Saxton Bampfylde

BARRIERS TO ENTRY
DIVERSITY IN REGULATORS

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Regulators must address many roles and challenges. It is perhaps inevitable that people concentrate on their external, market-facing tasks, but there are equally difficult and pressing internal issues for them to address, whether regarding quality, focus or the effective marshalling of scarce resources, or diversity.

Diversity and inclusion are important and increasingly high-profile subjects for all organisations, regardless of sector. Regulators have unusually visible roles to play; they have a unique opportunity to embrace diversity for their own benefit and to have a much wider-reaching influence on the markets in which they act.

Understanding, embracing and increasing diversity is not an easy task. Saxton Bampfylde has been proud to work with many of the UK's leading regulators to help address this challenge and has advised on over 75 senior appointments in the last three years.

We recently spoke to twelve economic and professional regulators on a 'Chatham House rule' basis, asking each about their diversity makeup, policies and strategies, as well as looking at published data more broadly. This short report gives an overview of the challenges people are facing and what they are finding most helpful in tackling those.

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ICE-FISHING

Regulators often have to compete in small markets for niche, technical skills. Unfortunately, many of these (engineering and law, for example) are not exactly bastions of diversity, nor are many of the sectors which regulators oversee. Recruiting the combination of technical and leadership skills regulators need is a serious challenge, with diversity feeling like it sometimes has to take a back seat. Geography plays a part too: the location of a regulator and the local diversity makeup of that area have an inevitable impact (positively or negatively) on its staff.

For those regulators who recruit at graduate level, there has been experimentation with broadening the universities targeted. Many regulators are looking at name-blind recruitment process with several making the decision to implement this.

Effective search and advertising is vital. Search that is limited to existing databases, or which is unable to look beyond the public sector (and indeed beyond UK borders) is inherently less diverse. Equally, search that relies on targeted email outreach and/or advertising alone will be of limited help. Reaching audiences who would not normally see or respond to an organisation's advertisements requires a proactive, personal and altogether more human approach in order to persuade people that they could have a valued place on the team.

Diversity requires more time and dedicated research effort than simply approaching the 'usual suspects', something of which the search industry is often (sadly sometimes with justification) accused.

Giving search partners clear guidance on expectations – and holding them to account – is key. Ask any firm about their track record on diversity and about the resource they will commit to one-to-one research and advocacy during a project. Our experience is that some organisations are much better at doing this than others – amongst regulators and also right across the public and private sectors. Where it is most effective, this is done as part of a genuine commitment to diversity across all strands, which the search firm sees in evidence and recognises is a genuine organisational priority. Where it is less effective is where (as is common) it over-focusses on gender and/or where it feels like lip-service that lacks real conviction from the client.

It is worth noting that it can be very easy for organisations to perform poorly on diversity and then expect search processes to provide a magic bullet. Potential candidates take note of how internal talent has (or has not) risen through an organisation and therefore measure the company's real commitment to diversity through what they see on the SMT and the board – not just what it says it believes in.

> "DIVERSITY REQUIRES MORE TIME AND DEDICATED RESEARCH EFFORT THAN SIMPLY APPROACHING THE 'USUAL SUSPECTS'."

LET THE RIGHT ONES IN (AND KEEP THEM THERE)

Even where organisations are successful in encouraging a broad field of candidates, ensuring that those interviewed and then appointed reflect that initial field is far from automatic. Lack of data does not help here, but for those organisations who do have this level of information (and most do not), there are often concerning trends of candidate fallout as appointment processes progress. Data collection takes time (and therefore money), but it is only with better data that organisations are able to start pinpointing what is going on and where.

Regulators are used to thinking carefully about bias in decision-making and tackling unconscious bias in recruitment and promotion choices is critical. Essentially all organisations we spoke to have at least some form of basic learning for managers on this subject, but some have gone much further – either with greater depth of training (in at least one case this was partially enabled through external funding) or, in one example, through the development of a board game to create a light-hearted, safe space to discuss what are often sensitive issues. E-learning packages are of course better than nothing at all, but there is real risk that they are seen as tick-box exercises to be done whilst monitoring emails or the phone. People are very good at finding ways of not engaging with uncomfortable topics! It is worth noting that unconscious bias testing and training is an area that our commercial clients have put a lot of effort into over recent years.

Not all regulators have formal talent development programmes and fewer have specific diversity-related ones. However, this is something that many people are looking at and experimenting with. One organisation, for example, has pinpointed a bottleneck in diversity, with a good mix at one level translating into a poor one at the level above, and has developed a specific programme to tackle that. Others use coaching and mentoring – whether internally or through existing external networks. One organisation has spent time measuring average performance assessments of individuals from different groups – with worrying results. Without that data, it would have been impossible to spot the issue, let alone begin the far more difficult job of dealing with it.

This is an area that has been a real focus in the private sector, with the implementation of targeted development programmes aimed at supporting issues particular to various groups as they advance their careers. Organisations have also started to question the traditional career routes that people have taken and again are developing a more balanced view of the experiences needed. The traditional need for a graduate programme as the key pipeline to senior executive roles is diminishing (for example in several retailers and professional services firms) and this supports a more socially diverse pipeline. Other examples include shifting from traditional psychometric testing to online games as a selection tool, (again in retail as well as financial services) as a way of attracting a more diverse candidate base.

Internal diversity networks are variable, both in the existence and usefulness of such groups. Many regulators are small enough to make them barely viable. Where they exist and are working well, it is because they offer real value to their members (whether in terms of coaching, career support or simply a sense of community and fun). Senior buy-in – though not control-from-above – is important. These groups have a sense of mutual purpose, not of well-meant but sometimes patronising aid.

Role models – at all levels of an organisation – are hugely helpful. If senior figures are prepared to be open about their sexuality, beliefs or other under-represented characteristics, this offers a strongly positive signal to others to feel comfortable in doing the same.

IN GOD WE TRUST, ALL OTHERS MUST BRING DATA

Overall, the female makeup of regulator staff (50%) mirrors that of the Civil Service more broadly (53%). In terms of BAME staff, regulators were ahead of the Civil Service (15% vs 10% respectively). These numbers drop for more senior regulatory roles, to 35% women and 7% BAME. This is also in line with the Civil Service (38% and 7% respectively). It is hard to draw comparisons on other strands of diversity. These are not always reported on and, even where they are, the reporting rates by individuals are often quite poor.

The generally very low levels are reporting on diversity monitoring (sexuality and disability in particular) is a real problem in understanding and therefore being able to tackle the causes

of a lack of diversity. Raising awareness of the importance and role of reporting, and comfort with the uses of, such data, is clearly crucial. It requires greater commitment and communication from the top if it is to achieve the widespread acceptance it needs for staff to not only comply but to be engaged with why it is so important.

This needs boards which demand and care about the availability and richness of the data, which is highly variable across the sector (as it is in other sectors also). Regulators' bread and butter is their ability to seek, analyse and act on data – as much as any other type of organisation this is an area in which they could help lead the way.

"WHERE STAFF SEE LEADERS TREATING DIVERSITY AS A CORE ACTIVITY RATHER THAN SOMETHING TO BE NOTED IN AN ANNUAL REPORT, EXCITING THINGS START TO HAPPEN."

LEAD THE CHARGE

Board-level engagement with leadership on diversity is key to its profile and traction within an organisation. Some regulators have clearly labeled board champions and/or strong levels of board interest in these issues. This is far from universal and there is unsurprisingly a correlation between how interested the board is and what happens in the organisation as a whole. Where staff see leaders treating diversity as a core activity rather than something to be noted in an annual report, exciting things start to happen.
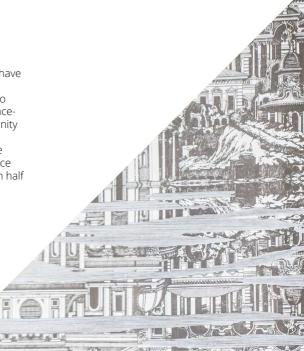
Boards cannot fake this – leaders need a genuine commitment to discussing and promoting their organisations as places where anyone should feel they can do a good job and be appreciated for being who they are. And they need to be open about the challenges and limitations of their own makeup as they currently stand and what they are going to do about that.

Progress has been made in recent years – particularly in terms of gender, where the boards of regulators we looked at are overall made up of 34% women. This is impressive against the relatively poor performance of the private sector (the comparative figures are 22% in the FTSE 250 and 26% for the FTSE 100). But boards and SMTs at regulators remain diversity-challenged places once the focus moves beyond gender and therefore can feel at odds with the rest of their organisations.

KEEP IT REAL

Asked what really 'works' in encouraging diversity, a common response is that you have to build it into the life and business of the organisation. You need to work tirelessly to avoid it becoming a stand-alone, compliance-focussed issue, divorced from the community and activity it is there to enhance. If an organisation can do that and demonstrate why people should care about and embrace diversity, rather than fear or resent it, then half of the battle is already won.

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Saxton Bampfylde has
signed up to the National
Equality Standard

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