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Boardroom Balance

The Economist magazine, that stalwart of free trade and globalisation, devoted its New Year issue to a celebration of women's progress in the world of business. Its cover featured a picture of a woman flexing her muscles, reminiscent of a soviet-style proletariat, under the headline "We did it!" The issue described how women have been "taking a sledgehammer to the remaining glass ceilings." It suggested that the job has been done and it is just a matter of time to "let the market do the work" – a view that seems common amongst UK businessmen today.

However, at Cranfield we have been monitoring the glacially slow progress of women through the glass ceiling to the corporate boardrooms of the UK's largest companies for over a decade in the annual Female FTSE Report. In 2009 the percentage of women on the boards of the FTSE 100 companies was only 12.2%, having increased by just five percentage points in a decade. The figure for female Executive Directors on those boards is just 5.2% and a quarter of FTSE 100 boards are still all-male.

This low representation of women on Britain's top boards is despite over 30 years of equality legislation, government and corporate governance reports calling for greater diversity in the boardroom.

Evidence suggests it is a lack of access to influential networks, inhospitable boardroom cultures and opaque appointment processes that are the real barriers. Governments around the world recognise that the market alone will not solve the problem and some are recommending targets or quotas for greater gender equity at board level. Norway has mandated at least 40% representation of each sex on the boards of publicly quoted companies since January 2008. There can be no doubt that the quota law has led to substantial change allowing the country to achieve its societal aim of relative gender equality. There is still debate as to whether it has been good or indifferent to businesses themselves. But there is no evidence of businesses imploding and new academic evidence emerging suggests that the new female board members are more qualified than their male counterparts; and are making significant contributions. Interestingly, increases in the proportion of women on boards in private companies are almost as great as in those mandated to do so.

On the other side of Europe a very different culture is also pushing through change. With a new Governance Code in 2006 and Equality Law of 2007, Spain's government has given the leaders of its publicly quoted companies until 2015 to attain 40% representation of each sex in the boardroom. The law recommends rather than obliges, but it is clear than any company wishing to work with public administration or procurement needs to heed the recommendations.

The law has sparked much debate and a flurry of activity in terms of initiatives. Concern has been expressed in the media by women that they will be perceived as filling a quota rather than being considered worthy of their roles. However, previous and current experience in Norway and Iceland suggest that this would not be the case. Research shows that having a critical mass of 'different' individuals (which is believed to be three) is the key as to whether the different knowledge, values and experience is leveraged to maximise their contribution. Whilst there have been significant increases in Spain (from 6% to 9% female board directors in three years), if the Spanish government is to reach its target, substantially more appointments need to be made.

Other countries are now following suit. The French government is preparing legislation requiring state-owned enterprises and publicly listed companies to have 40% women on their boards within six years, with an interim objective of 20% within the next two years. In Italy, a proposal of 30% women on boards is currently being debated.

In Australia, a new Governance Code set by the Australian Stock Exchange Council requires individual companies to set gender targets at board level and below on an 'if not why not' basis, with a 'threat' of legal action if these are not met. This 'quota threat' is still seen as active in Sweden, where recommendations dramatically increased the gender balance but failed to hit targets. Unlike Norway, in Sweden the government backed down from implementing sanctions.

So we see action being taken in a range of countries where the political, societal and business cultures and histories are very different. But what about the UK? The idea of any kind of target or quota is a highly contentious and emotive one. It goes against the concept of meritocracy that the British want to believe in. Meritocracy is a noble ideal and in theory works when all other things are equal and the playing field is level. But the evidence showing that the reality is anything but a level playing field is so overwhelming, that it cannot be ignored. If you ask senior women whether they want quotas, their immediate response is 'no'. But talk them through the reality of their career prospects and many reluctantly concede that they do not otherwise see sufficient change in their lifetime.

One of the most vocal arguments against any kind of targets is that of the lack of supply of suitable female candidates. Our research would refute that argument as we found over 2,200 women in the pipeline at director or executive committee level of over 1,500 FTSE listed companies. In order to meet its 40% quota, Norway had to find 1,000 new female directors. This they achieved successfully, from a population of only 4.5 million. If the UK added just 100 women to the FTSE 100 boards, this would substantially change the landscape at that level, and almost double women's presence. Is that really so hard to do from a population of 60 million? MF

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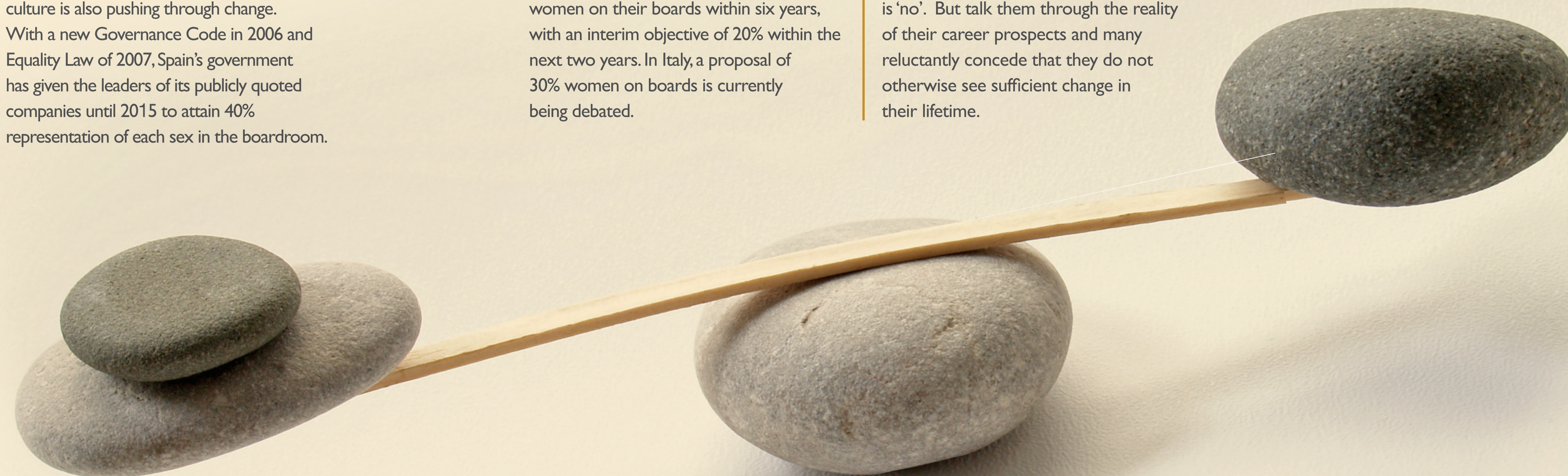

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