Mind the Gender Gap
Are boards rising to the diversity challenge?
Foreword

There is now greater awareness of the lack of female representation in the boardroom than ever before. The Davies Report combined with increased media attention has done much to stir the debate.

Views on whether action needs to be taken to improve the situation remain mixed. Some sectors such as retail and manufacturing have a greater proportion of women in executive and non-executive positions than is the case in others such as financial services. This report suggests this is not a coincidence and that women have a better chance of reaching board level in some sectors than others.

The statistics clearly show that progress, although evident, is painfully slow. Unless working practices and the prevailing business culture changes significantly across society so that proactive steps are taken, to enable a much larger proportion of women to genuinely contribute at executive and board level, business will suffer. This research suggests that efforts to really address the crux of the problem are not underway.

Below are key areas for consideration which have arisen from respondents:

• **Focus on increasing pool of talent**

  Focus should not be simply on getting women onto boards but on how to increase the number of women in senior management roles so as to provide a much stronger pool of candidates with the right skills to move into the boardroom.

  A very clear business case for diversity, driven from the top needs to occur so companies have a much more comprehensive programme to proactively take action to identify, support and encourage talented women to stay the course and gain the necessary experience and skills to excel at board level.

  There was strong consensus that there is a need to bring on more ‘professionally-rounded women’ to fill board positions, rather than simply appointing women with niche specialist expertise, in particular citing the administration, legal and tax areas where it was felt female presence is strongest.

• **Adapt culture both in companies and across society**

  Flexible working for all, to allow men and women to share family responsibility more equally, would alleviate the resentment and resistance held by co-workers who do not currently have this option. It was noted by some with international experience, that other countries like Sweden and Norway give men and women better opportunities to balance their work and family commitments; in their view this led to much greater female representation and contribution in the boardroom.

  Gender diversity initiatives are being hindered by poor implementation in both UK and Europe. Senior management intent and commitment is not always being replicated lower down the organisation.

  Implementing gender diversity initiatives may not be enough to achieve a breakthrough in progress. A change of mindset is needed combined with taking a long hard look at company culture to ensure that these are not working against diversity aims.
• **Adapt current recruitment process**

Many companies are applying a tactical approach to solving the issue by requesting executive search firms to provide a higher proportion of female candidates on board level appointments.

The research suggests that boards would benefit from looking at a much broader base of experience and personality criteria when selecting board members. Many of the benefits highlighted in this research are ones that women in particular bring to the board, greater emotional intelligence, a more consensual approach for example. However, these do not always appear to be given due consideration and weight when making main board appointments. This is evidenced by the criteria provided to search firms which often includes experience, qualities and attributes that are not necessary to do the job such as main board plc experience which many felt given the limited supply of women with this experience could be relaxed.

The steps that are being taken in some companies, such as adopting more flexible working, introducing mentoring programmes and setting real accountability goals help but don’t stem the tide. The consequence of this is that a vast pool of talent is being lost. In a global market, at a time when UK plc is struggling to achieve the level of productivity and growth required, a better gender balance in the boardroom must be the right solution.

It is recognised that Executive Search firms can play a role in challenging our clients in the briefs that they give when recruiting board level roles to encourage greater diversity. At Warren Partners, we find that we frequently have to push back on the wording of candidate specifications which can immediately reduce the scope for increasing gender diversity. This thought process needs to be carried through at interview, with diverse interview panels and carefully considered questions. We also have a key role to play in broadening out the selection process to attract more diverse candidates, actively looking for people who have a variety of experience and career paths and, most importantly, different viewpoints. Some headhunters are lazy, fishing in a limited pool and recycling the same old candidates. They often take the safe option of putting forward only candidates who have already done the job, or are in a similar role. This just encourages more of the same. Such headhunters must be pushed harder. They should be encouraged to look around for new sources of candidates, male and female, in different places and sectors.

The alternative to doing nothing would be to apply a blunt instrument such as legislation or quotas which respondents strongly resisted as potentially divisive. The question at this point is which would be worse? Can we really afford to go on wasting such a vast pool of talent?
The Female FTSE Board Report carried out by the Cranfield University School of Management showed that in 2008 only 5% of executive directorships in FTSE 100 companies were held by women and 15% of non-executive directorships.

The latest 2013 figures in the same Cranfield Report are 5.8% for executive directorships and 21.8% for non-executive directorships. This is in spite of the wide-ranging report produced in February 2011 by Lord Davies of Abersoch examining the role of women in the boardroom in FTSE 350 businesses and all the press coverage surrounding the number of recommendations made by his group.

It is clear from these numbers that progress has been woeful but what are the reasons? More importantly should business be concerned? This report of a sample of Institute of Chartered Accountants in England and Wales (ICAEW) members carried out by executive search firm Warren Partners between December 2012 and March 2013 seeks to provide some answers.

In-depth interviews were conducted amongst non-executive board members representing 45 FTSE 350 companies (of which 15 are in the FTSE 100) covering a broad range of sectors. The composition of respondents was 45:3 in favour of male, which reflects the current reality of the gender mix on boards. A breakdown by sector of organisations represented is provided in Table 1 below.

<table>
<thead>
<tr>
<th>Percentage of sample group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Support Services</td>
</tr>
<tr>
<td>Consumer &amp; Retail</td>
</tr>
<tr>
<td>Financial Services</td>
</tr>
<tr>
<td>Industrial</td>
</tr>
<tr>
<td>TMT</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Table 1

The Cranfield Female FTSE Board 2013 Report shows that over two thirds of FTSE 350 companies have female representation at board level. The sample of companies used in this research is slightly better in this regard, with 22.2% of companies having no female board representation. Accordingly this report may paint a slightly rosier picture of the prospects for women seeking to reach the board than would be the case if examining all constituents of the FTSE 350 index.
Are boards rising to the diversity challenge?

Our research highlighted a range of important findings for those in business that are looking to understand why there continues to be a lack of gender diversity to inform the solutions.

Whilst the focus of the questioning was about gender, several respondents made the point that greater diversity was an important consideration and that it was essential that diversity in its widest sense was encouraged and represented at board level and throughout the organisation.

Attitudes towards female representation on boards and their impact on companies

86% of respondents believe that strong female representation at board level is a strength.

61% saw greater female representation as an opportunity to improve board performance.

11% saw female representation at board level as potentially both a weakness and a threat.

Key strengths brought to the boardroom through improved gender balance were seen to be an ability to view things differently, exposure to a broader range of business and life experiences, the adoption of a more consensual approach and a greater degree of emotional intelligence.

Those who saw women as a threat on boards cited disappointment with the level of experience of the women executives they had encountered.

56% of respondents felt that women had a positive influence on business performance. Yet 29% did not agree, with 15% unsure – hardly a ringing endorsement! However it should be noted that a large proportion of the no vote stemmed from a belief that gender was an irrelevant factor in business performance. Most were of the view the board should be more representative of the population as a whole.

Respondents’ views on the positive influence that women have on a business did not reflect a broad business case for gender diversity but tended to be more functionally specific. In particular administration, legal and tax ‘where female presence is strongest’. This may suggest a tendency for women to be siloed in functional roles where they may not gain the broad managerial experience required to progress, either by circumstance or design.

44% believed their sector had impacted their views. Under further questioning it became evident that a fair proportion of those who believed their views were unaffected by the sector they worked in showed distinct sector bias.

What were the key attitudinal drivers?

Attitudes towards women in the boardroom were strongly influenced by personal experience. Respondents’ personal experience had two key aspects.

First their direct experience of working with women. If this had proved to be positive, then having women on the board was welcomed by them. On the other hand where experience of working with women had been negative, then at the very least it led them to question whether gender was a factor in their failing to work well together.

Secondly attitudes were impacted in instances where family members, mothers and daughters worked outside the home, especially in male dominated sectors like financial services or engineering. 50% of respondents said that their views have been influenced by family members’ own experience. Respondents’ pride in their family’s achievements made them more aware and appreciative of the positive contribution women made to business. This was especially true of people where a close female member had worked outside the home. In these cases 86% of respondents agreed that women have a positive influence on the performance of the business which couldn’t be achieved without them, compared to just 56% of people for the study as a whole.
What women have done in the boardroom to facilitate their success?

Interestingly, this question evoked a wide variety in opinion from respondents. One theme which emerged was that successful women had behaviour similar to male counterparts. They were seen as hard working alpha males in a dress.

Also successful women were felt to be those who used their influencing skills alongside networking skills, ensuring that they were visible.

Where are we now?

Strong dislike of the introduction of quotas

While there is overall acceptance that women are underrepresented, respondents held a strong and almost universal opposition to the idea of introducing quotas on the number of female executive or non-executive directors that sit on boards.

The preference would be to establish a much larger pool of female executives with the necessary skills and experience from which to select board members on the basis of merit. The prevalent view is that positions should be awarded on merit irrespective of gender and that increasing diversity should not be confined to gender.

Pressure to achieve greater female representation at board level is growing

Whilst the majority of respondents agree that pressure to appoint a larger proportion of female board directors is growing, only 50% of the sample had witnessed activity designed to discriminate in favour of achieving more female board level appointments. In the majority of these instances Executive Search Partners were asked to provide a greater proportion of suitably qualified female candidates.

Proactive appointment of women to board roles

The sample was split evenly at 50% on whether they had seen women being proactively appointed to board level roles. Those that said yes cited examples where headhunters had been instructed to provide a shortlist with a proportion of female candidates. There was no suggestion that female employees were being ‘fast tracked’ and promoted over their rivals in an effort to accelerate the base of experience they would need to achieve a board level position. The problems centred around two factors, the lack of a pipeline of women coming through businesses and the fact that very little was being done to encourage women not to leave the workplace in their mid-30s, where the loss of female talent is greatest.

Furthermore, some of those surveyed believed that a proportion of women are being appointed to boards simply to meet Davies Report criteria and not on the basis of merit. It appears that women board members do encounter prejudice. One female board member recalled the time she felt patronised. A male colleague referred to her as ‘girl’ and then expressed open amazement that she had been appointed to a particular board.

The adoption of flexible working arrangements is a source of resentment

78% agreed that this was the case. The requirement that some women had for flexible working arrangements, in order to balance the needs of children and family life did have an impact on how women were perceived by their colleagues and this was largely negative, especially in cases where those with flexible working arrangements were promoted. Consequently employees are reluctant to ask for flexible working arrangements, electing to leave instead. This has had a profound impact on particular groups such as women in their 30s who are seeking to balance work and family commitments.
A culture of long hours, peer pressure to be seen to perform and resentment from others if women are thought to have ‘preferential working conditions’ because of their family commitments, make women reluctant to demand flexibility.

This study found that flexible working arrangements were more acceptable and prevalent in some sectors than in others. Sectors such as retail where flexible working arrangement were more prevalent tended to have greater female representation at board level than those sectors who took a more ‘traditional’ stance. That said progress overall is pretty disappointing so no sector can claim really significant progress.
Main Findings

Attitudes towards female representation on boards and their impact on companies

When considering the impact of female representation on the board there was agreement among participants with 86% of respondents seeing female representation as a strength and a further 61% of respondents feeling that female representation at board level presented an opportunity for the business to improve. Though a third of respondents saw gender as being irrelevant or were unsure one way or the other.

Those that viewed women on the board as a threat did so, on the basis that ‘women often lacked the necessary skill and experience to excel at board level’ or on the basis of a more general view drawn from previous negative experiences of working with women in the past. There was some ambiguity as to the prevalence and importance of one over the other.

Female influence on the performance of the business

Table 2

The majority of those questioned felt that women have a positive influence on the performance of the business which cannot be achieved without them. This view was held particularly strongly by those in the retail and consumer sector, sectors which are heavily influenced by female consumers, and it was felt that where stakeholders are female, it is vital to reflect this in the boardroom. Others claimed that women bring a different perspective which improves decision making at board level.

The strengths which it was felt women bought included:

- Inherent ability to view things differently from men.
- Higher emotional intelligence.
- Exposure to different life experiences.
- More risk averse and more consumer-centric.
- Bring a valuable consensual approach to the boardroom which is a voice ‘worth hearing’ and facilitate wider debate and helping deter ‘group think.’
- Civilising effect on behaviours at board meetings. Women were perceived as less aggressive, bringing added calm and thoughtfulness.
- Enhancing its overall quality, particularly on the cultural and behavioural aspects of business and customer behaviour.
A number of respondents were of the view that women’s positive influence on a business is largely function-specific, in particular citing the administration, legal and tax areas where it was felt female presence is strongest. However, 29% of respondents felt that women do not have a positive impact on business performance; this indicates that the business case for gender diversity has still not been made convincingly enough.

Most were of the view the board should be more representative of the population as a whole. In the eyes of many, influencing the business is down to an individual’s ability rather than their gender.

15% of respondents found this a difficult question to answer and were not able or willing to decide one way or the other. This was a surprisingly large number and suggests that the debate has become an increasingly sensitive business and social issue.

Sector impact on views

44% believed their sector had impacted their views. Under further questioning it became evident that a fair proportion of those who believed their views were unaffected by the sector they worked in showed distinct sector bias.

Many respondents talked openly about chauvinist attitudes that existed in their own sectors or that they perceived to exist in others.

The majority of respondents were able to identify sectors where women play a more prominent role and those where women are a small minority. The respondents’ view was many companies in the sectors where women are a small minority would not think of hiring a woman on their board, though the reasons given were the small female talent pool with the specialist skills and strategic experience required.

- These respondents highlighted that some sectors such as financial services, engineering and property were considered to be very conservative and male-dominated.
- The consensus was that the property sector in particular has a poor track record when it comes to maintaining women in P&L responsible roles. Their graduate intake is 35% female but they lose people once they have had families and retaining them and ‘broadening’ them post-family is very difficult.
- The retail sector was viewed as being far better than the majority at retaining female talent, as they are disproportionately active consumers and thus provide a greater depth of consumer insight. Nevertheless, it was apparent that there is still a shortage of female talent within this sector. One respondent described how his company’s flagship product is aimed at women and yet they did not have any women on the board because of the difficulty involved in finding women with the right skill set.

Respondents had witnessed efforts to recruit women onto graduate schemes and into managerial roles; however, women rarely came through to board level. One explanation was that companies often find it hard to retain women after they leave to have families.

The general consensus was that women have qualities and attributes which can add value to any board but often lacked the breadth of experience required for the role. There was wide recognition that male dominated sectors and male only boards were not optimal and that more suitably qualified women at board level would be advantageous.
17% had no experience of working with women. The remaining 83% of respondents who had worked with women held a largely positive view of their value and contribution to business. For example, of those respondents who had had a female line manager 83% agreed that women on the board had a positive influence on the performance of the business.

Personal experience was a significant factor in attitudes to women in board roles. Those who had bad experiences working with women tended to hold a more negative view than the average. In spite of the positive view overall, respondents stated that bad working experiences did not heavily influence or inspire their views about diversity in the boardroom.

Typical of the sentiment expressed was that women were treated like any other board member, those that did recall negative experience tended to intimate women were:

- Generally functionally very strong but lacked previous board experience which hindered their ability to interact with the board effectively. Thus these women were less influential than they might otherwise have been.
- Cited a shortage of suitably qualified women and believed women lacked commercial acumen, as generally women’s experience was seen to be limited to a head of function role rather than broader management.
- One respondent highlighted that their experience of women in a line manager capacity was that they were unnecessarily aggressive, overcompensating to justify their position in a role.

What were the key attitudinal drivers?
How has experience of working with female colleagues influenced perceptions?

The influence of personal experience on perception of diversity in the work place

We asked respondents to consider their views on diversity in the work place from the paradigm of their personal and family life. In particular, we asked whether experiences of female family members who had worked outside the home have shaped their opinions.

When asked, 50% of respondents said that their views have been influenced by family members’ own experience. More significantly our research suggested that those with female family members who worked outside the home were more likely to believe that women had a positive influence on the business. For example 86% of those with a working female family member believed that women had a positive influence on business vs. just 56% overall.

These results suggest that the presence of female family members who work outside the home has a very significant impact on attitudes towards women in the workplace and to how positively predisposed they are towards them. One respondent said that his daughter was a police officer and another that his daughter was in construction and both stated that their children’s successful careers in professions which can be perceived as male-dominated have greatly impressed them.

What women have done in the boardroom to facilitate their success

Interestingly, this question evoked a wide variety in opinion from respondents. One theme which emerged was that successful women had behaviour similar to male counterparts. They were seen as hard working alpha males in a dress.
Generally female high performers were seen to be:

- Extremely diligent and often more aggressive than men, which some respondents believed set a poor example for other women looking for board-level posts.
- Other respondents were of the view that some high performing women had subjugated their family life to work. Several respondents remarked that they did not know anyone who has taken flexible working and subsequently been appointed to a board. There was a general view that most female board members have husbands who are not working, are not in conventional roles or are non-executives with former executive careers.
- A number of respondents believed that women who have been successful have done so because of their exceptional ability to influence others rather than because of specific skills or experience. Women who used their influence were understood to have great networking skills, ensuring that they were visible.

Many of those questioned emphasised how women with board experience had typically gained it earlier in their career than their male counterparts. A number of respondents were aware of women moving to the USA in order to ‘break through the glass ceiling’ gaining both international and board experience.

Where are we now?

Impact of the Davies Report on businesses’ attitude to women

It is noticeable that opinion among respondents was deeply divided about the impact of the Davies Report and the broader surrounding issues.

55% of respondents felt that their businesses’ attitudes to women had changed since the publication of the report. Many mentioned that they felt that the level and profile of debate has been raised immeasurably since the report.

Positive impact

- There is now a far greater willingness to instruct headhunters to find female candidates and there was a shared belief that search firms can add value in the area of diversity. Indeed a number of respondents framed their answers around the appointment of non-executives and what headhunters could do to address diversity.
- Most respondents agreed that the publication of the report had clearly raised the profile of the issue and that more companies were now increasing the proportion of women within the pools from which they are selecting candidates. This was felt to be the best way forward.
- More generally respondents indicated a much greater desire to appoint women to the board, even to the point where some felt that they might be seen negatively if they did not.

Negative impact

- Conversely at least three respondents felt that the impact of the Davies Report has been negative. They stated that boards and chairs in particular have been reacting against a prescriptive approach and any suggestion of quotas in particular.
- One respondent mentioned that they had encountered women who felt uncomfortable amid the current pressure to appoint females to boards in case their presence in the boardroom was perceived to be a result of their gender and not their ability.
- A number mentioned women they knew of who had felt undermined since the publication of the Davies Report.

Neutral impact

- More broadly, those who felt that the report had not influenced behaviour emphasised their strong belief that appointments should be on the basis of merit alone.
The introduction of quotas, if the gender diversity targets recommended in the Davies Report are not met, was almost universally condemned. Supplying a greater number of suitably experienced and talented women executives from which to select was seen as the way forward. And many felt that, by focusing on the numbers of women in the boardroom, the Davies Report had missed the broader issue of female under-representation at senior managerial or executive level and that there was less evidence of what is being done within organisations to nurture, promote and retain female talent.

Table 3
How is it happening?

- Businesses engaged a headhunter to provide a shortlist with an agreed proportion of female applicants.
- On some occasions these were all-female shortlists. One or two respondents were of the view that female only shortlists would ‘never be acceptable’, suggesting that to some respondents no meritocratic short list could ever be 100% female.
- It was noted that even when requests were made to headhunters in some cases the result had been hampered by a lack of suitable candidates.

This suggests that this practice is becoming increasingly widespread as companies seek a quick and expedient way of achieving greater board diversity. The downside of this is that some respondents said their views of female-biased shortlists have been jaundiced by witnessing an appointment which has been unsuccessful.

Among those who have not witnessed proactive promotion of females there was a universal recognition that pressure in this direction has increased significantly, but all respondents recognised that there was a shortage of talent to be in this pool.

What could still be done?

- Several respondents discussed how the recruitment process could be tailored in the light of the report. For example, in the past board level appointments might have required previous Plc board experience. Given the limited supply of female candidates with these credentials respondents felt such criteria could be relaxed.
- One respondent observed that as main boards decrease in size women will have fewer opportunities to accrue board-level experience. Therefore the UK might emulate the European practice of utilising strategic advisory boards more. Such boards might provide women (and indeed all candidates) with appropriate experience for board appointments.
78% of respondents believe that a requirement for flexible working arrangements for some women has had a negative impact on how women are perceived by their colleagues.

Flexible working arrangements

The overwhelming majority, 78% of respondents believe that a requirement for flexible working arrangements for some women has had a negative impact on how women are perceived by their colleagues.

Table 4

Resentment that these women ‘had an easier time of it’ – even though most accepted this was the only way these women could remain at work – was evident. Many respondents felt this was part of the reason for the high incidents of women stepping off the career ladder in their mid-30s. This might also explain why the dropout rates remain high, even in businesses with flexible working arrangements.

A theme that was raised several times was the demanding nature of large ‘P&L’ roles within a major business. The view seems to be that more senior roles, with commensurate demands on time and especially travel are incredibly hard for female groups such as women with children to undertake. The high visibility of such roles means that if they are not ‘seen doing the job’ it can be viewed as an issue.

Other views given included:

- In certain businesses, asking for flexible working arrangements is either unfair on the employer or simply not practical, particularly in industries with ‘more traditional’ working practices, often resulting in the employee stepping back altogether.
- In some functions, flexible working arrangements can be accommodated more easily than others i.e. in HR or finance, flexibility was easier to accommodate without an adverse impact on the business.
- One respondent felt that flexible working can lead to great resentment among others for whom such options might not be available, especially if the recipient is able to progress as a result of such arrangements.
- Two respondents mentioned that new technology should be changing the working landscape making flexible working more acceptable.
- Others felt that non-standard working arrangements can be beneficial but that such arrangements need to work both ways stating that there may be times when working a seven day week might be imperative.
We found that financial services in general and investment banking in particular are seen as being the most hostile to non-standard working arrangements while retailers seem most accepting.

Among those who feel that a requirement for flexible working arrangements does not alter peoples’ perceptions of women, the most commonly expressed view was that this might have been the case in the past but is much less prevalent today. However, our study suggests attitudes are the most significant barrier to the widespread adoption of flexible working arrangements.

Have women been afraid to ask for flexible working arrangements?
A clear majority of 61% of respondents felt that women are afraid to ask for flexible working arrangements.

A number of reasons were cited for this, including:

- A possible fear within smaller companies of the damage which might be done by a female being out the office for long periods.
- The fact the women that are already in leadership roles might have achieved this without recourse to flexible working arrangements. Consequently there appeared to be no obvious role models who had successfully ‘blazed a trail’ or if they had they didn’t advertise the fact. Some felt this fear is receding and in some organisations such fears were believed to be totally misplaced.

Research method
In total, 45 qualitative in-depth interviews were conducted by Warren Partners between December February 2012 and March 2013.

These were conducted by telephone and lasted approximately 30 minutes.
About Warren Partners

Founded in 1999 we are now one of the largest independent executive search firms in the country. We have 34 people operating from offices in Cheshire, London and Edinburgh.

Warren Partners are devoted to placing and supporting exceptional executive and non-executive directors in roles where their talent is utilised to best effect.

We specialise in finding, nurturing and advising leaders who have that special combination of skills, temperament and capability that enables them to inspire and to lead, to challenge and to innovate - to move businesses from being merely good to being great.

At Warren Partners, we believe that working with extraordinary people – whether they be clients, candidates or colleagues – is a privilege that has to be earned. As a consequence, we strive to set extraordinarily high standards for ourselves by being adventurous in our thinking and ambition, rigorous in maintaining the very highest professional and ethical standards, generous in our dealings with others, and commercial in the way we go about our business.

If extraordinary is what you are, or what you seek, then trust us to help you.

To find out more

Please visit: www.warrenpartners.co.uk
or contact our team on 0845 261 0600