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## **The Road to Representation – CFO World (2012)**

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The current waste of under-utilised educated, female talent in the UK is costing our economy billions.

The business case for more women on boards is a conversation of yesteryear. Academic evidence abounds regarding the benefits of boardroom or senior team diversity in terms of better decision-making, greater innovation and creativity, better corporate governance, less group-think, less insolvency, better talent management and market responsiveness. Some seem stuck on the necessity to prove a causal link between adding one female non-executive (NED) director to a board and an impact on the bottom line performance of a multi-million pound organization. It is an all but impossible task and not one that anyone tries to do when considering adding one male NED to a board! The more important dynamic is the performance of the board.

In February 2011 Lord Davies and his Steering Committee published a report on women on UK PLC boards. The report made ten recommendations to various stakeholders involved in the issue of women's representation on boards. It acknowledged the glacial pace of change over the previous decade and accepted evidence provided by Cranfield's Female FTSE Reports that in the UK we have substantial numbers of talented, educated, experienced senior business women who are capable of taking up non-executive positions and creating a better balance in the boardroom.

The recommendations were aimed at making a step change in women's representation at board-level and set a target for all FTSE 100 companies of 25% by 2015. At the time a quarter had already achieved this but 21% still had all-male boards. Whilst the report hoped that business will address this issue for itself, it made clear that the government retains the right to further intervention should insufficient progress be made. Chairmen, CEOs, the Financial Regulatory Council (FRC), the executive search firm (ESF) community and the institutional investors were all targeted with recommendations from Lord Davies.

The ESFs came together and issued themselves a Code of Conduct to address gender diversity in the appointment process and a recent report shows they now actively engage with Chairmen on this issue.

The FRC held open consultation on changes to the Code of Governance and have instructed that boards should have a boardroom diversity policy, with measurable objectives and annual reporting.

The institutional investor community has responded strongly, led by Helena Morrissey, who now has companies managing £1.8trillion of investment signed up to the gender objectives of the "30% Club".

Senior Chairmen and prominent CEOs who 'get' this have joined Lord Davies (ex-Chairman of Standard Chartered Bank) in his vociferous quest and the UK's business media is also largely supportive. After several years of debating *why* we need more women, the journalists' conversation has moved on to *how* to make it happen.

The last 18 months has seen great progress with double the percentage of new board appointments going to women than in previous years and an increase in the percentage of women on boards of 5% - pretty much the same growth that had taken a decade earlier to achieve!

But let's put this into perspective, women, who make up more than half the population, 47% of the workforce, have been in business for two generations and out-performed academically for almost two decades, still after all this fantastic work, only account for 17% of seats on the FTSE 100 boards. The figures in the FTSE 250 and smaller listed companies are lagging even further behind. And the increase has come almost entirely in non-executive seats. When we break the 17% down it is made up of only 6.6% executive board seats being held by women and 21% of NED positions.

However, that was always where the 'quick wins' were going to come. Cranfield data has shown over the years that we have the pipeline for female NEDs (and we only need another 150 women to reach critical mass that will embed culture change). This is step 1. The longer-term struggle was always going to be the executive pipeline. Interestingly, a current Cranfield project shows accountancy qualifications and the CFO function is proving to be a more feasible route to directorship for women than other functions.

After a decade of various initiatives in investment banks, professional service firms and large PLCs, the executive pipeline still leaks women at every stage. Many organizations do not monitor this and lazily blame it on motherhood. Research shows this is rarely the whole answer.

Companies need to learn together and share what works in the retention of women. Research and measurement can help. The way we work needs change, for men's and women's sakes. It is within our gift to make this happen and bring our companies, not just our boards, into the 21<sup>st</sup> century.