Alexander Hughes
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In corporate leadership, age diversity can improve competitiveness

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The proliferation of technology from advanced analytics to artificial intelligence, the internet of things and robotics, is having a profound impact on how business is done, sometimes in unexpected ways. If a firm has minds of all ages in its boardroom or the C-suite, this can make it easier to steer through the disruption, even become a disruptive force in their industry.

The digital technologies bring new challenges and opportunities and put additional emphasis on the importance for companies to be able to understand customers and respond quickly to their shifting desires.

This is where the composition of a company's leadership can make a difference. We observe that the most successful companies tend to be the most diverse in their leadership, from gender to race - and age.

When we ask our clients, which is for them the most important ingredient after gender to foster a mix a thought, roughly 90% of them say age diversity.

Despite this insight this mix has yet to really come about, at least in the U.S. as S&P 500 boardrooms have more directors aged 75 or older than 50 or under.

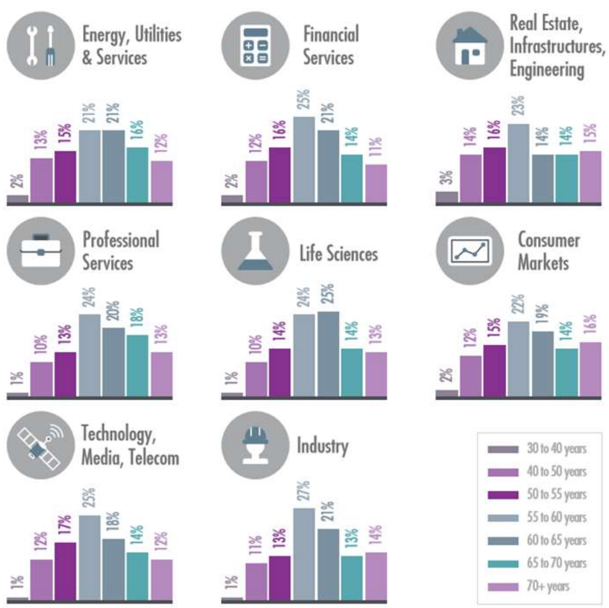
This is not surprising. Seniority in the boardroom - and the C-suite - brings experience to an organization.

These seasoned leaders have been through multiple business cycles and they can leverage the experience gained during their long career to navigate challenges effectively and their younger colleagues benefit of their experience too.

*Source Alexander Hughes Global Corporate Governance Review

In opposition young directors lack this experience and still must hone their skills, which takes time. Mike Steib, the 42-year-old CEO of U.S. media company XO Group and board member of Ally Financial, a leading U.S. bank, said companies shouldn't look for younger people just because, but somebody who brings the capabilities they need.

"The board felt that it needed someone who had particular expertise in consumer digital experiences and business model transformation," Steib said of his appointment to Ally in May 2018 interviewed by Boardroom Resources, a board education platform. "If you look at the sample of people who have [those skills] … it's going to skew younger."



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Youth also is key for addressing the challenges of the digital revolution, both in running a business, competing with disruptive companies, and selling to millennials, who are becoming a leading consumer group with different spending habits and priorities than previous generations.

Some companies are starting to bet on younger executives, such as The Kraft Heinz Co. with the hiring of 29-year-old David Knopf as CFO in 2017. 3G Capital, a U.S.- Brazilian private-equity firm, promoted Daniel Schwartz, then 32, to CEO of its recently acquired Burger King in 2013.

After the 2007-09 financial crisis, there was a large turnover of older CEOs and companies turned to younger leaders not tied to the old regime, helping to find new ideas. But with the economy's return to growth, we observed a general trend: the hiring has shifted back to longer tenured executives in their early to mid-fifties.

This is a sign that companies are constantly searching for the right balance at any given time. Older directors bring the benefit of experience, and younger voices bring the new perspectives, the right mix of the two a competitive advance that can pay high dividends on the company performance.

Global Corporate Governance Review

It is a study conducted by Alexander Hughes teams worldwide on the structure of boards and executive committees of large listed corporations.

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