusive pays dividends when it comes to talent and, ultimately, profitability. The Refinitiv Satrix I&D fund’s annualised returns show that companies that meet a set of strict diversity metrics are reaping the benefits—financially and socially.”

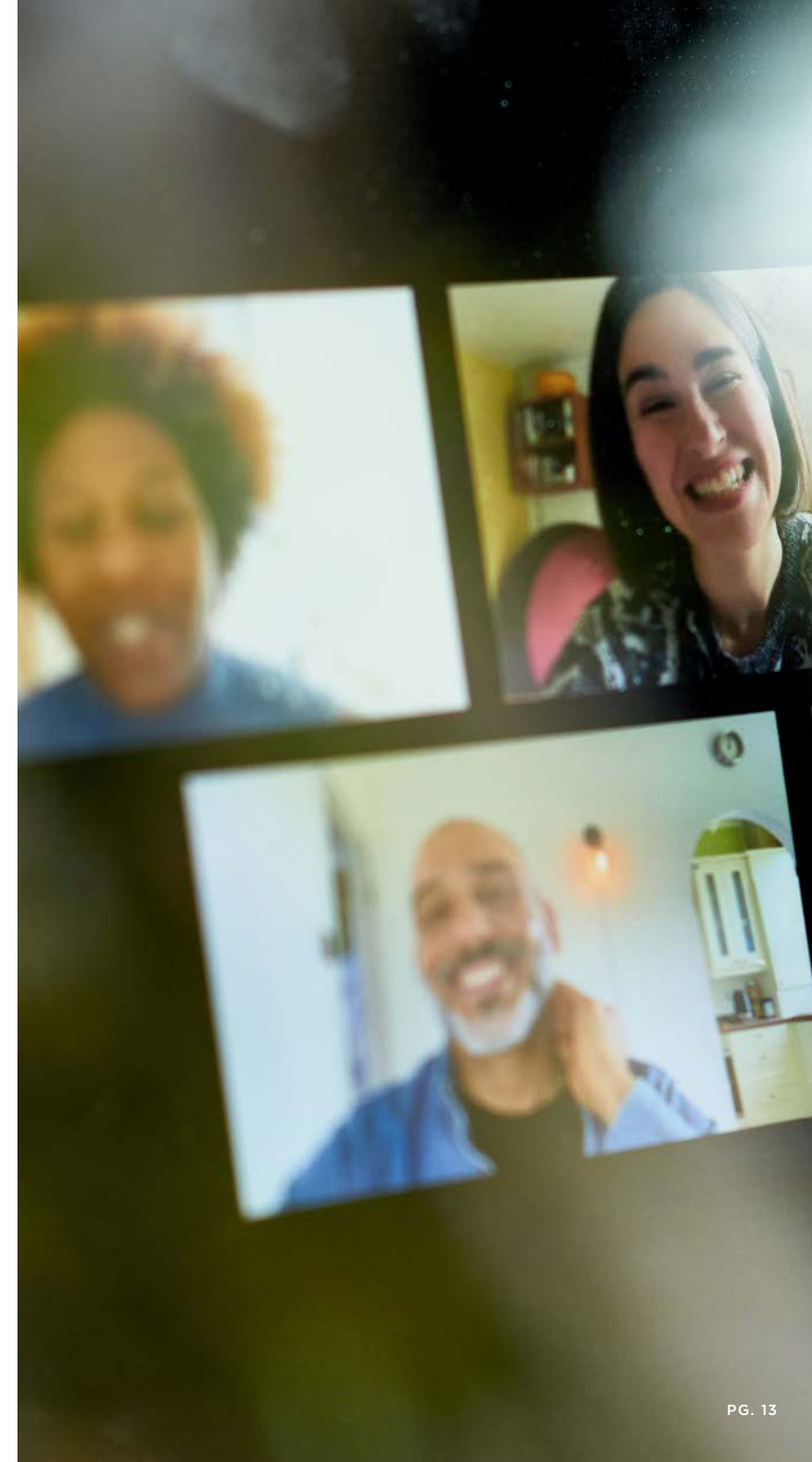
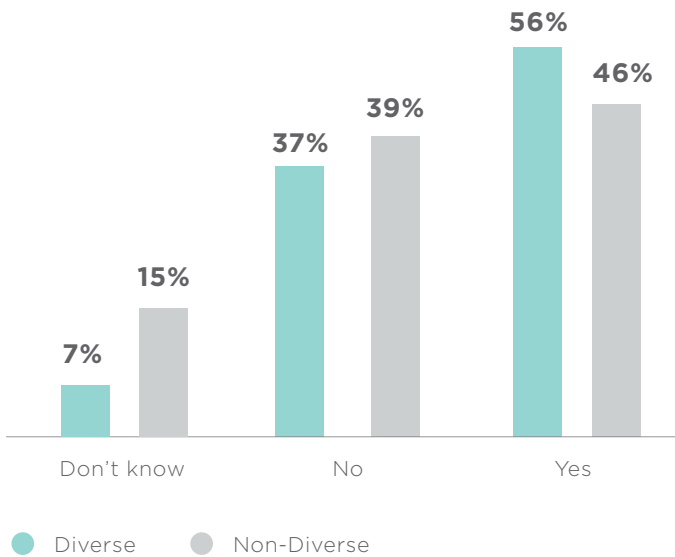
Our research found that diverse organisations did more to set and meet I&D targets. In fact, board respondents from non-diverse organisations were three times more likely not to know whether their organisations had set targets for I&D than respondents from diverse organisations. Respondents from diverse organisations were also more likely to be in organisations with set I&D targets for the leadership team.

LEADERSHIP TEAM

Does your organisation have set targets for inclusion and diversity on the board?



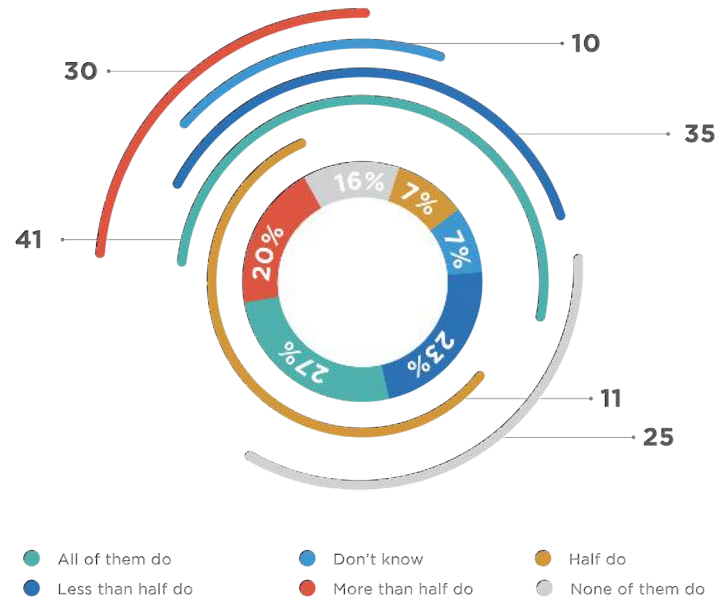
Does your organisation have set targets for inclusion and diversity on the leadership team?



NED/BOARD RESPONDENTS

Do any of your organisations have set targets for inclusion and diversity on the board? (NON-DIVERSE)

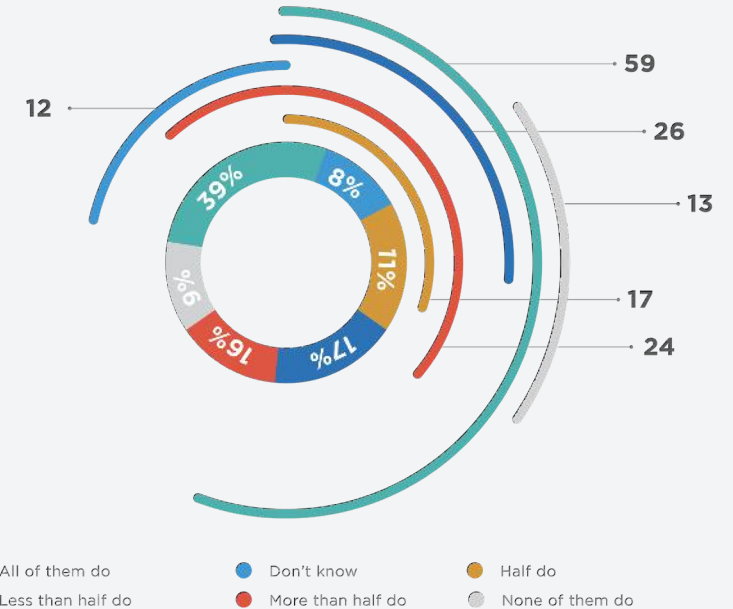
Total respondents: 152



NED/BOARD RESPONDENTS

Do any of the organisations have set targets for inclusion and diversity on the leadership team? (DIVERSE)

Total respondents: 151



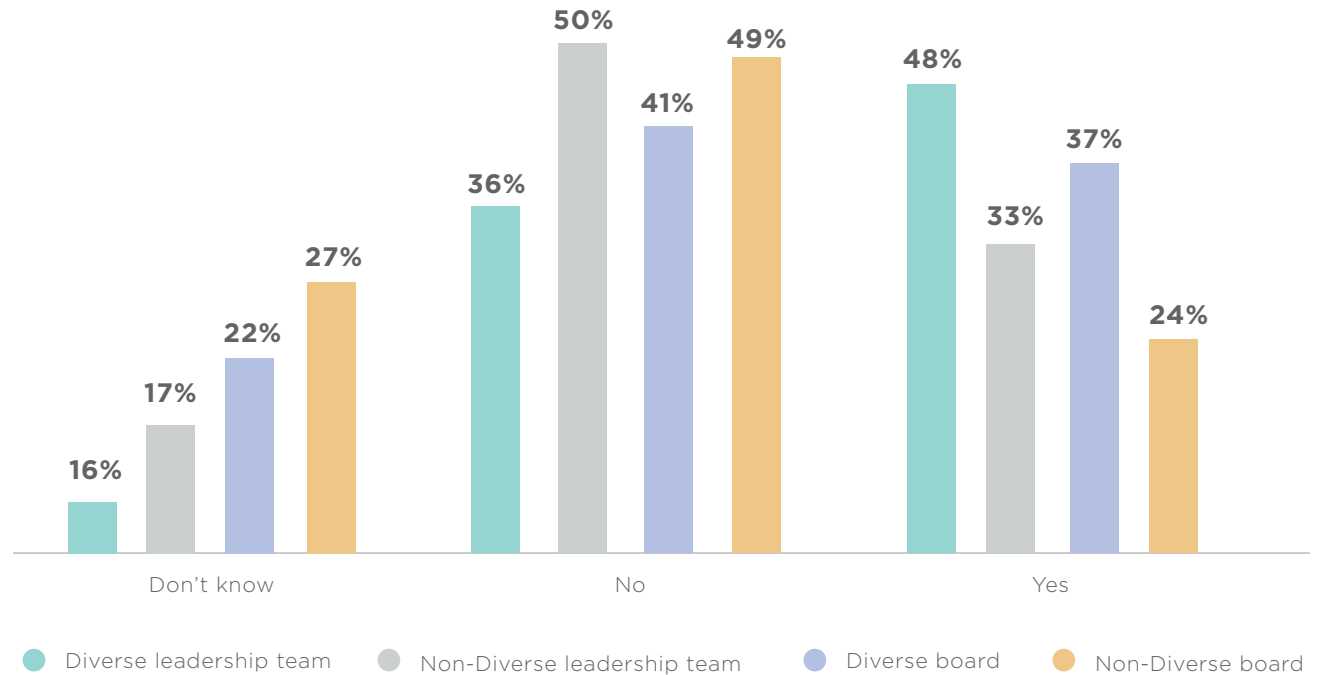
37% of NED respondents from diverse organisations reported that they have measures in place to reduce bias when recruiting for board positions and leadership teams. In comparison, only **24%** of organisations with non-diverse boards said they have similar measures in place. Similarly, nearly **50%** of organisations with diverse leadership teams take active steps to reduce bias in their recruitment processes.

In contrast, organisations with little diversity in their leadership team are much less likely to have these measures to reduce bias in place. This shows how influential the leadership team can be.

A barrier to be considered in the improvement of I&D within an organisation's board and leadership team is communication. When asked whether they believe employees in their organisations are aware of anti-bias measures in the recruitment process for the board and leadership team positions, only **13%** of C-suite respondents believed that all employees are aware of these measures, while **40%** believe only some are aware.



Does your organisation have measures in place to reduce bias when recruiting for board and leadership team positions?



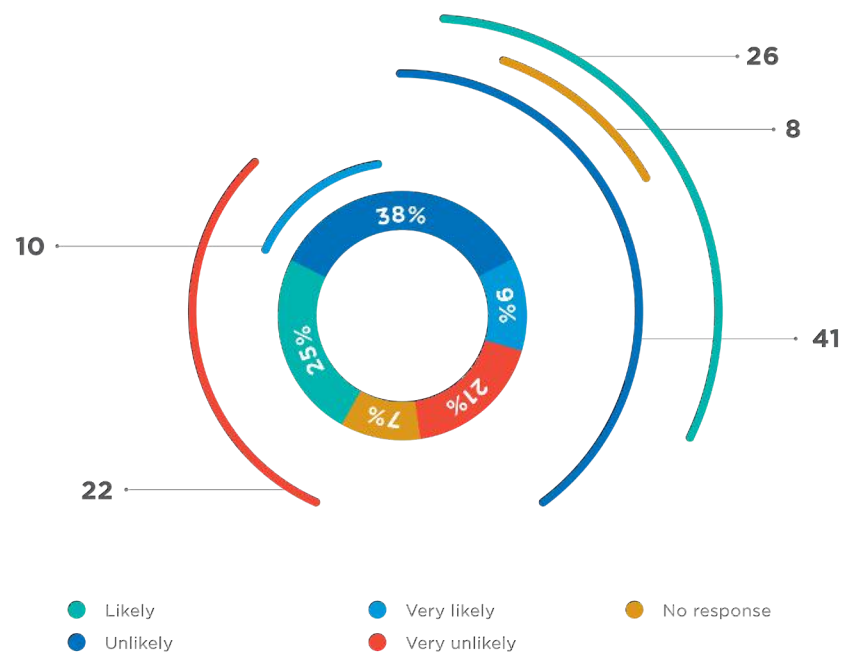
Non-diverse organisations show a higher predisposition to appoint a candidate, even though they don't show an awareness of the importance of I&D. Diverse organisations, on the other hand, are far less likely to do so, with nearly **60%** saying their organisation would be "unlikely" or "very unlikely" to offer such a candidate the post. 50% of NED respondents indicated that they would not appoint a board candidate who was unable to demonstrate a clear understanding of inclusion and diversity in the interview process. **67%** of NED respondents felt the same in respect to leadership team candidates.

If a leadership team candidate is unable to demonstrate a clear understanding of inclusion and diversity in the interview process (yet is a perfect candidate otherwise), how likely would you be to still offer them the position?

DIVERSE LEADERSHIP TEAM

Do any of your organisations have set targets for inclusion and diversity on the board? (NON-DIVERSE)

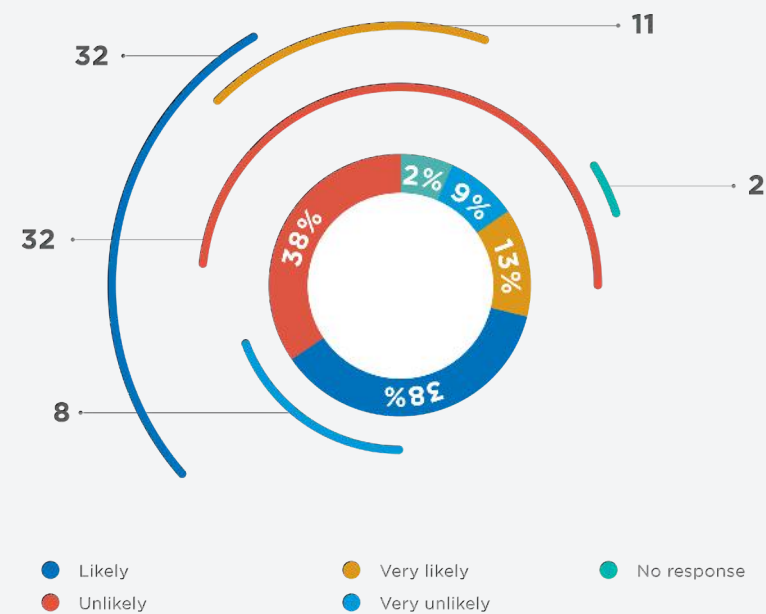
Total respondents: 107



NON-DIVERSE LEADERSHIP TEAM

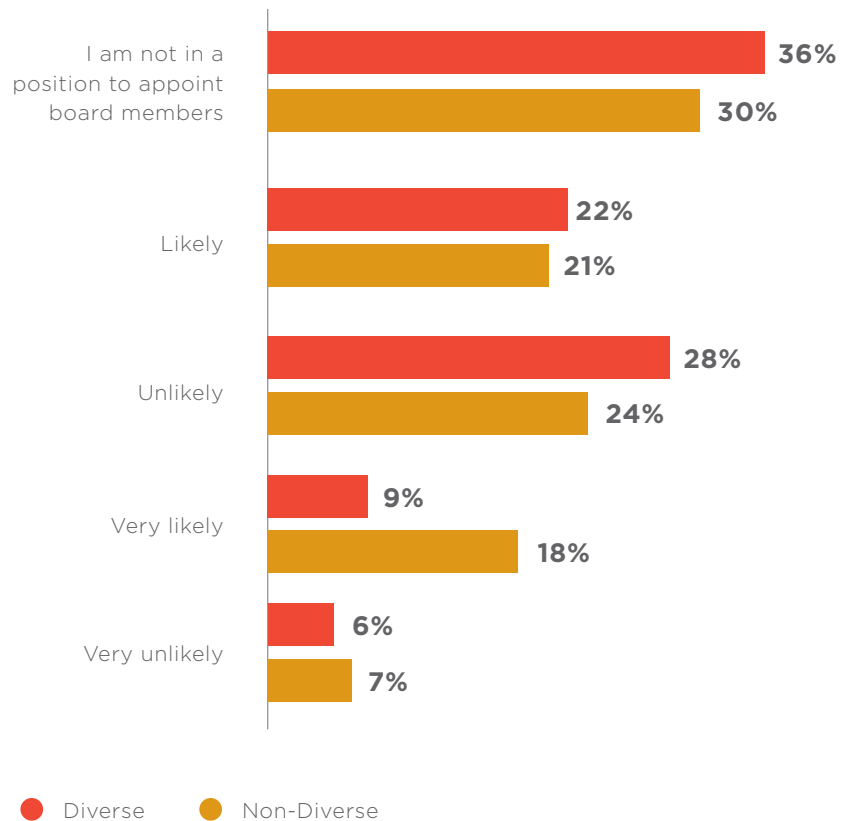
Do any of the organisations have set targets for inclusion and diversity on the leadership team? (DIVERSE)

Total respondents: 85



If a board candidate is unable to demonstrate a clear understanding of inclusion and diversity in the interview process (yet are a perfect candidate otherwise), how likely would you be to still offer them the position?

BOARD RESPONDENTS

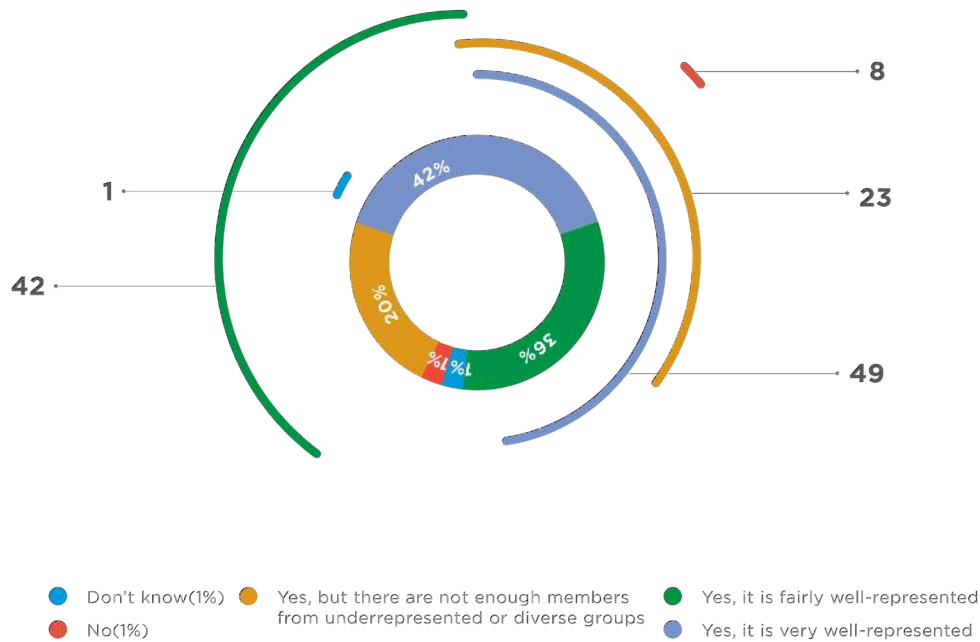


Only **20%** of respondents from diverse organisations believed that there is some but not enough diversity within their organisation's leadership team; for non-diverse organisations, this rose to **50%**.

Does your organisation's board include members from underrepresented and diverse groups?

Total respondents: 116

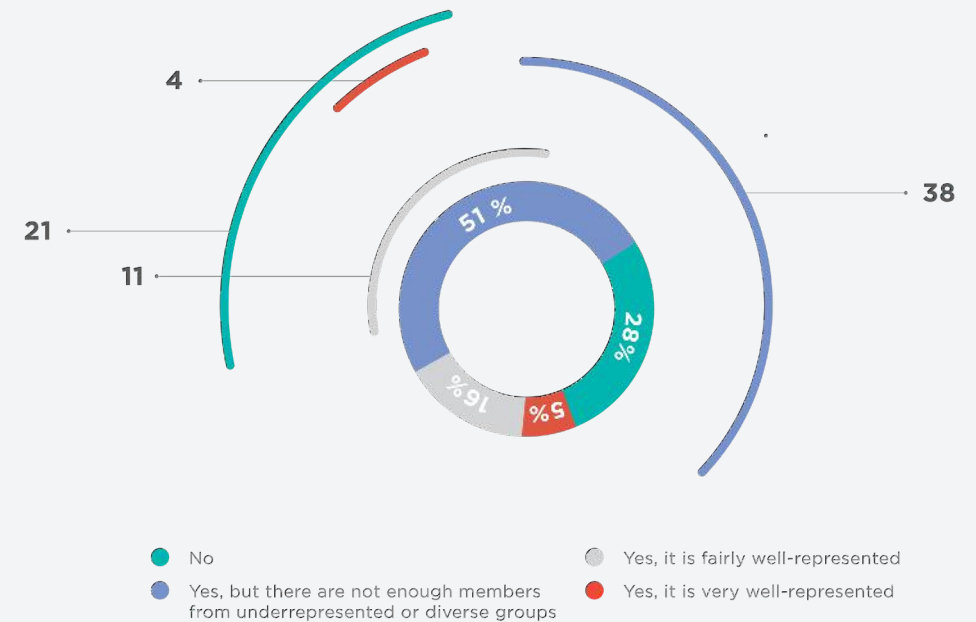
DIVERSE



Does your organisation's leadership team include members from underrepresented and diverse groups?

Total respondents: 74

NON-DIVERSE



Companies with a diverse leadership team are twice as likely to partner with I&D organisations when recruiting for board and leadership team positions. However, among these diverse businesses, fewer than one in five are doing so. This presents an excellent opportunity for companies to partner with organisations like Odgers Berndtson and the IoDSA.

TYPES OF DIVERSITY:

Taking purposeful steps toward diversifying an organisation is one thing, but what does diversity mean?

In South Africa, the focus is firmly on the established B-BBEE codes, which address five core elements, from ownership to skills and socio-economic development. Organisations are given a transformation level according to how they score per each element. About **60%** of South African organisations scored a compliant status in 2017, according to Deloitte.

Locally and abroad, I&D assessments tend to revolve around gender and ethnicity. Our research focused primarily on ACI and female representation because that is the benchmark most organisations use but I&D can, and should, include a wide range of marginalised groups like the LGBTQIA+ community, the disabled and young people for example. From those boards that have set targets in place, **42%** do not consider diversity beyond gender and ethnicity.

The South African Workplace Equality Index (SAWEI) measures LGBTQIA+ inclusion in the workplace and is the only measure of its kind on the continent. Similar indices covering youth, disability and other criteria are equally scarce in the South African context.

When it comes to diversity on the board of directors, Ansie Ramahlo (Chairperson of the King Committee on Corporate Governance in South Africa) says “Lack of inclusivity and diversity impoverishes discourse and debate which renders the board unable to effectively challenge and exercise oversight. If a board fails to ensure that its composition reflects the varied perspectives and approaches offered by different identity groups, the board essentially creates its own blind spot



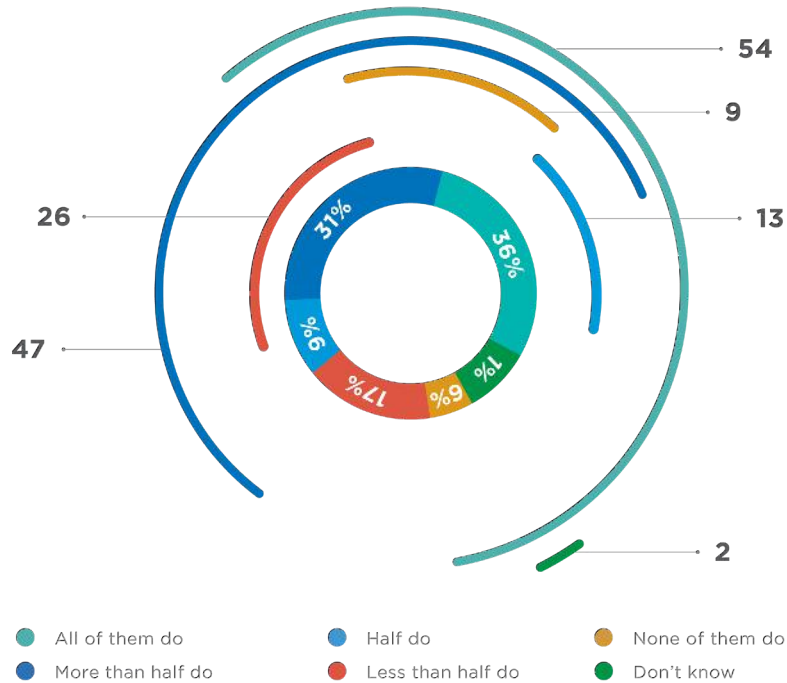
In accordance with King IV, diversity should be understood with reference to diverse fields of knowledge, skills and experience as well as age, culture, race and gender. These are the varied perspectives that protect the board against spiralling into ‘group think’.

Only a third of NED respondents indicated that all the boards they serve on have a majority of NEDS that are independent, and only **17%** of leadership team respondents indicated the same for their boards. This indicates that most of companies do not have independent NEDs on their boards and given the current governance collapses within the country, this is an area which needs attention in order to ensure there is objectivity and independence in boardroom decisions.

NED RESPONDENTS

On average, across the boards you serve on, how many have a majority of NEDs of which a majority are independent?

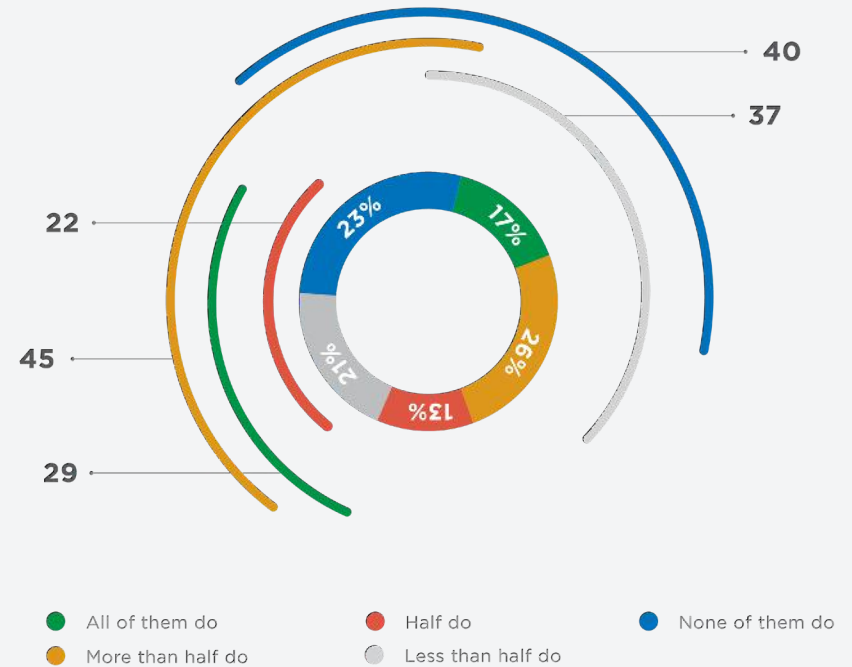
Total respondents: 151



LEADERSHIP TEAM

Does your organisation's board have a majority of NEDs, of which a majority are independent?

Total respondents: 173



The majority of respondents indicated that diversity statistics in respect to the board's composition are reported in the organisation's integrated report or other stakeholder reports.

Dionne Kerr, Chief Executive Officer of Siyakha Consulting says: "B-BBEE has become something of a scorecard exercise, which may impact the authenticity of any measurement findings. Very often individuals appointed because of their ethnicity and gender are appointed to achieve compliance as opposed to having an opportunity to participate in a way that is meaningful and deliberate. The focus on ethnicity and gender can be to the detriment of other crucial minority groups; the lack of their formalised inclusion in the scorecard may mean they're persistently overlooked. SA Inc. needs to have some serious conversations around what's working and what's not. We need to decide on - and broaden - our diversity definition at a national level, and individual organisations need to have their own definition and mandates as well. Intrinsicly, the solution is in removing discrimination on any level, as opposed to targeting inclusion.

“The notion that there is a shortage of skilled candidates available for board positions is misleading. The recruitment process for finding diverse and other skilled candidates needs to be widened from the same databases and batches of individuals who are circulated amongst organisations. The IoDSA director designations provide a platform for individuals who take directorship seriously to showcase their governance knowledge and board experience to serve on a board.”



“We currently have 372 Certified Directors, who are entry level candidates available to enter the profession, and serve on NPC boards and similar, to grow their experience. When it comes to well experienced directors, our Chartered Director (SA) designation shows the mastery of an individual’s directorship experience - we currently have 137 CDSAs. In addition, any new members on a board should be encouraged to take up such designations to improve corporate governance knowledge on the board and promote directorship as a profession,” adds Vikeshni Vandayar, IoDSA Executive.

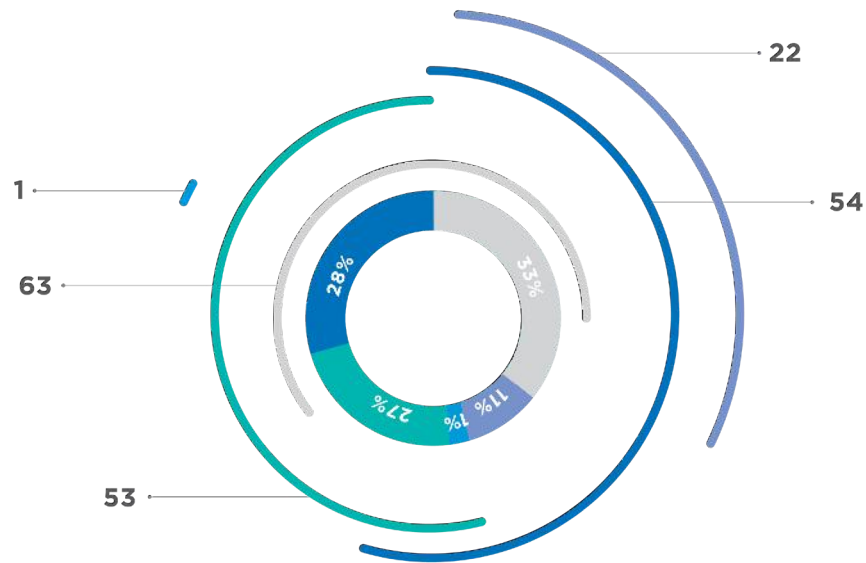
With that said, the vast majority (**88%**) of leadership team respondents said that their company’s board includes members from under-represented and diverse groups. However, nearly a third of respondents felt that while there is some diversity on their company’s board, there are not enough members from underrepresented or diverse groups. Just **27%** of respondents said underrepresented and diverse groups are very well represented within their organisation’s board.



Does your organisation's leadership team include members from underrepresented and diverse groups?

Total respondents: 193

LEADERSHIP TEAM RESPONDENTS

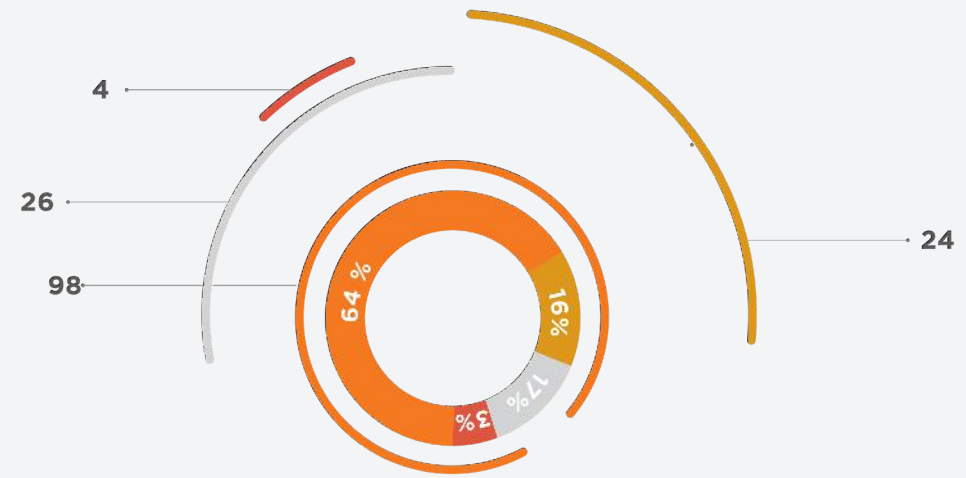


- Don't know
- Yes, but there are not enough members from underrepresented or diverse groups
- Yes, it is fairly well-represented
- No
- Yes, it is very well-represented

On average across the boards that you serve, do the Boards include members from underrepresented and diverse groups?

Total respondents: 152

BOARD RESPONDENTS



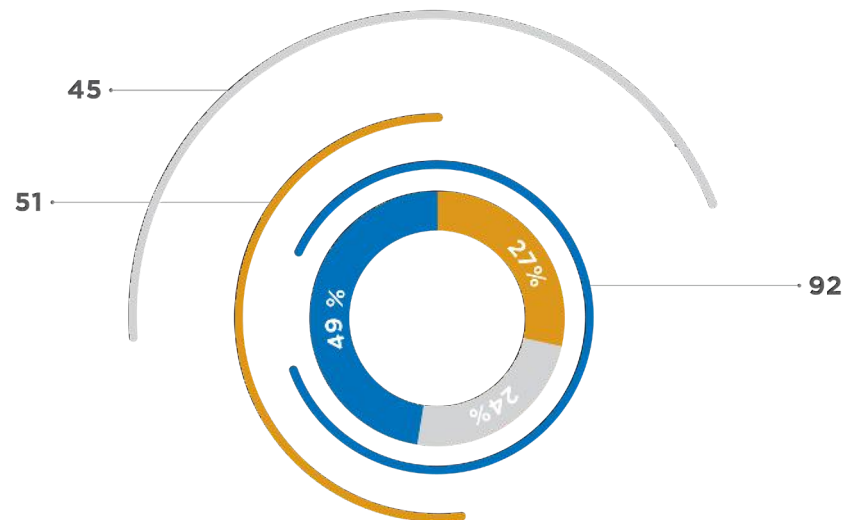
- No
- Yes, all of them
- Yes, but less than half do
- Yes, more than half do

To improve diversity in all spheres, organisations must begin by taking a more proactive approach. As it currently stands, half of the board members surveyed discuss I&D less than five times a year. According to respondents from leadership teams, nearly a quarter of their boards never meet to discuss diversity and inclusion. The majority that do meet to discuss this topic (half of the respondents) do so less than five times a year.

In respect of your organisation's board, how often do you discuss inclusion and diversity within the board?

Total respondents: 188

LEADERSHIP TEAM RESPONDENTS

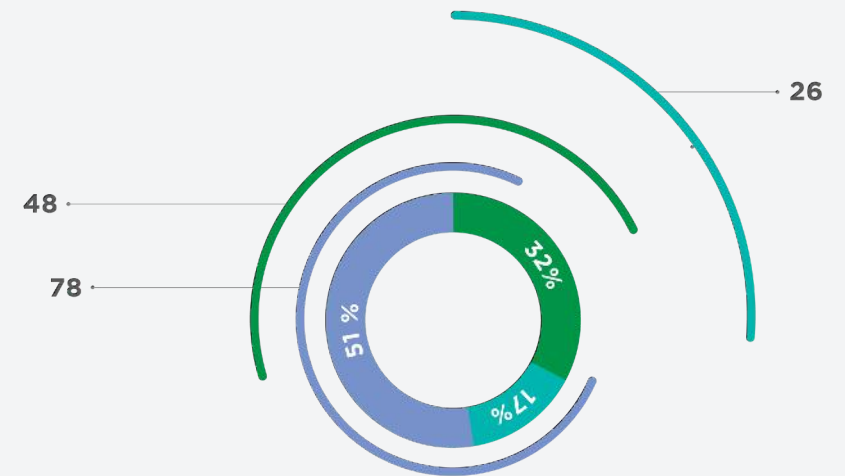


- Less than 5 times a year
- More than 5 times a year
- Never

Taking an average across all of your boards, how often do you discuss inclusion and diversity within the board?

Total respondents: 152

BOARD RESPONDENTS



- Less than five times a year
- More than five times a year
- Never

Having a committee responsible to drive the I&D agenda is key to ensuring its consideration and application. At board level, typically this would fall within the mandate of the Social and Ethics Committee. Most of the respondents indicated their organisations did not have a board committee responsible I&D. From those respondents, **79%** of NED respondents and **55%** of leadership team respondents believe there ought to be a committee responsible for the I&D agenda.

Depending on the size of the organisation, there may be a need for an internal management committee that oversees this. It is crucial to create space for leaders to come together to discuss what diversity means in their organisation, feedback on whether mandates are being met, and set robust targets for the future.

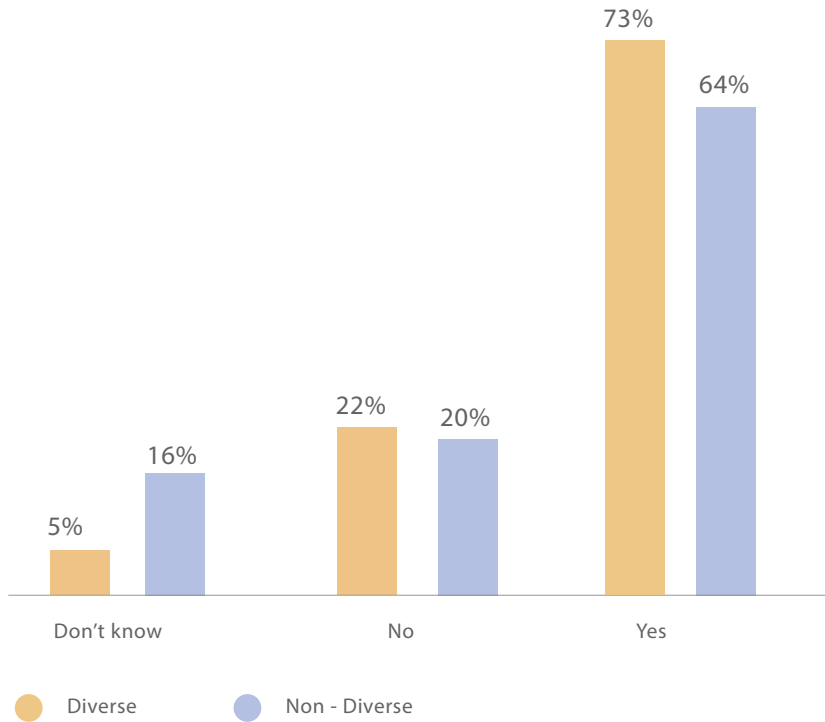
CHAPTER FOUR

DIVERSITY AND HIRING PRACTICES

Leaders have a significant impact on diversity. The Odgers Berndtson UK Leadership Diversity Report data shows that organisations that are more diverse at the highest levels of the company are more diverse in general. That means that fostering diverse hiring practices is key to creating a culture of sustainable and inclusive diversity.

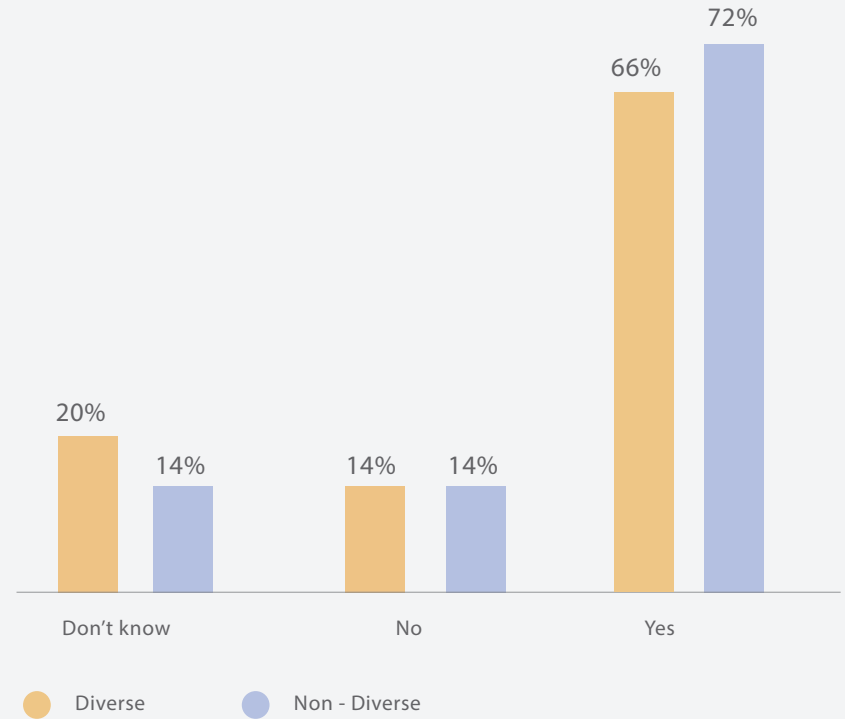
Diverse organisations appear more eager to improve their company's I&D at senior levels. Respondents with a diverse leadership team are more inclined (**73%**) than organisations with a non-diverse team (**64%**) to broaden the necessary background experience when searching for diverse candidates for leadership team positions.

In job descriptions, would you broaden the required background experience for leadership team positions in order to attract more diverse candidates?



In your preference skillset, would you broaden the required background experience for board positions in order to attract more diverse candidates?

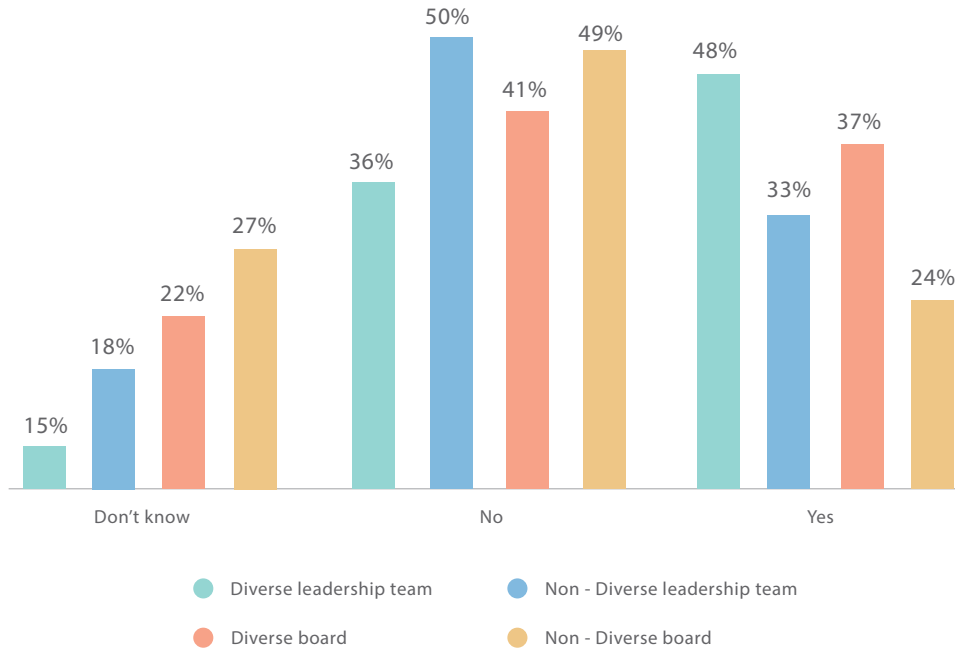
BOARD RESPONDENTS



Organisations interviewing for board positions stated that their biggest challenge in finding appropriate leaders was that, among underrepresented and diverse candidates, there is generally a lack of board experience and relevant background for the role. Both C-suite and board-level respondents also report unconscious bias as a major factor in hampering the recruitment of more diverse talent.

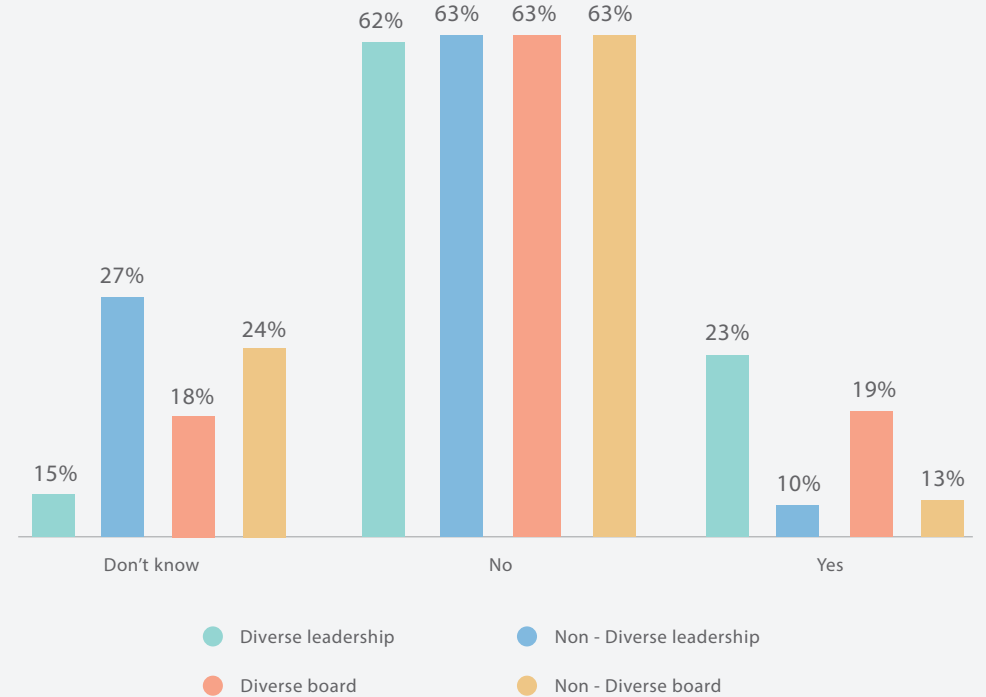
Nearly half of the respondents from diverse leadership teams said they have anti-bias measures established for the recruiting process for board and leadership team positions, whereas amongst those surveyed from non-diverse leadership teams, a third said that they have anti-bias measures in place. Depending on the size of the organisation, there may be a need for an internal management committee that oversees this. It is crucial to create space for leaders to come together to discuss what diversity means in their organisation, feedback on whether mandates are being met, and set robust targets for the future.

Does your organisation have measures in place to reduce bias when recruiting for board and leadership team positions?



Regarding the decision of whether to partner with an I&D membership organisation in the process of recruitment for board and leadership positions, organisations with a diverse leadership team are more likely to partner with these organisations than those with a diverse board, suggesting that a diverse leadership team could be more influential in the prioritisation of I&D in the hiring process. Nevertheless, in general, organisations with a diverse leadership team or board are more likely to promote I&D in this process than non-diverse organisations.

Does your organisation partner with any inclusion and diversity membership organisations or bodies when recruiting board and leadership team positions?



Chania Stempowski adds, “Board transformation is hampered by skills shortages, a reluctance to embrace change, and the desire to meet the governance requirements needed at NED level. This makes the innovation required for future relevance that much more unlikely. Boards rarely take a risk on the ‘young unknown’. Succession planning plays a pivotal role in achieving I&D targets.”

Just over **40%** of respondents’ nominations criteria for board vacancies include diversity requirements/targets. Similarly, only approximately **40%** of respondents indicated that diversity and transformation targets are accounted for when it comes to succession planning for the board or leadership team, with **20%** saying more than half of the organisations they serve on have these targets.



With the rise of virtual work and virtual board meetings, more than **50%** of respondents felt that this would widen the talent pool of prospective board candidates to include those from different geographies.

Greater emphasis on recruiting individuals with director designations such as 'Certified Director' and 'Chartered Director' (South Africa) will not only widen the pool of candidates with necessary governance knowledge for board positions but also help make being a director a recognised profession. The IoDSA offers free NED vacancy advertising to its entire member database, which includes all its designees, which helps widen the search avenues for finding diverse candidates.

It is understandable that large-listed companies require experienced board members due to the risks and liabilities associated with such boards. To obtain the IoDSA Chartered Director (SA) designation, an individual must show that he or she has the necessary skills and experience against the IoDSA's Director Competency Framework.

CHAPTER FIVE

WHAT MAKES SOUTH AFRICA DIFFERENT?


In a broad sense, South Africa performs rather well in several I&D related areas when viewed alongside some of its global peers. For example, a 2019 McKinsey report found that South Africa had the highest GPS (Gender Parity Score) on the continent while another reported that women hold




29% of the board seats in the country's top 100 listed companies.




The average on major G20 exchanges is **20%**



That figure drops to **12%** in Japan



10% for the Shanghai bourse



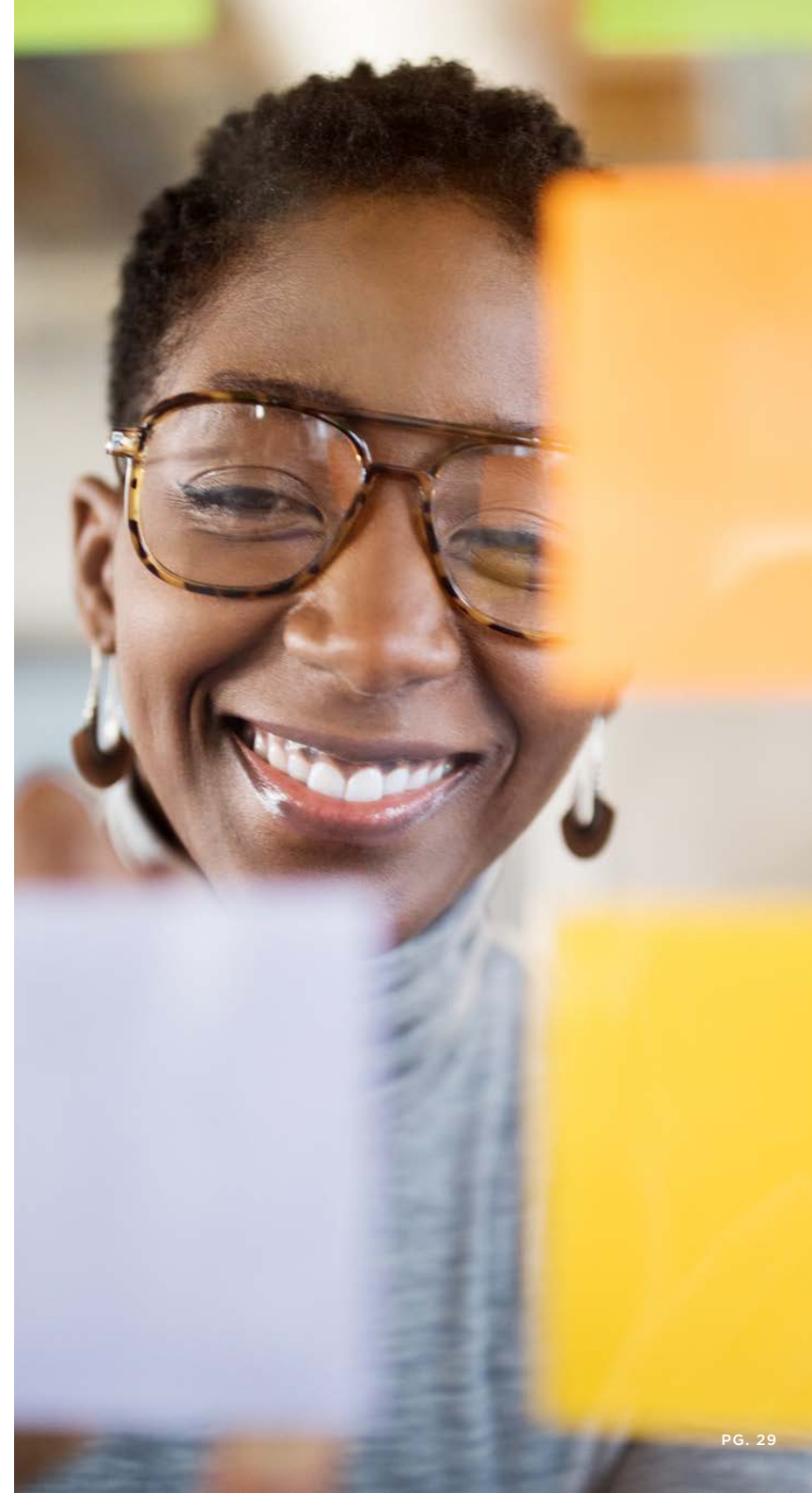
and **7.4%** in South Korea.

Lauren van Halderen says, “We have some strong regulation aimed at ensuring that organisations across the board take inclusion and diversity seriously. The upshot of this is that, by some measures, we compare quite favourably to other countries. But this is not a reason to rest on our laurels. Women make up half the population and yet there is nowhere in the world where that is adequately reflected in their representation at leadership team or board level.”

Unfortunately, ethnic diversity is where it gets a little more complicated. The overwhelming majority of the South African population is black but, according to a study done by McKinsey, **69%** of global and national corporate entities are led by white executives. In our research, we found that **39.39%** of board level respondents put the ratio of ACI representation at below **50%**, with **10%** of NEDs saying that there is no ACI representation on their boards at all.

What is heartening, however, is that **31.79%** of board level respondents and **18.65%** of leadership team respondents were in organisations with boards with over **75%** ACI representation. This represents movement in a positive direction and is something that can be built upon.

To improve ethnic diversity, organisations must broaden their leadership pipelines. The same tactics produce the same results and drawing from the same pools of talent means you will be more likely to pick out people who think similarly. It is imperative to be open-minded and flexible about viable paths to leadership. The same is true of board positions.



THE WAY FORWARD

Diverse organisations outperform non-diverse organisations in a myriad of ways. However, addressing diversity and inclusion means having tough talks at SA Inc and company level to determine what diversity means and if enough is being done.

Based on our study, here are five recommendations of steps for organisations to take to accelerate their I&D progress:

- 1** Consider your **definition of diversity** and conduct an in-depth measurement of your organisation's statistics – and broader disclosures in the marketplace – to benchmark your current diversity ratio at board and leadership team level. Ensure all stakeholders understand what diversity means and how this translates into practical targets at every level of the organisation. Critically, make sure your board and executives are aligned regarding what diversity means in your organisation.
- 2** Consider **broadening your requirements for board-level candidates** and pay special attention to building robust talent pipelines through sustained succession planning at board and leadership level. It's important to frequently analyse an organisation's board composition to identify future skills gaps, and plan for these while simultaneously driving diversity targets. Widening the avenues of where potential candidates are sourced will potentially open a pool of candidates which may have not been accessed before. This could involve working with executive search firms that are connected to I&D membership organisations or advertising via member organisations like the IoDSA.
- 3** For I&D to get the required attention and drive it deserves, depending on the size of the organisation, there may be a need to **assemble a committee responsible for I&D** and/or an executive responsible for such oversight. Such a committee or applicable executive should be responsible to ensure I&D is part of discussions, decisions, kept on the agenda and that targets are met. While we're seeing more prevalence of Chief Diversity Officers in developed markets, this has not yet become a consistent trend locally.
- 4** Consider **introducing anti-bias measures into your hiring practices**, such as partnering with an appropriately qualified executive search firm, including unconscious bias awareness training in the workplace, encouraging team members to speak up about biases, and employing regular 360-degree feedback assessment and pulse surveys.
- 5** **Inclusivity needs to be deeply entrenched in organisational culture.** Diverse talent probably won't be attracted to or want to stay in non-diverse organisations. All employees need to be aware of an organisation's I&D efforts, and the reasons for these. Awareness of and commitment to I&D should be ingrained into an organisation's culture and business practices, with impact measured on a regular basis. Creating a supportive environment where people feel heard, valued, and connected is key.



The most important thing to remember is that diversity is not just a moral imperative. It boosts cultural awareness, inclusivity, profitability, and competitiveness, bolstering both social and financial returns.

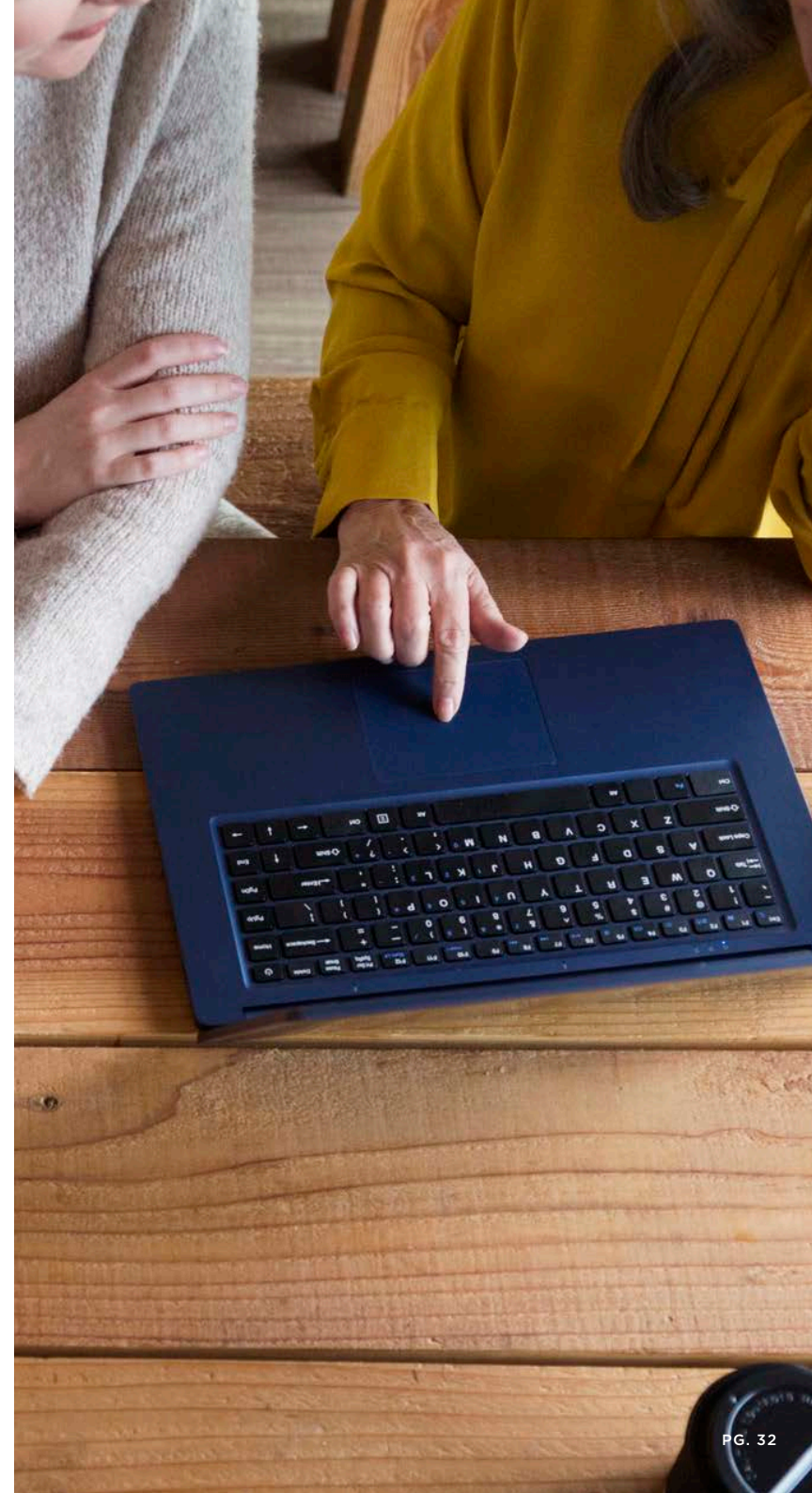
HOW THE INSTITUTE OF DIRECTORS IN SOUTH AFRICA CAN HELP

The Institute of Directors in South Africa NPC (IoDSA) is a professional body for directors, advocating for good governance practices in South Africa through its publication and development of the King Reports, related guidance material, public and in-house training initiatives and corporate governance services to aid organisations in their understanding and implementation thereof.

The IoDSA offers two SAQA accredited designations, namely the Certified Director and Chartered Director (SA) designations. Each of these designations symbolises recognition given by the IoDSA to the person that qualifies for it and the assessment for both designations is based on the IoDSA Director Competency Framework. Obtaining an IoDSA designation showcases an individual's commitment towards directorship as a profession and signals to nominations committees that the applicant holds particular skills and expertise related to directorship and governance in general. [Learn more here](#).

We offer free NED vacancy advertising to our 9000-member database which includes our designees.

Contact us via info@iodsa.co.za for more information on any of our services and how we can help you on your governance journey.





HOW ODGERS BERNDTSON SOUTH AFRICA CAN HELP

Odgers Berndtson is an established global executive search firm with extensive networks of diverse leadership talent spanning multiple sectors and functions. By working with Odgers Berndtson, organisations gain access to these networks in their search for diverse leaders.

Odgers Berndtson has a proven track record of providing I&D-optimal long and short lists, which positions organisations to appoint a diverse leadership candidate. We understand how to adapt the search process to make roles attractive to a wider pool of candidates and we offer psychometric testing to help eliminate bias from the hiring process. Our specialists can also advise on how to implement robust mentoring and coaching programmes to ensure strong succession planning at leadership level.

We cover every level of the leadership spectrum, helping to fill crucial gaps to deliver transformation expertise. Our ability to meet every requirement in the leadership structure means we work with a range of organisations globally. The relationships we have with leading organisations at the forefront of tackling inclusion and diversity means we have access to knowledge and expertise that can be shared with those who work with us.

Transformation is something we care about deeply; we know I&D is key to building a better South Africa for the next generation to inherit. Let us partner with you on the journey.



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