

Progress to Achieving Gender Diversity on Boards and in Senior Leadership of FTSE 350 Companies

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Wednesday 13th November 2019 will see the publication of the Hampton-Alexander Review's (the Review) annual report on progress to achieving gender diversity on Boards and in senior leadership of FTSE 350 companies.

The Government backed Review, with KPMG as corporate sponsors, is a voluntary business-led initiative, requiring action from all key stakeholders. Importantly, in 2016 the Review set a target of 33% women's representation on FTSE 350 Boards and in the two leadership layers below the Board, the Executive Committee and Direct Reports combined, by the end of 2020.

The 33% target for FTSE 350 companies captures 23,000 leadership roles in Britain's largest companies, making the UK's voluntary approach to improving gender equality at the top of business, arguably one of the biggest and boldest of any country so far.

This year marks the fourth year in which FTSE companies have submitted their leadership gender data, the composition of their Executive Committee and the layer below the Direct Reports to the Executive Committee. The report shines a light on those who have reached and exceeded the 33% target, both on Boards and in senior leadership, as well as those who still have a lot to do. This year's report will also provide a detailed analysis on the gender split of key

functional roles, Finance Directors, HRDs, Company Secretaries and Chief Information Officers.

However, the UK's journey to understand why so few women were reaching the top of British business and setting out a plan to do something about this, began in earnest in 2011. The incoming Coalition Government set up the Davies Review to explore why, when women made up half of the population and for many decades had made up half of all graduates, were they so poorly represented on British boards.

It was clear from the beginning that there was a critical economic point, as well as a moral issue at stake. It stands to reason the UK will do less well if we systematically underuse or ignore the talent of half of the population, yet it would appear business had been doing just so for many decades.

The Davies Review set ten recommendations, including a target of 25% women on FTSE 350 boards by 2015 and a series of actions for all key stakeholders – Chairs, businesses large and small, headhunters, Government, Investors and women themselves.

The 25% target for women on FTSE 350 boards was met in 2015 and this successful start, led to the Government commissioning a second, successor review the Hampton-Alexander Review.

In 2011 the focus centered on the business case, using the language of business, talking targets; the benefit of diverse perspectives; picking from the whole of the talent pool; mirroring the customer base and the reputation of British business on the global stage. Today, the business case is clear and the bar is set much higher. Many companies are aiming well above the current 33% target, working hard to achieve true gender balance across all of their leadership roles and reaping the benefits in doing so.

This far down the road, most leaders know the right words to say and most companies have initiatives in place to plug the shortfall of women at the top. However, the real litmus test, the real indicator of progress can be seen in the data. When the number of women

occupying leadership roles increases every year, this is both an indicator and enabler of a more inclusive corporate culture. When different opinions, educational backgrounds and life experiences are brought together at the decision table, this is good for business, with companies evidencing diverse teams deliver improved financial, operational and safety performance. An inclusive culture also ensures women, and all those who bring diverse perspectives - can truly thrive and achieve their full potential.

A rich data set has been built up over the years, both on boards and now also in the two layers of senior leadership below the board. Every single appointment male or female into and out of 23,000 leadership roles is captured, either via public sources in the case of board representation or via the Hampton-Alexander portal for the senior leaders. The data is analysed by the Department of Business, Energy & Industrial Strategy, together with the Government Equalities Office at the end of summer and the process culminates in the Review publishing its annual report in November, showing progress in the aggregate for the relative FTSE index, by sector and by individual company.

The companies that have made most progress are addressing gender inequality in leadership as they would any other business issue. They have a clear plan, a set achievable targets and a sensible budget, have determined a small number of highly impactful initiatives and are robust and purposeful in their endeavours. All levels of the organisation are involved, men and women, long servers and new recruits. They are transparent about progress, have checks and balances in place to remove bias and share both successes and frustrations.

It is clear now that change doesn't come from doing the same things. If a different result is required, people have to think differently, to innovate and boldly challenge norms. They have to 'lift the lid' on all people processes - hiring, promotion, evaluation and pay practices, and they have to manage the 'outflow' with equal attention to managing the 'inflow'. It is no co-incidence that the companies leading the way have re-engineered their thinking, practices and ambition on diversity in leadership. They are busy embedding equal parental leave polices or robustly tackling the shortage of women in STEM, adopting agile working by default, using batch or blind hiring, introducing reverse mentoring schemes, banishing unhelpful myths or outdated stereotypes, and much more. The gap between companies seriously addressing gender inequality at the top and those going very slow or worse quietly blocking progress, has never been more obvious.

The UK's voluntary, business-led approach is clearly working and without legislation, fines, penalties and other penal measures that many European countries have in place. Leaders in British business should congratulate themselves on what has been achieved in a relatively short period of time, in particular those leaders that have driven this from the front.

In 2011 women made up only 12% of board seats in the FTSE 100. Today they make up over 32% in the FTSE 100 and over 30% on FTSE 350 boards overall. Of the 152 All-Male boards in 2011, now only 2 remain. This arguably represents one of the biggest demographic shifts in business in post-war Britain. An additional 800 women have been appointed to FTSE 350 Boards, who without the collective effort

of business and all stakeholders would otherwise be waiting in the wings for their place at the top table.

A previously career-limiting, water cooler conversation had become a core and mainstream business topic and there is clearly no shortage of competent women, ambitious for their field of expertise and for themselves. Women and the contribution they are making in leadership, has never been more welcomed or visible and is benefitting everyone in the workplace.

Around half of FTSE 350 companies have already met or exceeded the 33% target, or are well on their way to doing so, with the other half a long way to go to meet the target and just over one year left in which to do so. There are no more women CEOs than in 2011 and only 25 women Chairs in the FSTE 350 - which means 325 companies are currently chaired by men.

There are still over 40 FTSE Boards at "One and Done". These are largely companies that appointed one woman several years ago, with no visible or viable strategy in place to change and dragging overall progress downwards. The 33% target is a collective effort and it is incumbent on every company listed in the index to play their part - these companies need to get with the new norm, today one woman is little different to none.

In addition, there is the question of what to do with the few All-Male boards and the many more All-Male Executive Committees, many of whom remain resolutely male and showing little appetite for change. Governance teams, in fact all key stakeholders, employees and customers included - along with Government as we approach the end of 2020 - need to ask themselves, is that OK? The response from most will be that women leaders now such a valued and fundamental part of how we do business in the UK, that gender balanced leadership is part and parcel of being a public listed company and today a basic license to operate.

Each and every one of us have a role to play in promoting equality, both men and women and no matter our age or position within the organisation, nor whether you have been there two weeks or two years. We all have power to effect change and walk taller for using it.

Many thanks to all the companies, their directors, leaders and governance teams working hard to create a diverse and inclusive business culture in which all individuals can truly thrive.

We look forward to sharing progress in this year's report published on the 13th November 2019. ■

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