



Dear Prudence

Female-friendly boards have yet to reach a critical mass in Canada, while our growing minority population watches from the sidelines.

BY JEREMY RUNNALLS

Since *Corporate Knights* began its Leadership Diversity Index six years ago, the conventional wisdom on gender diversity in the boardroom has shifted perceptibly. Lip service is paid to the benefits that result – avoiding groupthink, increasing innovation and improving good governance – while the hard evidence continues to mount that having more women on boards results in better financial returns. Dow Jones VentureSource released a study in October showing that between 1999 and 2011, successful start-ups had demonstrably more women in senior positions than unsuccessful ones. The Credit Suisse Research Institute determined that worldwide, for the past six years, large companies with female-friendly boards performed 26 per cent better than those with men-only boards.

Progress is being made domestically, with 85 per cent of the Canadian companies ranked this year having a female board member. Despite this, according to the non-profit group Catalyst, Canada places 14th on board gender diversity globally. That puts it behind Turkey. Only 10.3 per cent of overall Canadian board members are female, meaning that only select companies have gone beyond adding one woman to the board. When this occurs the impact is blunted, as the new directors often feel ignored and isolated. Experts in board diversity from the International Institute for Management Development in Switzerland, writing in the *Wall Street Journal*, say that “only the presence of three or more women on the board leads men to view them as more than just female directors. The women, too, say they feel less self-conscious and less concerned about representing their gender.” Aus-

tralian Prime Minister Julia Gillard, who recently blasted the country’s opposition leader as a sexist and misogynist, can surely relate.


Our 2012 gender ranking features companies that have openly embraced this concept of “more than two,” led by Vancity and Mountain Equipment Co-op, both progressive co-operatives that maintain female-dominated boards well above the 50 per cent mark. Utilities, financial organizations, insurance and retail companies tend to be more gender diverse than the manufacturing and resource extraction sectors. TD Bank leads the big five banks with a board that is 38 per cent female. The chairman of TD Bank Group, Brian Levitt, believes this is the result of a concerted push by the organization. “Diversity and inclusion is a key element of TD’s culture and plays a fundamental role in attracting and retaining the best talent,” he says. “As such, we believe it’s important our board reflects the diversity of our employees in a similar way that our employees reflect the diversity of our customers and the communities we serve.”

Measuring female representation, while important, does not give a complete picture of the diverse Canadian population. Statistics Canada estimates that the proportion of Canadians belonging to a visible minority group is set to grow from 16 per cent in 2006 to between 29 and 32 per cent by 2030. Corporations are looking to appeal to these communities as new immigrant groups enter the consumer market, while natural resource companies struggle to gain a social licence for projects often located in areas with significant aboriginal populations. The arguments made for expanding gender diversity in the

boardroom ring equally true when considering the addition of minorities, yet 72 per cent of Canadian boards fail to provide any representation.

Husky Energy leads the minority ranking for the third year in a row, with seven directors out of 14. Other leading firms are mining companies, including Teck, Yamana Gold, Barrick Gold and Silver Wheaton, along with retail firms Mountain Equipment Co-op and Sears Canada. The provincial crown corporation Manitoba Hydro, ranked fourth overall, was the top-rated utility. As Manitoba maintains a 15.5 per cent aboriginal population, the two native board members are representative of the province’s demographics as a whole.

Various initiatives around the world are working towards advancing the pace of diversification in corporate boardrooms. In Canada, the Catalyst Accord was launched last year. It calls for Canadian corporations to increase the overall proportion of board seats held by women to 25 per cent by 2017. To support the process, the Catalyst Canada Advisory Board will contribute names to a list of “board-ready” women that will be made available to any signatories.

France, Norway, Spain and Iceland are among the European countries that have created mandatory board diversity requirements for public companies, based on the limited enthusiasm observed for voluntary measures. Viviane Reding, the EU’s justice commissioner, announced in October that the union was seriously considering EU-wide quotas for female diversity. Whether voluntary or mandated, we hope these measures grow to incorporate minority representation as well. 



Turning the Disadvantaged into A Competitive Edge

Disabled? New to the country? A single mom or at-risk youth? Social Capital Partners is breaking down employment barriers that are keeping millions of North Americans out of work.

BY TARA PERKINS

In the heyday of the tech bubble, Bill Young found himself with a bank account that was growing by millions, and a gnawing feeling that something was very wrong.

Young was not only the CEO of telecom upstart Optel Communications, he was also earning a small fortune thanks to an investment he made in his cousin Bob Young's open-source software company, Red Hat.

But his wealth only added to his anxiety.

"I sort of had the sense that the world had gone mad," said Young, a generally understated individual who is exuberant when he comes to topics he's passionate about. "I started to become a little disillusioned and told myself I need to find something else."

The importance he placed on commerce remained intact despite the craziness of those days, but he increasingly became interested in philanthropy. Research led him to ideas emerging in pockets of the United States that combined business philosophies with charitable concepts. It didn't take long before a new innovative social venture was born.

Young founded Social Capital Partners in 2001 as a non-profit organization. The goal was to use financing as a tool to prod socially minded organizations into hiring more workers with disadvantages.

"The challenge we picked was, how do you find meaningful employment opportunities for people who face em-

ployment barriers? Not just people with physical and mental disabilities, but also at-risk youth, single

moms and new immigrants." Social Capital Partners (SCP) started off by offering financing and business advice to organizations that committed to hire disadvantaged workers, such as Inner City Renovations in Winnipeg, which employs aboriginals, and Turn-Around Couriers in Toronto, which hires from youth shelters.

But after five years, Young had mixed feelings about SCP's achievements.

"It worked financially and it worked socially," he told *Corporate Knights*. "On the other hand, we stepped back and said: It's taken us five years to provide 300-odd jobs to the population we are trying to help. What are 300 jobs in the global scheme of things?"

So SCP shifted its focus. It began partnering with franchises, such as Active Green and Ross auto centres, and offered start-up capital at attractive rates to potential franchisees. Those preferential rates, however, hinged on the willingness of franchisees to hire qualified job candidates that SCP helped identify through community service agencies.

"The amount of work that Social Capital Partners does is phenomenal," said Peter Steele, general manager at Active Green and Ross. "They have established which agency to talk to in every market we operate. In St. Catharines, you'd talk to March of Dimes, but in Toronto you might talk to workplace agencies."

The people the chain hires through the program tend to have a longer ten-

ure than others, and many become managers, said Steele. But he acknowledged there are still barriers. "There's resistance everywhere, including our own chain, so I don't want to make it sound like everybody's a saint."

At the same time, he feels the program is making a difference in the lives of some people, including a young employee who had lost his legs in an industrial accident. "He's really become an asset to the store he's working in now," said Steele. "When we first met him we got into a bit of a shouting match because he was mad at the world. He was in a wheelchair and didn't want to be."

The program has also been good for the company. After some time, Active Green and Ross told SCP that it wanted to use the program in its company-owned stores – ones that didn't need the financing.

"It was like, 'Wait a sec, we thought we needed the financing as the carrot to make this happen. We offer the carrot of attractive financing and we've got the stick to call your loan if you don't do this,'" Young said. "And they said, 'No, you've found us access to a labour pool we would never have had access to, and it's working out.'"

That led Young to the next iteration of SCP, one that is a work in progress. "The aspiration should be about how we get every large and medium-sized company to have a community hiring program to recruit their entry-level employees," he said.


Monitor Group, a strategy consulting firm, agreed to crunch some numbers for SCP and suggested that the potential benefit is large. Disadvantaged groups include a range of people, such

as social assistance recipients, new Canadians, the homeless, previously incarcerated people and high-school dropouts. The largest addressable segments are single mothers (more than 250,000 are unemployed and have children over the age of six, making them potential candidates) and at-risk youth (at least 130,000 individuals in this category are job candidates, according to estimates by Monitor).

Carlo Aloe, a consultant at Deloitte, which has also been helping SCP, estimates that the total number of disadvantaged people who could be employed in Canada is likely in the neighbourhood of one million.

Young's ambition now is to spur a full-scale revamp of the system, from the way governments support disadvantaged workers to the way community and hiring agencies work. The focus? Concentrate on employers as the ultimate customer or recipient, not disadvantaged individuals. "If you don't think about the demand side, it doesn't matter how well you manage the supply side, this isn't going to work," Young said.

That means training must be geared to the needs of business, a national network must form so that large companies don't have to deal with a patchwork of community organizations, and policymakers should be spending at least as much time working with businesses as they are with community groups.

If the system makes it easier for firms to find pre-screened disadvantaged job candidates, Young and his growing list of proponents believe the chips will begin falling in place. 

REPORT METHODOLOGY:

Source is Corporate Citizen Database. Data is from fiscal 2011 and is for the 130 public and private companies in the universe considered for the Best 50 Corporate Citizens in Canada. CK looked at the percentage of board members that are women, and found the percentage based on total directors assessed. This was also applied to the percentage of board members that are a visible minority and/or aboriginal. For more information on our Best 50 methodology, visit corporateknights.com/best50

2012 CORPORATE KNIGHTS

Diversity Report

Top 10 by Gender

	Company	Sector	Score
1	Mountain Equipment Co-op	Consumer Discretionary	71.43%
2	Vancouver City Savings Credit Union	Financials	66.67%
3	Hydro-Québec	Utilities	43.75%
4	Caisse de Dépôt et Placement du Québec	Financials	42.86%
5	Shoppers Drug Mart Corp	Consumer Staples	40.00%
6	The Jean Coutu Group (PJC) Ltd	Consumer Staples	38.46%
6	Laurentian Bank of Canada	Financials	38.46%
7	Toronto-Dominion Bank	Financials	37.50%
8	HSBC Bank Canada	Financials	33.33%
8	Hydro One	Utilities	33.33%

Top 10 by Minorities/Aboriginals

	Company	Sector	Score
1	Husky Energy Inc	Energy	50.00%
2	Teck Resources Ltd	Materials	21.43%
3	Yamana Gold Inc	Materials	20.00%
4	Manitoba Hydro	Utilities	18.18%
5	Mountain Equipment Co-op	Consumer Discretionary	14.29%
5	Thomson Reuters Corp	Consumer Discretionary	14.29%
5	Bank of Nova Scotia	Financials	14.29%
5	Barrick Gold Corp	Materials	14.29%
5	Silver Wheaton Corp	Materials	14.29%
6	Sears Canada Inc	Consumer Discretionary	12.50%

Glass Closet Pink Ceiling

Twenty-five presidents and chief executive officers from around the world gathered in June at the Toronto headquarters of consulting giant McKinsey & Company to discuss issues of common concern.

The theme of the conference was leadership, but the conversation came with a twist. All of the executives in attendance were gay, each of them members of the Young Presidents' Organization (YPO), an international support network of 20,000 corporate leaders under the age of 50.

"It was the first time a gay CEO conference had ever been held in Canada," said Andreas Souvaliotis, founder of Air Miles for Social Change, a division of reward-program pioneer LoyaltyOne, and its president at the time.

Souvaliotis described the gathering as a chance to share experiences and showcase Canada as a success story for gay integration. But even as a society known to be accepting and tolerant, there's evidence that the corporate world may be lagging – not just in Canada, but around the world.

"It's stunning that within the YPO, with over 800 members in Canada, I am the only openly gay CEO in this country," said Souvaliotis, who considers the organization a barometer of the larger CEO population. "Out of 20,000 members worldwide we only have about 40 who belong to this global gay and lesbian group within the organization. In other words, just over two in 1,000 are gay."

According to 2009 survey results from Statistics Canada, 1.1 per cent of the population identifies as gay or lesbian. Based on the YPO numbers, the number of gay or lesbian presidents or CEOs represents just 0.13 per cent of that executive population. Worldwide it's only slightly better at 0.2 per cent.

It raises several questions. Are there more top executives out there who have yet to publicly reveal themselves as gay? If so, is it because they worry about the repercussions it might have on their careers? Of those who have come out of the closet, have they experienced it as a career-limiting move – what some in the gay community call the "pink ceiling"? How does the environment in Canada compare, say, to the United States?

"My theory is that the corporate environment lags the general social environment, but not by much," said Souvaliotis. "The business world, by definition, has always been a little stiffer than society in general on this issue."

But the trend is encouraging, he added, pointing out that as boomers retire and corporate employee bases get younger, the workplace is becoming increasingly "colour blind" to sexual orientation.



Does being a gay or lesbian in the corporate world give you an advantage or limit your career?

BY TYLER HAMILTON

Not to say that all industries are on the same path. Souvaliotis said companies in technology, marketing, financial services and other knowledge-based sectors tend to be more orientation agnostic. Blue-collar industries have taken longer to adjust. "The less education and social education required in an industry... the slower the adoption," he said.

An online survey on lesbian, gay, bisexual and transgender (LGBT) workers, conducted in August 2011 by Angus Reid Public Opinion, found that 61 per cent of gays and 73 per cent of lesbians in Canada felt it was important to be "out" in the workplace. But some are still keeping it to themselves. Indeed, of those choosing not to disclose their sexual orientation, three in 10 said they were worried about negative consequences. Half said they didn't feel the need or thought it was anyone's business to know.

Jaideep Mukerji, managing director of Angus Reid Public Opinion, said a not-so-insignificant proportion still believe they will experience social exclusion and ridicule, workplace harassment, or be passed over for promotions. It's a fear that shouldn't exist in the 21st century, said Darrell Schuurman, co-founder of the Canadian Gay & Lesbian Chamber of Commerce, which collaborated on the survey. "Corporate Canada needs to do a much better job."

More companies are stepping up, if the growing corporate partnerships with Pride at Work Canada are any indication. The group, founded in 2008, pushes companies to recognize LGBT employees as a crucial part of a diverse workforce.

Over 40 organizations have embraced the effort, including all of Canada's major banks, several large law and consulting firms, two titans of telecommunications – Bell and Telus – and big name tech giants IBM, Cisco, and HP. Noticeably, only one resource-based company, Shell Canada, is listed as a partner.

"In many ways, the corporate community leads the rest of Canada, particularly in places like downtown Toronto," said George Smitherman, former deputy premier of Ontario and one of the first openly gay senior politicians in Canada.

There may be a bit of a rural and urban divide, and differences between industries, but Smitherman is convinced the gaps aren't as wide as some people think. Indeed, 70 per cent of respondents to the Angus Reid survey acknowledged that their workplace em-

braces diversity of sexual orientation.

Smitherman has his own theory about why more closeted gay and lesbians aren't outing themselves. It's not because of fear so much as a lack of fear, he said. "They haven't been under pressure to self-identify as gay." This contrasts with the U.S., which lacks the cultural acceptance in Canada that came with the Charter of Rights and Freedoms.

"Pierre Trudeau did the heavy lifting in Canada," Smitherman said. "The situation is very different in the United States. They can't afford to be closeted because the progress toward equality has been more stifled. There is a greater need in the U.S. for a sophisticated mainstream gay rights movement than in Canada."

If that theory is correct, Canada may have more gay and lesbian presidents and CEOs than is generally known. There's no pressure to disclose, the public sees it as a non-issue, and for the media it's not much of a headline grabber.

In the U.S., the opposite appears to hold true. When Apple executive Tim Cook took over as CEO after the passing of Steve Jobs, the U.S. media became fixated with his sexual orientation. Cook had never openly discussed his sexuality, so instead he was outed by columnists and pundits as the most powerful gay executive in America. Gay activists, noting there wasn't a single openly gay CEO in the Fortune 1000 at the time, were also eager to have Cook become a role model for corporate America.

An open question is whether Cook would have been tapped for the top job if he had publicly disclosed he was gay earlier in his career? Whether talking about the United States or Canada, is the pink ceiling real, or is it just a perception that's hard to shake?

Two in five gays and lesbians surveyed by Angus Reid said they had directly experienced discrimination in the workplace associated with their sexual orientation, so a problem does exist in Canada. Even Souvaliotis, describing himself as a daring guy who has never held back, admitted he had concerns while being interviewed for his first CEO position eight years ago.

In the final stage of the interview process Souvaliotis was assessed by an industrial psychologist, during which he disclosed that he was gay. He asked the psychologist whether such a disclosure posed a barrier to getting the job. The very asking of the question was telling.

"I paused a bit," said Souvaliotis, adding that such hesitation revealing one's sexual orientation means something is still wrong. "Heterosexual people don't have to discuss it, so the fact gays have to discuss it validates the theory there's still a pink ceiling there."

The psychologist in that interview was Guy Beaudin, a leadership coach and senior partner with consultancy RHR International. He told Souvaliotis that there might be some risk to disclosure, but that doing so would make life easier for him in the long run.

Beaudin, who advises companies from all over the world, said the "pink ceiling" question doesn't have a cut and dried answer. Take the highly conservative culture of the U.S. south. "Most of the guys I know are still in the closet," Beaudin, who is openly gay, said in an interview.

"Also, it gets trickier if you're in a client service business. Internally, there may be no consequences, but it's more difficult to come out to your client." Same goes for consumer-facing businesses wanting to avoid the potential of boycotts.

He also admitted that being gay and on an executive team is different from rising to become president or CEO. "When it comes to the top job there is a bit of a pink ceiling there." But he's convinced it's just a matter of time before it disappears.

Beaudin said his corporate clients are more concerned these days with just getting the right talent. The last thing they want to do is create a barrier to finding that talent, and there is some evidence – as outlined in Kirk Snyder's book *The G Quotient* – that gays and lesbians make better corporate leaders.

"You're much more aware of the world around you," said Beaudin. "Also, the coming-out process does force you to have an awareness of yourself, a certain level of self-confidence, and to manage your emotions and relationships during a fairly difficult process."

In addition to having better coping mechanisms when dealing with crises, gay and lesbian executives tend to have more diverse personal relationships. "That gives you more flexibility in terms of managing a broader, more diverse group of individuals within a work environment."

Smitherman believes he is evidence of that. "I could point out various points in my life when I believe my sexual orientation has been an advantage," he said. "Lots of people might find fault with me, but it's not because I'm gay." 