Diversity as a value driver

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Nordea
Diversity in Numbers

Average ROE Volatility, 2004-16

Share of Women, Boards, %

Share of Women, Executive Management, %

Summary of Differences in Returns and Leverage Between Weak and Strong Diversity in Leadership

More Women on the Board of Directors Means More Women in Management
PERFORMANCE OF TOP 50% MOST DIVERSE BOARD

Source: Company data, FactSet and Nordea Markets

PERFORMANCE OF TOP 50% MOST DIVERSE MANAGEMENT

Source: Company data, FactSet and Nordea Markets

MEDIAN ROE, DIVERSITY ON BOARD OF DIRECTORS

Source: Company data, FactSet and Nordea Markets

MEDIAN ROE, DIVERSITY IN MANAGEMENT

Source: Company data, FactSet and Nordea Markets

MEDIAN ROE, DIVERSITY ON BOARD OF DIRECTORS

Source: Company data, FactSet and Nordea Markets

MEDIAN ROE, DIVERSITY IN MANAGEMENT

Source: Company data, FactSet and Nordea Markets

MEDIAN ROCE, DIVERSITY ON BOARD OF DIRECTORS

Source: Company data, FactSet and Nordea Markets

MEDIAN ROCE, DIVERSITY IN MANAGEMENT

Source: Company data, FactSet and Nordea Markets

MEDIAN ND/EBITDA, DIVERSITY ON BOARD OF DIRECTORS

Source: Company data, FactSet and Nordea Markets

MEDIAN ND/EBITDA, DIVERSITY IN MANAGEMENT

Source: Company data, FactSet and Nordea Markets
The authors

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Diversity boosts stability of returns

What diversity is and why it matters
So many things make us different from one other: gender, race, age, ethnicity, nationality, religion, education and many other matters large and small. In this report, we investigate diversity in the leadership groups of large Nordic listed companies, looking at how diversity has evolved over the past 12 years and seeking any evidence of an impact on corporate value creation from having a more diverse leadership. Diversity undoubtedly has an impact on society, but our interest here is commercial. Specifically, we look at how diversity might affect the performance, and hence the value, of large companies. We focus mainly on gender in our analysis, as this is a factor for which data is reliable and readily available from our universe of companies.

Studies typically struggle to establish connection between value creation and diversity
We examine a sample of earlier studies on diversity and see a pattern of general agreement about the great global macroeconomic upside potential from female empowerment. At the same time, few studies have been able to find more than an anecdotal correlation between greater diversity and stronger corporate performance, as it is difficult to isolate and quantify the impact of different diversity factors.

One in three Nordic blue chip company board members are now female
Our study encompasses the 100 listed Nordic blue chips that are the constituents of the main stock market indices during our 2004-16 reference period. The share of female board members has doubled to one-third of the total, with Norway leading the way after introducing mandatory female quotas over ten years ago. Roughly 20% of group management is female, also a doubling from 2004. Denmark is lagging its Nordic neighbours, but also doubled its share from 5% in 2004 to 10% in 2016. We note a clear trend that companies with more female board members also have more women in group management.

Companies with more gender-diverse leadership have more stable returns
After back-testing share price performance, return on capital and leverage for the blue chip companies with most and least diverse leadership, we find no strong correlations. This is no huge surprise for a limited data sample checked for a single diversity factor. We regard it as positive that there has been no negative correlation either, for a period of dramatic growth in gender diversity, where the amount of change itself could even have caused disruption. However, we did find that the volatility of return on capital was much lower for companies with greater gender diversity in their leadership. Those with the most diverse management had 40% lower volatility in ROCE. Does more stable ROCE matter for value creation? We argue that it does, noting that the top 10% European small and mid cap stocks in terms of ROCE stability have outperformed the total small and mid cap universe by 75% over the past 17 years.

Senior Nordic business leaders share their thoughts on diversity
Apart from the usual introduction to this month's topic by Nordea Global Co-Head of Corporate & Investment Banking Mathias Leijon, we interview Gunn Wærsted, Chairwoman of the board at Telenor; Jens Henriksson, CEO of Swedish mutual insurer Folksam Group; Pia Aaltonen-Forsell, CFO of packaging group Ahlstrom-Munksjö, and Jais Valeur, CEO of global meat processor Danish Crown.
Introduction: Why diversity matters

Mathias Leijon, Global Co-Head of Nordea Corporate & Investment Banking, argues that the costs of bad decisions due to confirmation bias has never been higher, that diversity is a crucial factor for creating share- and stakeholder value and that failing to embrace diversity will erode the talent base.

EB: What do you think is behind the soaring interest in and attention around diversity that we have seen in recent years?

ML: I believe there has been a notable acceleration in the pace of change occurring on a global scale. Combined with the world becoming much more integrated, this means it has become even more important to have a diverse set of opinions to make adequate and quick decisions. In order to be able to do so, you need to be a more diverse group in terms of age, opinions, and personalities.

If we put aside what is morally the right thing to do, in a more stable environment it has historically worked to have a uniform group of people, often consisting of middle-aged white males from the same university in the same town. There is a high probability that they will view the world roughly in the same way, which means the group exposes themselves to both amplifying their common views and – post-decision – reading the data points in the same way, seeking information that confirms that the decision made was the right one. This is confirmation bias. That is long-term dangerous for a company and the cost of doing so has never been higher than it is today.

EB: In a professional and commercial context, what is diversity for you? Is it mainly gender, or something broader?

I would like to broaden the concept of diversity to also include diversity of opinions, personalities and age, in addition to gender

ML: I think that to solely focus on gender diversity is a little bit misplaced because regardless of whether you are male or female, you might have the same type of personality and the same viewpoint. I would rather broaden the concept to make it more about a diversity of opinions, diversity of personalities and diversity of age, in addition to gender.

It is important to ensure that you have a balanced group of people, with different backgrounds, with different viewpoints as well as personalities. For us as leaders, we need to ensure that we can manage, from a discussion point of view, the increased tension that naturally enters the discussion as a result of this and to ensure everyone respects each other’s opinions and truly work with the same north star, which in my opinion needs to be the purpose statement of the company.

EB: Do you think diversity matters for business and financial performance? If so, how?

We do believe gender diversity clearly contributes to a more diverse set of collective intelligence in an organisation

ML: In this issue of Nordea On Your Mind we try to prove this by looking at the correlation between diversity and financial performance for 100 listed Nordic companies. We focus on gender diversity simply because of the data availability, we can actually track how many males and females there are at the top level in companies. Investigating diversity in terms of the diversity of opinions, for example, would be even more relevant, but that kind of data is not available. However, we do believe that gender diversity clearly contributes to a more diverse set of collective intelligence in an organisation.
A combination of diversity and a strong culture are crucial to successfully create share and stakeholder value over time.

I think that in order to successfully create shareholder value over time and create value for all stakeholders, including taking responsibility to contribute to a great society, a combination of two factors are crucial. Diversity in the broader sense (i.e., diversity of opinions, personality, age as well as gender) and a strong culture. This combination is what creates sustainable value over time. I would argue that those two factors are absolutely imperative if you want to become and stay successful as a company.

**EB: Do you have any personal diversity-related experiences – positive or negative – which have made a strong, lasting impression?**

**ML:** This is probably the last time I will mention it but during my career I have always been called the young one. I am not sure how many times I have been told that I need more grey hair. Difficult in itself since I don’t have any hair. On a more serious note, I guess people want to put individuals in certain brackets. Female/male, experienced/young, etc.

What is so fascinating with the world we are living in right now is that we need all categories and we need to ensure we capture all the intelligence that exists in the collective system of a corporate.

**EB: How could you as a manager contribute to a more diverse workforce?**

**ML:** As a manager, you need to start with creating a safe and inclusive environment where people respect each other and where everyone feels confident, appreciated and are getting the opportunity to thrive. Nordic companies are taking a global lead in this respect, which I believe will continue to contribute to the development of our region. We have done a lot but still have a long road ahead of us.

The individuals we hire today have a lot of questions about our culture, values, what we stand for and what we want to contribute to both society and customers. I would argue that not offering a place where a diversified set of opinions is desired and appreciated will lead to a company with an eroded talent base that is out of tune with its underlying customer base as well as society, and over time this will also have an impact on the value being created for shareholders.
Prior research: Diversity has upside for the economy, yet to be proven for corporates

We began our exploration of diversity as a potential driver of corporate value by looking at a sample of prior studies. These focus on gender diversity and point to potential macroeconomic upside from greater female participation in the workforce, but mostly struggle to find strong causal links between diverse leadership and corporate performance.

“"We also will continue to emphasize the importance of a diverse board. Boards with a diverse mix of genders, ethnicities, career experiences, and ways of thinking have, as a result, a more diverse and aware mindset. They are less likely to succumb to groupthink or miss new threats to a company's business model. And they are better able to identify opportunities that promote long-term growth.”

-Laurence D. Fink, Founder, Chairman and CEO at the leading global asset manager BlackRock with USD 6.3 trillion in assets under management, in a letter to companies in which BlackRock is a major shareholder, January 2018.

Asset manager BlackRock’s argument: More diverse boards take higher-quality decisions

The above quote from Larry Fink of BlackRock captures the essence of why this month’s Nordea On Your Mind is dedicated to the topic of diversity. We are curious about diversity in a corporate and a commercial context – what does it look like in the Nordics today, what has happened in the past decade, and is there any evidence of diversity having an impact on actual corporate performance in the form of value creation? In other words: are there purely commercial reasons to strive for greater diversity in companies and in their leadership? BlackRock expects higher quality decision-making from supervisory boards of listed companies that have a diverse mix of members. Bringing a greater variety of perspectives and views into discussions should lead to better analysis and more broad-based insights on the reality in which the company operates and hence to better foundations for business decisions to rest on.

In order for us to tackle this subject, what better place to start than having a look at previous studies – both academic and commercial research – on diversity, and what they have been able to conclude?

Most prior studies on diversity in the corporate world focus on gender diversity, as this is the factor where it is easiest to find data. Several studies have tried to quantify the benefits to society and the economy of a more gender diverse work force. Others have sought and find a significant correlation between the presence of women in supervisory boards and corporate performance, although it seems to be very challenging to establish causal links. In other words: Is strong financial performance actually driven by greater gender diversity, or are the two just coinciding every now and then?
MSCI found in 2016 that more women on corporate boards boosted EPS and ROE

In 2016, an MSCI study theorised that having three women on a corporate supervisory board would be a tipping point in terms of female influence. It did a comparative study of companies with three or more women on the board and companies with no female directors for the period 2011-14. Companies in the latter group showed a median change of -1% in return on equity (ROE) and -8% in earnings per share (EPS), while the group with a larger share of women instead experienced gains of 10% in ROE and 37% in EPS.

The Peterson Institute for International Economics found in 2014 that going from 0% to 30% female leaders boosted the net margin

Examining a global sample of nearly 22,000 firms in 2014 a study, The Peterson Institute for International Economics concluded that the presence of women in corporate leadership may improve a firm’s performance. Its researchers found that female CEOs by themselves have no noticeable effect on a firm’s performance, but that there are large gains from increasing the total proportion of female executives and from raising the proportion of female board members. For profitable firms going from 0% to 30% female leadership, there was a 15% increase in the net profit margin, leading to the conclusion that building a strong female management pipeline would financially benefit a firm. Worth noting is that this study represents a snapshot from 2014 and should be interpreted with care.

Goldman Sachs and PwC studies identify strong GDP upside from greater female workforce participation

On the macro level, an argument in favour of a more gender-balanced work force is the potential positive effect on GDP. Studies conducted by Goldman Sachs and PwC separately suggest that closing the gap between male and female employment rates would significantly boost GDP levels. This means that diversity in the workforce could be a powerful driver of macroeconomic growth. These studies did not look at diversity in leadership or at how women may affect corporate decision-making and financial performance.

In summary, we were not able to quickly and easily find any sample of research on diversity – gender or other – offering compelling evidence that companies would deliver notably stronger financial and operating performance if their leadership or workforces were more diverse. This gave us all the more reason to have a look at the topic ourselves.
Analysis: More diverse leadership gives more stable returns

We looked for a connection between the level of diversity in a company’s leadership and its corporate value creation by back-testing the performance of 100 Nordic listed blue-chip companies during 2004-16. No evidence that greater diversity drives share price outperformance, a stronger return on capital or lower leverage was found but our research shows that a more diverse management group correlates with much lower volatility in return on capital, and we note that such lower volatility has historically driven outperformance.

Diversity can be defined by much more than gender, race or nationality

Our study examines the impact of diversity on corporate value creation

“Diversity” is a trendy word these days, frequently associated with differences of gender, race, nationality – but diversity can mean so much more. For this Nordea On Your Mind report on the topic of diversity, we view diversity from a broad context, exploring patterns of decision making among diverse and homogenous groups at the highest levels of business.

We investigate diversity as a corporate value driver

There are strong moral and ethical, as well as economical, arguments in support of having diversity in society and its leadership. How well leadership reflects the members of a society – their values, priorities, culture and preferences – clearly affects a society’s confidence in its leadership and commitment to leadership’s agenda. Diversity within a leadership group likely stimulates deeper consideration when making decisions, as a diverse group likely turns over more stones, anticipates more challenges and obstacles and thinks outside the box – altogether potentially boosting the quality of a decision made. In short: diversity should encourage better decisions based on broader rationales. This, however, likely goes beyond the scope of Nordea On Your Mind. In our report, we want to explore how diversity affects decision making and outcomes in the form of value creation for large companies.

We aimed to determine if there are any tangible, meaningful connections between levels of diversity in Nordic large corporate leadership and the financial returns delivered by those companies.

To start, we briefly scanned the academic literature to see what researchers might have already found out so far. We focused at first on what we could find regarding diversity in large corporate governance and quickly concluded that it has been quite challenging to find firm, quantifiable conclusions about connections between diversity in leadership and corporate performance.

This was good and bad news. We were encouraged to think potential discoveries may lie ahead – correlations have not yet been well mapped and documented. The task, however, seemed quite difficult – there is no easy way to draw fast conclusions about whether diverse leadership really matters to any great extent in terms of corporate performance.

Back testing of value creation from diversity

With the help from Nordea’s Hugo Fredriksson, responsible for the Quantitative Research team in Nordea Research Insights, we back tested share price, return on capital and leverage performances over the period 2004-16. Instead of doing a statistical correlation analysis, we analysed differences in how Nordic-listed large corporates with a strong or weak levels of diversity in their leadership had actually performed on these financial metrics. Here, we define diversity as gender balance: the closer to a 50/50 split, the stronger the diversity.
We decided to focus on the constituents of the main, local stock market index in each of the four Nordic countries:

- The OMXS30 in Sweden
- The OMXC20 in Denmark
- The OBX in Norway
- The OMXH25 in Finland

This gave a total sample of 100 Nordic-listed large companies. In this study, we manually collected data for the share of women in supervisory boards and in group management teams for each year the company was a constituent in the relevant index. We first tried to extract the data from Bloomberg, but there were so many blanks, and on double-checking, so many striking errors, that we discarded the data completely, and created our own from the companies’ annual reports.

It would not be feasible within the scope of an analysis for a *Nordea On Your Mind* report to find other diversity data than gender, so we decided to keep things simple and manageable by limiting ourselves to this. To get a representative sample of big, blue-chip listed companies from the Nordic region, we have for each year included the constituent of each national main stock market index, described above. So, our data sample consists of annual observations for the biggest and most traded stock exchange listed companies in Denmark, Finland, Norway and Sweden from 2004 to 2016.

**The female share of top leadership has doubled in the Nordics since 2004**

Starting with the descriptive side of our study, what does the data tell us? If we make a rough aggregation, the quick and simple observation is that the share of women in supervisory boards and in group management teams of the top, listed companies have doubled between 2004 and 2016.

There are more women on the supervisory boards than in group management teams. In 2016, roughly one-third of Nordic board memberships were held by women, with Sweden and Norway slightly above, and Denmark slightly below this level. The biggest increase from 2006 was seen in Finland, closely followed by Denmark. Norway has only nudged to a slightly higher share, as mandatory quotas for at least 40% women on the boards of large companies were introduced near the start of our studied period.

In group management teams, the trend has been broadly similar in Sweden, Norway and Finland, with share of women rising from around 10% in 2006 to roughly 20% in 2016. Sweden is a bit higher at 24%, and Finland slightly lower at 17%, but the share of women in executive management has roughly doubled in each country. The laggard in the Nordics is Denmark, which has also seen its share double, but from a low 5% in 2006 to 10% in 2016. In this respect, Denmark has seen a similar rate of improvement to its Nordic neighbours, albeit from a lower starting base, which has only been enough to take Denmark to the level where its neighbours started in 2006.

![SHARE OF WOMEN, BOARDS, %](image1)
![SHARE OF WOMEN, EXECUTIVE MANAGEMENT, %](image2)
Curious about the progress for female shares of boards and management over the studied period, we have looked at annual data for each of the four countries. In Sweden, we note that the female share of board memberships has soared from 25% to 35% just in the past few years, after being stuck in the 20-25% range for a long time. The share of management has seen a more consistent rising trend over time.

In Denmark, a similar robust uptrend for female board directorships is not matched by the female share of management, which does not seem to have been able to muster any structural improvement trend at all. It has been stuck in the 5-10% range during these past 12 years.

Norway's share of women on the boards has been consistently high, after the introduction of mandatory female quotas. In Norway, the female share of board membership started high in the beginning of the period, owing to the mandatory minimum quotas which were introduced around that time, and has stayed around similar levels since. The female share of management has been rising steadily and consistently.

Finland has seen a robust and consistent growth trend for female board memberships through the period, but a stagnation in the trend of a rising share of female management in the past five years. All the growth for the latter happened until 2012, with no further improvement since then.
Comparing the share of women in management for the four countries in the same graph, it is evident how Denmark is lagging its neighbours, with one in ten Danish top executives being female, versus one in four or one in five for Sweden, Finland and Norway.

For female board memberships, Denmark is (and was) still at the bottom in the Nordic region, but is not lagging quite as strikingly. The outlier here is instead Norway, whose quotas drove the structural increase the share of female board members more than ten years ago. The other three countries now appear to be well on the way towards catching up and closing the gap, without such quotas.

**More women on the board means more women in group management**

One thing we just had to look into, was if it seems to make any difference how many women are on a company's board, for how big a share of the group management team is female. We have plotted an illustration of this in the graph below. It shows the share of women in group management every year for the full Nordic sample, including all four countries, for the top 50% which have most diverse boards (dark blue columns) and the bottom 50% with least diverse boards (light blue columns).
How to read it? If dark blue columns are higher than light blue ones, the companies with more female board members also have more women in their group management. The picture is pretty clear. The dark blue columns are significantly higher than the light blue ones in every year of the studied period except 2012 and 2013 – and in those two years the columns are of almost equal height.

Our conclusion: More women on the board seems to be strongly correlated with more women in group management. We do not believe this is a coincidence.

No visible share price outperformance from greater gender diversity
Our back-testing study would not be complete without checking share price performances of the companies with the most gender diverse leadership. However we could not identify any strong and clear connection between the two.

Most diverse management companies have seen share perform on a par with market
We calculated the share price performances of the top 50% companies in the sample, with most gender diverse management teams, relative to the performance of all 100. As the graph below shows, the performance has been almost exactly on a par with the full sample of companies. Even temporarily, the performance of the most diverse companies has not diverged more than 5-7% from that of the Nordic 100.

And was it any different for the top 50% of companies with the most gender diverse boards? Not really, in that performance has never differed more than 10% or so from the full Nordic 100. But unlike the most diverse management teams, the most diverse boards have actually seen their share prices consistently underperform over the past 10 years, after a minor outperformance in the early years of our study.
Our interpretation is that share prices are driven by a plethora of factors, any of which are notoriously difficult to single out and quantify. We are convinced that diverse leadership can have a strong positive impact on corporate value creation, but share price performance is not a great tool for trying to measure and quantify it.

No pattern of higher return on capital from more diverse leadership

Curious about the share of female leadership potentially affecting companies' level of return on capital, we split our data sample 50/50 into the most and least diverse companies in each year during the 2004-16 period, for the share of women in the board and in the group management, respectively.

Insignificant (and negative) difference in ROE and ROCE for most diverse companies

Looking at the aggregate for the entire period, we note that there is no indication of a higher share of women being associated with higher returns, either for return on equity (ROE) or return on capital employed (ROCE). In fact, the companies with more diverse boards had marginally lower average returns for the full period, and companies with more diverse management had slightly lower returns. For boards, the difference is insignificant (0.3 pp), while for management, it is 180-200 bp. This is a greater difference, but still not that material, and we doubt there is any causality from the gender factor.

Small difference in leverage for most diverse companies also statistical noise

For the sake of being thorough, we also looked at financial leverage, measured as net debt to EBITDA multiples, checking for differences. These are not statistically significant. The companies with most female board members have marginally higher leverage (net debt to EBITDA of 1.23 versus 1.10 for the other half), while the companies with most women in management have slightly lower leverage (1.02 versus 1.25). These leverage numbers are averages for the whole 2004-16 period. We see these leverage observations as inconclusive, and would consider them statistical noise.

### Summary of Differences in Returns and Leverage Between Weak and Strong Diversity in Leadership

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<th>Board</th>
<th>Management</th>
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<td>ROE</td>
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<tr>
<td>ROCE</td>
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<td>ND/EBITDA</td>
<td>1.23</td>
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Source: Company data, FactSet and Nordea Markets

In the graphs below, we show the annual ROE and ROCE for the top and bottom halves of the corporate sample in terms of gender diversity in boards and management. For the supervisory board, the pattern seems to be more or less random, with no clear discernible trend. For group management, we see a tendency for the more diverse management teams to have achieved stronger ROE and ROCE in the early years of our studied period, while the less diverse management teams have reached higher returns in more recent years. With the magnitude of the difference in
returns being quite limited, we would not read anything substantial into this pattern. Our conclusion is that the data is too erratic to suggest any clear connection between gender balance in boards and management, and return on capital.

For leverage, measured as Net debt to EBITDA, we see a tendency for less diverse boards and management to have had higher leverage in the early years of our study. For boards, this trend reverses in the last few studied years, while for management it does not do the same nearly as much. Again, failing to see any clear pattern in the year-by-year developments, we conclude that we see no strong, obvious link between gender diversity in leadership and corporate indebtedness.
**More female leadership gives more stable return on capital**

So having gone through all our data, we found no indication of gender diversity in leadership showing strong effects on share price performances, return on capital of leverage. But how about the stability of returns? This is interesting in that it is increasingly being considered among investors an integral part of a company’s sustainability. Business models need to be sustainable, in the face of macroeconomic cycles as well as environmental, social and governance (ESG) issues, and not least in the face of disruption – from technological, behavioural or regulatory change.

We did find evidence that more female leadership gives more stable returns. Aggregating the data and looking at stability (median standard deviation in annual return) in ROE and ROCE, we see that the 50% of the studied companies with more gender diverse boards and management had significantly lower volatility in returns.

For ROE, the more gender diverse 50% of boards had 14% lower median standard deviation in annual returns, and the more diverse 50% of management had a 22% lower standard deviation.

Companies with most diverse management have 40% lower volatility in ROCE

For ROCE, the more diverse 50% of boards 6% lower median standard deviation in annual returns. The most striking difference of all, however, was for the level of gender diversity in management, and volatility in ROCE. The 50% of companies with more gender diverse management had a 40% lower median standard deviation in annual returns!

The last number is interesting in that management should arguably be able to more directly impact ROCE, both through driving levels of EBIT and working capital. The board’s influence would be more through having final say on capex projects and any bigger structural initiatives (like M&A), and by appointing the CEO and to some extent management.

Looking at the ROE stability data year by year, we see a tendency for higher volatility for less diverse boards becoming more marked in the last few years of our study. For management, the pattern is instead that the less diverse half underperformed most
versus the better half in the early years, but that the rate of relative underperformance has eased over time.

It is for ROCE volatility that we find the most striking pattern. Less diverse boards have quite consistently underperformed the more diverse half, but not by a huge margin. Both halves have consistently gotten better, reducing their ROCE volatility, but a slight gap has persisted.

For management, the pattern is by far most clear: Less diverse management teams have had sharply higher volatility in annual ROCE than the most gender diverse half. The less diverse half of management teams have not delivered lower ROCE volatility in any single year, out of the 12 years we have studied.

**Stability of returns matters for value creation**

Apart from stable returns arguably being part of the concept of sustainability – how resilient a business is in the face of disruption from technological, regulatory, social or macroeconomic change – we argue that it should also support the value of the business.

One very explicit way to check for evidence that equity markets reward companies with more stable returns is to check how such companies have performed relative to the overall market. In order to get a broad-based view, we have calculated the aggregated share price performance of all European small and mid-cap stocks from 2001, and compared this with the same performance for a continuously re-weighted basket of the 10% of those stocks generating the most stable ROCE.

The result, shown in the graph below, is quite striking: The top 10% ROCE stability performers have outperformed the total group by 75% over 17 years. Such massive outperformance in our view suggests that having a lower volatility in return on capital is appreciated and rewarded by equity investors.
Absence of negative correlation with diversity is encouraging

Should it be seen as a weak and inconclusive result that there was no strong, clear correlation between gender diversity and key value creation metrics? We argue that this is not the case. Rather, we are encouraged by the absence of evidence of any negative correlation during a period of such dramatic change, with a doubling of the share of women on Nordic boards and in group management. This holds particularly true for Norway, where female board member quotas forced huge immediate change in board positions near the beginning of our studied period. One could have imagined distractions or disruption from a sudden wave of new female board members, some of which might have lacked the typical desired experience, during an initial phase of finding and grooming additional female board member candidates.

So while there was seemingly a fairly neutral impact from the greater diversity on absolute share price performances, returns and leverage, the more stable returns by companies with more diverse leadership in a period like this should in our view be seen as a clear positive.
Interview: Faster change makes diversity more critical for quality in decision making

We interview Gunn Waersted, Chairwoman of the board at Telenor Group and Petoro AS, which manages the Norwegian state's holdings in oil and gas production licences on the Norwegian continental shelf, and board member of UK mutual building society Nationwide. She shares her views on how diversity matters in the workplace, how it can impact corporate performance and how she has seen attitudes towards diversity evolve over the years.

JT: What do you associate with diversity in a professional context? Is it mainly gender, or other factors like, age, ethnicity or cultural background?

GW: I think it is clearly more broad-based; not just gender. This holds particularly true for big, international organisations, with many different nationalities in their workforce. To me, diversity is about gender, ethnicity, cultural background, age, and – which I think is increasingly important – education and experience profiles. The last one can be about not having only engineers or only people with degrees in business or economics in a group.

JT: Do you think diversity matters in corporate life? If so, in what ways? Do you think it affects actual business performance?

GW: For starters, my answer is a clear yes – diversity has had an impact, and a positive commercial impact. I base this on having been a member of, or observed from the outside, management teams with both diverse group members and not so diverse group members. I have observed how the two types of groups have functioned differently. My previous senior leadership roles at two major banks – DnB and Nordea – has given me the chance to see decision making up front in quite a few management teams.

To me, arguing why it makes sense to have diverse management teams, boards and workforces feels a bit like preaching to the converted. Particularly in today's economy and society, with technological, behavioural and economic change happening at a faster pace than ever before, possibly accelerating even further, how can one argue against having as many antennae as you can out to read the environment and best judge how to respond to change? More diverse perspectives and viewpoints give the discussion a higher quality, and decisions are able to be made based on better analysis.

Gender is important, but I suspect ethnicity will become equally important over time. I doubt that large Nordic corporate group management teams with 100% white males and females, aged 45-55, will be considered well diversified in five years.

JT: In your long career with senior leadership positions in banking and insurance, and in recent years including board memberships, have you seen attitudes to diversity change compared with ten years ago? If so, how?

GW: I think attitudes have certainly improved, in that today there is very general agreement that diversity matters and is important to deliver strong business performance. What is more surprising is that change towards greater diversity is so slow. I would have expected more to have happened in the past ten years. As an illustration, more than 50% of students who graduate with an academic degree in our region are women, so over time, it could be reasonable to assume that at least 50% of leadership roles in companies would be occupied by women. But there is no current trend pointing to that outcome.

Today the challenge is much less about objections to why it would be healthy and valuable for management teams and boards to be more diverse, and more concern in these forums about being able find the right candidates to join them in order to show real, tangible progress in the near future.
JT: How do you think greater diversity could be promoted in corporates?

GW: To start with the obvious one: I am not a proponent of quotas for boards or leadership teams. I think quotas achieve results, but I would describe them as “doing the wrong thing for the right reasons”.

But I think there are other things that can be done, particularly within recruitment and training. I am not personally a fan of female leadership development programmes. Again, I sympathise greatly with their purpose, but I think a severe drawback with them is that they single out women as a “special interest group”, a different category of leadership candidates that needs to be subsidised or fast tracked. This sends the wrong signal. I think few, if any, women would like to be promoted into a leadership role when there could be a perception that they were given it because there needed to be a female leader, rather than because they were considered the most qualified and capable candidate for the job.

But to instead, for example, ensure that there is always at least one female candidate included and considered in any leadership recruitment process could help produce more female leaders. And the same can be said with ethnicity or other diversity factors, in regular recruitment as well as in trainee or internal leadership development programmes. It requires patience to grow a more diverse talent pool internally from the grass roots up, but it is less risky than going for a potential quick fix – headhunting senior talent from a very limited current population of proven executives with a non-mainstream profile. At the same time, those making the effort to nurture their more diverse leadership talent in-house need to do it properly and consistently to ensure they are motivated and dedicated, so that talent does not get poached by competitors.

Telenor, whose board I chair, has been quite successful in recruiting more diverse staff to its ranks outside the senior leadership, in spite of sometimes facing challenges related to education or formal qualifications. I can see how their inclusion brings great value to the organisation and that value should be even greater in the long run.

JT: Norway has legislation requiring minimum quotas of female board members in large corporates. Do you think this has made a positive difference for governance in Norway?

GW: The quotas in Norway have had a positive impact. I am against them as a policy tool in principle, but I think they have ultimately made a difference for the better. In the beginning, I think it caused some disruption and awkwardness, with some female-earmarked board positions being filled with an unusual professional mindset. But that was in the initial phase, which is now clearly behind us. And the evolution from that has shown that it was actually possible to find capable and qualified female candidates for large corporate board membership. Perhaps the nomination committees just needed to look just a little bit harder...?
Again, I don’t think any board members want to take up such a position if they have the slightest feeling that they are “quoted” in, and don’t really live up to the standards or expectations of non-quoted board members. This is why the quota policy tool is flawed. But at the same time, I can observe that the quotas seem to have contributed to creating a bigger population of senior, proven female Norwegian board members.

An alternative way of using economic leverage to promote greater diversity is when tendering for corporate lawyers or business consultants. Large corporates are increasingly adding a criterion in the tender of diversity among the lawyers or consultants dedicated to working for the company. This is starting with gender, but could evolve into nationality, ethnicity or other factors, which might be particularly relevant for a big, international company. This could make it more difficult to sustain all-white male partnerships at law or consultancy firms. This is both about promoting broad, universally beneficial change, and about wanting and expecting to get higher quality advice from a more diverse team.

**JT: Do you have any positive or negative personal experiences related to diversity at work that have made a strong impression on you?**

**GW:** Well, with a career spanning 40 years, it would be strange indeed not to be able to recall both positive and negative experiences. But thinking back about the negative experiences, I have to say that most of them are more humorous than degrading. I have been in situations where I have been head of delegation, but being the only woman in the group, someone has assumed that I was the assistant. These have typically been resolved with humour.

I have also tried to use those situations to learn, using the memories to remind myself of my own prejudices. I can find myself automatically assuming that the youngest member – male or female – of a group I am meeting, is the junior in the group. But this is not always the case. Some of these young people are with firms that did not exist five years ago but are highly significant and maybe even big today, and they might lead them, or even own them. It is not always the most senior-looking person who is head of delegation.

One example I have mentioned publicly before, is when I at a very young age headed a greenfield fund management business, and we had investment funds whose performance suffered during the oil market collapse. I was the subject of some quite unflattering media coverage at the time. Seeing me suffer from this, a very senior person told me that I needed to tell myself that I am the one who gets to decide who has the power to get under my skin – the ability to injure me. This has really worked for me. It is extremely helpful to be able to detach and be professional, instead of taking any commentary suggesting I am inferior or unworthy for not being the right sex, age, ethnic profile, or network member personally. If I have said something in a leadership group, and I got dismissed, demonstratively ignored, I can choose what I decide will become a problem, and what will not. I can ensure that I have made my opinion clear, have it put on record, and move on knowing that I have done my professional duty and put forth my best effort. Or, I can let myself get hurt, be distracted and frustrated, build a grudge against whoever was dismissive or condescending, and perhaps make future co-operation untenable. That choice is an easy one for me.
JT: Do any of the companies you have worked for have any particularly noteworthy successes within diversity? How did they achieve them?

GW: I have chaired Telenor’s board for two years now, and I would argue that what Telenor has achieved within ethnic and gender diversity in its workforce is very encouraging. I want to emphasise that we are doing this because we believe it will create significant value for our shareholders and for our stakeholders. It is great if it benefits society, but this is not something we do to be a good corporate citizen, which is separate from business performance. It is very much part of seeking to maximise business performance.

I think the emergence of social media and how consumer voices can drive opinion, hugely impacting the perception of a company or a brand, will make it very challenging going forward for companies that are not perceived to be responsible members of society, that do not live up to social contracts, represent questionable values, to be able to thrive. These companies will be punished by customers deselecting their products or services. And diversity can be a crucial ingredient in this.
Interview: Diversity key to understanding our customers

We interview Jens Henriksson, CEO of Swedish mutual insurance Folksam Group, on how to encourage diversity as a leader, what can be done to influence other companies, and the importance of having a mix of staff to make better decisions and understand your customers.

EB: How does Folksam approach diversity within the organisation? Are there any specific policies or ambitions? Do you see any differences today compared to five years ago?

JH: We strive for diversity in all our processes. It is well known that when you have a very homogenous group of decision makers, it more often leads to bad decisions. A great example was during the Cuban Missile Crisis in 1962 when President Kennedy relied on a group of the best and brightest advisers in America. However qualified, with backgrounds at Ivy league universities, they were all more or less mirror images of him in background, profile and values, and they made several strategically doubtful decisions that almost led to nuclear war with the Soviet Union. It is important to have a diverse group to capture different perspectives, and not become a victim of group thinking.

For us, diversity is many things – for example, gender, sexual orientation, age, educational background, social background and ethnic background. The point is that there are several components within diversity, and a mix of everything is desirable.

I would say that at the Folksam Group, we are very good at gender equality. We have 48% women in management positions, and in my executive management group there is an equal split of men and women.

We see diversity as part of sustainability, and for us this has included major emphasis on environmental issues as well. Folksam was one of few companies involved in the first UN conference about environmental issues in 1972, which put us at the forefront of being an institutional investor that cares about sustainability. When we started working with environmental issues, it was from the starting point that we wanted to do good and give back to society. But in recent years we have also started to see business value as well.

I would argue that the diversity issue evolves in the same way as the environmental issue. A few years back environment was viewed as an "added value" to our business. Today, it is one of our core values. If we don't have a diverse work force, we will struggle to understand our customers, and so our business will suffer. I think it is fascinating how something like this also has become key from a business perspective.

We are good at gender equality, but need to improve our ability to recruit people with diverse ethnic backgrounds. Looking at my executive management team, for example, it does not include anyone from outside the Nordic countries. However, we do have a few areas where we have been quite successful in recruiting staff from different ethnic backgrounds:

- In customer service, where we provide services in 19 different languages, including sign language
- In IT and among our actuaries, where we have been able to recruit highly skilled specialist academics from non-European countries.

We have some initiatives for improving ethnic diversity. One example is that I have a mentor, Faje Gani, who came to Sweden from Bangladesh. Faje provides me with a lot of knowledge on how to be street smart and how to attract people with different backgrounds. When he graduated here in Sweden and started to apply for jobs, no one invited him to interviews, even though he had excellent educational qualifications. He then experimented by changing the name on his résumé to Alex Niklasson, and he was called to an interview for the next job he applied for. He started his career as a
salesman at free entertainment magazine Nöjesguiden, and after a few years he was promoted to run their sales team. He eventually became CEO and bought the whole company. Today he is Head of Twitter Nordics.

Looking at our product offering, it caters to a very diverse set of customers. We want to be the insurance company for everyone.

We should strive to become a company that mirrors our customers and society as a whole.

We do not have any specific targets, such as a percentage of women or different nationalities or ethnic backgrounds for our management teams. We should strive to become a company that mirrors our customers and society as a whole.

**EB: How does Folksam view diversity as an institutional owner? What do you demand from companies in which you have major holdings?**

**JH:** We have been a pioneer in this area. We are a major institutional owner in Sweden, with SEK 400bn in AuM. The big emphasis so far has been on gender. It is a straightforward metric, since it is quite binary. We demand that people are treated fairly according to UN global compact principles and all companies where we have major holdings are also required to have a diversity policy in place.

We have chosen to be very transparent and vocal about what we do; we have the same message behind closed doors as in the public debate. We are constantly being monitored and evaluated, and so it is of utmost importance that we also practice what we preach.

**EB: What is your personal view on diversity? Is it mostly about gender, ethnicity, age, culture or anything else?**

I think that it is about all those characteristics and more. Gender is the most straightforward one but what you are really striving towards is a mix of differences. But we need to be a bit careful here. If we put too many requirements on a group of a few people, it could make the selection of people primarily based on profile rather than the ability to do a good job. Diversity must always be the underlying aim when creating a group, but it is important that the decision is not too "regulated".

One thing that I am proud of is that I am not afraid to recruit people who are better than I am. Many leaders may hesitate to do this because they think these people will eventually take their job. My experience is the contrary. What happens when you hire people who are better than you is that they will do a great job, and the positive impact from that will spill over on you.

**EB: Do you think that diversity has an impact on return and value creation for the company? Could there be a commercial value in having a less homogenous board and management?**

**JH:** Yes, I’m convinced that it is value creating because you avoid group thinking. Also one in two Swedes is insured through us, meaning that we must have people in the company who understand such a broad customer group. It creates value for the customers and makes us a reliable counterparty.
I can take our acquisition of municipal pension insurer KPA as an example. It was in quite bad shape financially when we took over. We decided that KPA should have a clear focus on environmental issues and sustainability in order to gain more reliability. When we started working with these issues it was because we wanted to do good and give something back to society. It eventually turned out to be a very good strategy, and also economically profitable for the pensioners.

**EB: What do you think would be a more powerful tool to increase diversity in companies – regulations, mandatory quotas or incentives?**

I believe the best thing to do is to threaten companies with quotas without actually implementing them.

When I was CEO of Nasdaq OMX Stockholm, I was involved in a discussion about introducing gender quotas for supervisory boards. The Swedish minister for gender equality at that time, Maria Arnholm, suggested this should be introduced only for companies listed on the stock exchange. I argued that if it is of such importance, it should be applied to all companies, not only listed ones. I realised that if you put pressure on one specific category of companies it will be a potential issue for them, and a consequence could be that it becomes less attractive for them to be listed on the stock exchange.

I can sometimes be a bit sceptical towards policy makers that claim it is good and profitable to be more diverse, and yet promote mandatory regulations for companies to be more diverse. If diversity is good for a company, then all rational companies will eventually gravitate towards more diversity. There could also be situations where these regulations are directly harmful for companies. Let's say, for example, that three women have founded a small company, and all of them are members of its board. With mandatory quotas, they might need to hire a man as well to comply with the rules, even if he would not be needed, or perhaps fit into the company at all. Hence, to legislate on diversity is problematic.

Rather, I think we should focus on company ethics. It should be embarrassing for a company not to be gender equal, and I think we are moving in that direction. This view together with the threat of gender legislation puts pressure on businesses to take action.

And there are other things we can do. When we have procured law firms, we have demanded that there should be a certain percentage of women or female partners in the company.

**EB: During your career, have you witnessed any examples of failure when it comes to diversity – talented people being left out of groups of homogenous people etc?**

JH: Yes, many times, from childhood nursery through to adult work life. It is important to constantly work with your preconceptions and not to get stuck in thinking that young people, old people, women or men behave in certain ways. That is just not true; I mean there are old people behaving "younger" than many young people etc. We have to realise that we are all different and do not come with pre-specified characteristics that are related to our age, gender or ethnic background. I believe that society overall is moving in the right direction in many ways, and Sweden is at the forefront of this. I think that political correctness – as much as it might sometimes frustrate or annoy us – is something that we should be proud of, representing values that guide us to behave in a good and appropriate way.
EB: What do you think that a manager of a large company can do - in practice - to increase diversity?

I think it is important to establish a "tone from the top". This means that you as a leader have to lift and discuss the diversity issue often. You also have to practice it in how you form groups and committees, and challenge people's view on who is a better fit for the job. Be open to trying new things when it comes to diversity, and challenge the general view! I always talk about diversity in introduction meetings with our new hires. We haven't done enough in this area, but we are making progress. We are good in the "basic area" which is gender, and we are working actively on recruiting people with different ethnic backgrounds. But there is still much work ahead of us.

Axel Johnson Group is an example of a Swedish company that stands out when it comes to diversity. I was recently involved in a jury that gave them an award for being the most diverse company. This was a good opportunity to learn from others.
Interview: Storming, norming, performing

We interview Pia Aaltonen-Forsell, CFO of Ahlstrom-Munksjö on how attitudes to diversity in large corporates have changed over time, why diversity in professional life can matter, and how it can be promoted going forward.

JT: Diversity can apply to gender, age, ethnical background or nationality, the key difference being if a group is very homogenous or more mixed. You have had a long career in the paper and packaging industry – how do you think the level of diversity in its leadership compares with other industries, and how would you say it is today compared with 10 or 20 years ago?

PAF: Trying to think back, I think quite a lot has happened in the past 10 or 20 years. One thing is that I feel there is greater awareness and there tends to be a more relaxed attitude towards diversity issues today; it is no longer unusual or awkward to bring them up. I think this has partly been driven by large corporates, such as my current and previous employers, becoming more global. As new, more geographically and culturally distant regions have grown in importance to represent a greater share of the business, organisations have started to include more people from these regions. This has created a natural focus on the need for the new, broader, mix of people to work well together. Ahlstrom-Munksjö is a good illustration of this, having grown from EUR 300m in revenue to EUR 2.3bn in ten years! The business has grown, and so has the mix of people in the company, its suppliers and customers.

JT: Have you had personal experience from more and less diverse management teams or boards? Have you noted any differences in how they have functioned – in what decisions they have taken, how they took them, and why?

PAF: Over the past 15 years or so during which I have been sitting in various management teams, I think there has been a slight, gradual improvement in all kinds of groups and profiles – including gender, nationality, etc – getting heard and having influence. There are typically legacy structures of influence, attitudes and values relating to the company’s history and origins, which are very resilient. In the forums I have been part of, diversity levels were actually not that bad 15 years ago. They have become gradually better, and yet they are still not what you could call ideal.

Regarding decision making, I think the chairman of a group can be even more crucial than the composition of its members. A chairman who facilitates, even drives, input from all the various profiles can make all the difference: making sure there is time in meetings to express a view; genuinely asking for, and listening to, opinions from profiles quite different from oneself; extracting opinions from those who do not spontaneously and immediately offer them.

In my experience, it requires real effort from a very diverse group to find its way to becoming aligned, coherent, effective and to start making good decisions. You could describe it as going from storming to norming, eventually turning into performing.

JT: Do you think there are benefits from management teams and boards having a more diverse mix of members? If so, how could a greater level of diversity be achieved? By encouragement and incentives, or by regulation, legislation or quotas?

PAF: To me, it seems intuitively self-evident that there is value in bringing together people with different profiles and backgrounds into a decision-making forum. To get any value from group dynamics, it needs to come from a group that can give a different output from what an individual would decide alone.

How to achieve this is not only about trying to optimise how decisions are made in a leadership team here and now, but about a longer-term approach to recruitment, talent development and leadership coaching, which should include a diversity dimension. In big companies, there is usually a fairly sizeable available pool of “raw material” managerial talent. People selected for leadership roles need to be tried and tested in real business situations, in real projects, with coaching, mentoring and

The attitude of the chairman is crucial for how well a management team can adopt diversity

Junior leadership talent with non-traditional profiles needs to be given chances to prove themselves in operational roles early in their careers
support. And the selection of people should be a good reflection of the whole organisation, already at an early stage where junior candidates with great potential are picked for grooming for future leadership roles.

More diverse groups should lead to better decision making, which should create a positive loop – but how do you start this process? I think a key requirement is an acknowledgement that there are legacy structures and attitudes, in order to be able to push for greater diversity that can work and succeed within them. Such structures are often very performance- and results-oriented, and this makes it critical that there are mechanisms for young talent – with differing backgrounds and profiles – actually being given a chance to lead and prove themselves. The risk is that the choice will otherwise always be to appoint leaders who represent, and can be expected to reliably deliver, more of the same.

It is important to help young talent with non-traditional profiles find a way into business leadership roles. I am in a way an example of a common dilemma with female leaders: as CFO, I head a support function. This is of course totally fine – I could almost say that I love finance. But future CEOs and business area heads are often recruited from operational leadership ranks. And those ranks should ideally include a wide variety of profiles who have had a chance to show promise as potential senior leaders also at an early stage of their careers.

**JT:** How does Ahlstrom-Munksjö view diversity? How would you say this has changed over the past five years?

PAF: Ahlstrom-Munksjö has changed so immensely as a company, that I think it is really only relevant to look back at the past few years. I would say we are now in quite good shape regarding diversity from the top down, with several strong women, including our vice chairwoman, on our board of directors. We have three women, including me, in the group management team. This makes it quite natural for us to bring up diversity issues, and addressing them does not become forced or awkward.

If you take a geographical dimension, we have several European, non-Nordic, members of the group management team, which is natural given our major business presence in countries such as France, Italy and Germany. We are now more global than European, and I feel quite comfortable with other global regions being represented by strong leaders at just below the group management level.

**JT:** Do you have any personal experiences – good or bad – related to diversity, which have left a strong impression?

PAF: Again, a truly critical factor is who you have as your leader. I can think of two male leaders I have reported to, who were truly inspirational, supporting me unconditionally, including me with similar respect and confidence as all my peers, even if I have not shared some typical male interests, or been part of every item on the social agenda of a legacy network. That support has helped build my self-confidence and esteem, which has made me better able to juggle all commitments of a senior leadership job and being a mother of three children.

Your question does not give me any spontaneous horrible flashbacks to bad experiences. But it makes me reflect. I have caught myself thinking that I feel relieved to be over 40. And the fact that I am thinking this, suggests that I may on some level have felt pressure, expectations or anxiety about being able to deliver, perform in my professional role, while simultaneously living up to my family commitments.
JT: If you had the power to change one thing — anything you like — about how Nordic large corporate group management teams or boards are appointed, what would it be?

Every leader should have a mentor

PAF: We all need someone to look up to. I wish every leader had some kind of mentor or coach: a senior, experienced and wise guide to show the way. I have been very fortunate in having had good bosses, and having been offered to have mentors, which I have always gratefully accepted. This has been a big help, not least in finding good ways of simultaneously managing work and family commitments.

Trying to be a bit more concrete and realistic in the present, I would love large corporates in our region to have more rigour and a firm, sharp commitment to prioritising diversity in the selection of candidates for talent development or leadership programmes. It is so easy to follow procedures, tick boxes, do your duty, and still make that final selection of someone you know well from before, or who is more or less a copy of your values, perspectives and preferences.
Interview: Diversity is about unlocking potential

We interview Jais Valeur, CEO of global meat processor Danish Crown and deputy chairman of the board at Royal Unibrew, on when diversity makes a difference, how to attract female talent, and his own experiences from working together with diverse groups.

EB: You joined Danish Crown after a long career in the dairy industry. Do you think attitudes towards diversity vary a lot between different industries, and have you seen attitudes change compared with ten, 20 or 30 years ago?

JV: Yes, I think you have some differences between industries. Looking at my experiences in the dairy and meat industries, I would say they are alike. They are both relatively male-dominated. In Danish Crown we have an ownership structure including many farmers, and the majority of owners are men. Historically there has also been a lot of manual labour in our business, which made the work more suitable for men. However, as things have evolved towards more automated processes, we have seen more women coming into our workforce. Still, because of "industry heritage", women remain reluctant to joining. What we still see today is an over-representation of women in certain industries, such as the service industry, where some of those manual heavy manufacturing tasks are not and have never been present.

I think this is a big challenge. Looking at Danish Crown, there is a discrepancy between our owners, our employees and who we actually sell to. Women still to a great extent do the grocery shopping in the family, and so they are our primary customers. One of the things I work a lot on is how to change our company to become more aligned with the market in which we operate.

The attitude to diversity has changed quite a lot in the industry over the last ten to 20 years. In the past, a woman had to behave like a man to be a part of the group and the culture in this industry. Today it is a more open and inclusive environment.

I actually think that the Scandinavian countries are somewhat lagging in the meat industry. There is a tendency, especially in Denmark, to consider ourselves to be among the world's leading countries when it comes to gender diversity, when in reality we are not.

EB: You have joined the UN-sponsored Gender Diversity Roundtable Denmark, together with 14 other Danish leaders, like the CEOs of Novozymes and TDC, and Google's country head for Denmark. How did this come about, and what do you hope to achieve from your membership?

JV: We have an event we call Folkemødet in Denmark, where politicians and business leaders meet once a year, similar to the week-long Almedalsveckan political event in Sweden. Two years ago I was one of the speakers on a panel about gender diversity together with a couple of other Danish business leaders. We had a fantastic session and a very constructive dialogue with the audience. On account of that meeting I was invited to the gender diversity roundtable, where many of the other leaders from that specific panel were active. The work of the Gender Diversity Roundtable Denmark is very constructive, and you can really make a difference when people come together.

EB: Have you had personal experiences from more and less diverse management teams or boards? Have you noted any differences in how they have functioned – in what decisions they have taken, how they took them, and why?

What I have learned over the years is that diversity actually drives business results

JV: I have worked both in New Zealand and in Europe, and I have had managers from all over the world. I have worked with multiple nationalities as managers, subordinates and on supervisory boards. What I have learned over the years is that diversity actually drives business results. By that I do not only mean gender diversity, but diversity in a wider sense. However, diversity only improves business if you have what I call an "inclusion behaviour". When you start utilising the collective intelligence
instead of individual intelligences, you can gain something from diversity. In an initial implementation phase, diversity can certainly be a distraction; you have to switch to a different language, and you often have to do things in a different way, which takes focus away from the daily business itself.

Unless you can unlock the potential in the collective intelligence, you can gain something from diversity. In an initial implementation phase, diversity can certainly be a distraction; you have to switch to a different language, and you often have to do things in a different way, which takes focus away from the daily business itself.

Unless you can unlock the potential in the collective intelligence, diversity can harm productivity. In an initial implementation phase, diversity can certainly be a distraction; you have to switch to a different language, and you often have to do things in a different way, which takes focus away from the daily business itself.

I have worked with all kinds of people in diverse teams. In my last job we had 28 different nationalities represented among the employees in Denmark. At Danish Crown that figure is 50.

EB: Do you think there are benefits from management teams and boards having a more diverse mix of members? If so, how could a greater level of diversity be achieved? By encouragement and incentives, or by regulation, legislation or quotas?

I'm not a fan of regulations. In Denmark you have to declare your intentions, meaning showing your intended gender balance in the company. I think this initiative has sparked a discussion, and in the big companies we now see a movement towards more gender diversity, without legislation.

I think it is very important to be vocal about gender diversity in order for it to be achieved, like having it on the agenda in forums such as Folkemødet and Almedalsveckan. I believe that we are moving in the right direction. Looking at universities, for example, there is a greater share of female than male graduates today, and over time this should lead to more gender-diverse companies. But we still have a long way to go.

On the gender diversity board we have discussed some very basic things that can be implemented when recruiting people to the company. One of the things we practice at Danish Crown is that one third or so of the candidates has to be female. That doesn't automatically mean that we will choose a woman, but there has to be a significant female presence among the candidates. It is a huge challenge for head hunters to get female candidates, but I think that forcing yourself to have very simple rules like this can make a big difference.

We have found together with other Danish companies that there is a huge difference in how men and women read job ads.

We have also done a review of the way we present and describe openings to potential candidates. We found together with other Danish companies that there is a huge difference in how men and women read job ads. Is it about empowering people, or rather about performance and results? The way you choose your words is very important, and they make a big difference in who chooses to apply for the position. A lot of women look at things like building teams and empowering people, rather than key words about performance and results. Small things like this bring more women into the pipeline.

EB: On Danish Crown's website, you comment on your current graduate programme for future leaders: “With the programme we are building a strong high potential pipeline that focuses on diversity and mobility across borders and business units”. Can you describe how you think about diversity in conjunction with the programme?

JV: We are hiring in different countries, in the UK, in Poland, in Denmark, and we have some exchanges across our boards. In Denmark we have a very Danish management team, and in the UK we have a very British management team, so what we are looking for is how we could drive diversity into our management teams to get better collaboration across our business. That is the thinking behind the graduate programme. We are also looking to recruit 50% women at this level. That is the only way we can force gender diversity in our company and try to make our management teams more diverse.
EB: Do you think diversity is mainly a topic which relates to social or moral aims and ambitions, or is there commercial value in striving for greater diversity in large corporates?

JV: I would not put it like that. I think that the value lies in being able to do better business, if you can unlock more potential. As I mentioned before, if you only go for diversity for the sake of it, you will not be successful. You have to see the business benefits. If the majority of your consumers are women in Europe and China, but your management is only Danish men, I would say the chances that you will become very successful are pretty low. You have to reflect the markets that you operate in.
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