

Precis of presentation by Janette Rawlinson, Just Real Solutions to wiba 21/7/11

Diversity – the business case

- A diverse workforce is **critical to business success**.
- The constantly changing social and economic climate pose many challenges to business.
- The diverse richness of the West Midlands region provides opportunities.

Businesses that adopt a positive approach to managing diversity in the workplace say it **allows greater access to new markets** and are **better positioned to gain a diverse client base**.

It is proven that diversity can **increase productivity, morale and motivation**.

Workplace diversity **recognises people's differences, creating an environment where everyone feels valued, talents are fully used and supports business to maintain its competitive edge**.

- Approx 11.3% WM population (5319900) ethnic minorities
- More than 10,000 people with disabilities graduate each year
- People with disabilities comprise one fifth of total working age population in Britain.
- 8% workforce is from an ethnic minority background.
- By 2013, only a third of the workforce will be male and under 45, women make up half the workforce, double the number 25 years' ago.

CSR offers opportunities to develop skills for workplace and gives people chance to develop skills and confidence outside their immediate work environment

The cost of inequality = financial and emotional (social cost e.g. hatred, fear)

'Equality' = legislation, policies, procedures

'equality' = emotions, fears, disappointments, frustrations, discrimination

There is a price for E and the cost is 'e'

- Inequalities cost us growth as a country, economy and markets. The Women and Work Commission **says £15-23bn is the gap for women. People with disabilities 30% more likely to be unemployed than able bodied.**

- Research shows **companies with more board level women enjoy 42% higher return on sales, 66% higher return on invested capital and 53% higher return on equity than rivals.**
- Gender balanced boards **better able to understand their gender balanced customers and stakeholders** as well as bringing different perspectives, ideas and challenges to cut through group think.

It makes no sense to have half the available skills sitting outside the boardroom. The **losers are not just women** who don't make it to board but **companies and their shareholders.**

Reasons cited such as 'lack of suitable or available female talent' do not stack up. Just because not highly visible at golf days, awaydays or the bar, doesn't mean it isn't there.

Gender bias is so hardwired in companies whose structures were designed by and for men that **women are prejudiced against their own sex, often unconsciously.**

Penny de Valk, CEO of ILM said 'the new targets must not result in helicoptering women into top roles'. Yet this has gone on for years with male candidates.

Another woman said 'quotas will create a false environment'. How does that differ from one where many Non Executive Directors are nodded in through the old boys' network without interview?

Davies' review published in Feb 2011 makes interesting reading. **80% who opposed quotas were women** – afraid they would devalue women's contribution. However the current situation prevents them making much contribution at all!

4 out of 10 Norwegian directors are female since introducing quotas in 2008 without any major corporate collapse.

Prof Susan Vinnicombe, (Cranfield) has produced the **Female FTSE board report** for the past 10 years **demonstrating an increase in the improvement pace in the number of board positions held by women almost everywhere in the world, except UK and US.** UK has plateaued around 12% for 3rd year running whilst **US stuck at 15% for the last 5 years.**

2010 report - **of 1076 FTSE 100 board roles, only 135 (12.5%) held by women and last year only 13.3% new appointees were women. Only 8% FTSE boards have women members. Still 18 FTSE100 and half FTSE250 companies have no women on the board.**

Of these 18, 8 have persistently denied board places to women for at least 5 years. Of 323 exec directorships within FTSE, only 18 are women. 179 women sit on exec committees of 82 FTSE 100 companies.

Other countries' approaches:-

EU Fundamental Rights' Commissioner Viviane Reding stated **unless companies change** their numbers voluntarily, the **Commission will legislate mandating 20% board members should be women.**

UK ranks 5th out of 13 EU countries according to Grant Thornton's International Business Report.

Poland has highest number of women senior managers in EU at 31% followed by Sweden at 30%.

UK lags behind China and Brazil where women occupy 31% and 29% boardroom seats respectively.

Germany only 2.2% senior management positions occupied by women.

In **France 40% quota** for supervisory boards at their largest companies introduced Jan 2011 with quotas to be met **by 2017.**

Spanish companies have until 2015 to achieve 40% and **Netherlands** working to **30%.**

Norway mandatory for boards to have **at least 40% representation by women.** Several women on multiple boards – a group of 'safe' appointees seems to have developed mirroring the 'old boys' network'. In 2002 government gave deadline of July 2005 to raise proportion of women on boards to 40%. By then only 24% so Jan 2006 legislation introduced giving final deadline Jan 2008 after which they faced fines or closure. **Full compliance achieved 2009**

Spain and Iceland have quotas. France considering legislation.

Finland, Netherlands, Denmark, Australia, Austria, Sweden, Poland and UK – 'explain or comply' policy

Canada on track to have 50% representation by Dec 2011

The outcome of the Davies' report is 'comply or explain' approach to minimum 25% female board members by 2015.

Some reasons why UK lags:-

Changes to UK boards following tightened governance (Higgs et al), have not helped women as boards now tend to be smaller. CEO and CFO always on the board (most common route to CEO is CFO progression) and NEDs need to demonstrate current board experience which narrows the pool.

Research in US universities has shown success and likeability are positively correlated for men and negatively correlated for women. Nomination committees may have similar unconscious bias. Headhunters, chairmen and others responsible for appointing to boards would benefit from guidance.

More highly qualified women than ever – in the US, females gain 60% master's degrees and 42% MBAs. Girls consistently outperform boys academically in UK.

Progress in the UK is so slow it will be another 70 years before women achieve parity on the largest company boards.

- **Cultures** in many businesses are **male orientated** with **autocratic and bureaucratic** management **styles** compared to **consensual and participative** and certainly not family friendly.
- UK business' long-hours culture does nothing to balance work/family life. We rarely read about men juggling work-life balance.
- **Of FT Top 50 women in world business, 30% work in family business or for a firm they've built themselves.**
- US women twice as likely to be entrepreneurially active as UK whereas rates for men same in both countries.
- **In China, women own more than 40% private business.**
- **Businesses run by UK women generate £130bn for our economy.**
- **Many women opt out by leaving, not seeking promotion or building their own businesses.**
- **In the past 25 years the number of women in full time employment has increased by more than a third.**

This issue is not new, and last few years' reports suggesting this should be finally addressed are produced regularly, yet situation similar to 20+ years ago just like the pay gap.

Introduction from Davies' report Feb 2011

“Boards perform better when they include the best people from a range of perspectives and boardrooms. It is imperative boards are made up of competent high calibre individuals who together offer a mix of skills, experiences and backgrounds. Board appointments must always be made on merit, with the best qualified person getting the job. But given the long record of women achieving the highest qualifications and leadership positions in many walks of life, the poor representation of women on boards, has raised questions about whether board recruitment is in practice based on skills, experience and performance.’

Recommendations to consider two populations of women who are well qualified to be appointed to UK boards:-

1. Executives from within the corporate sector for whom there are many different training and mentoring opportunities and
2. Women from outside the corporate mainstream, including entrepreneurs, academics, civil servants and senior women with professional service backgrounds, for whom there are many fewer opportunities to take up corporate board positions. “

Body of research that better decision making occurs as a result of directors having a range of experiences and backgrounds.

Women take NED roles more seriously, preparing more conscientiously for meetings, asking awkward questions more often, decisions less likely to be nodded through and more considered.

Studies have shown where governance is weak, female directors exercise strong oversight, have a positive, value-relevant company impact and more likely to pay attention to managing and controlling risk.

A Leeds Uni business school study showed **having at least 1 female board director appears to cut the company's chances of going bust by 20% and having 2-3 lowered odds of bankruptcy even further.**

In Europe and USA, women account for 6 out of every 10 university graduates and in UK represent half labour force. Women now form 51% population and 46% economically active workforce. Responsible for 70% household purchasing decisions and hold almost half the UK's wealth.

Unsurprisingly **UK companies with highest number of women on boards are consumer facing. Average prevalence in retail, utilities, media and banking.**

How to gain experience, visibility and skills?

Join committees, public boards or charitable trusts' governing bodies.

Much achieved by Appointments Commission (to be abolished) to 'professionalise' public appointments and encourage Chairs and recruiters to recognise other skills, backgrounds and talents from the former arrangements.

Common Purpose courses 'About Time' created a pipeline working with AC

More partnerships, collaborations, consortia will need governing bodies. More local accountability encouraged by central government. How to get involved?

What sort of roles exist? Vast range, - can expose you to different professions and sectors

Find causes or roles in which you're interested or your organisation has an interest/link

Offer skills and be willing to learn new skills, jargon, culture

Remember Purpose - of organisation, committee or board, your role. Act and communicate accordingly

Is the role operational, strategic or both? Is it board responsibility or sub-committee? **When this is clearly understood, it becomes easier to act**

Consider your actions, particularly in a scrutiny/challenge role – the issue not the person, the policy not the behaviour etc

Consider your audience/purpose/language/jargon when writing papers, presenting and answering/asking questions

Consider the board style/culture and what you bring to it

Bring your talents, enthusiasm, interest, commitment and experience to help another organisation, develop yourself and bring those skills and confidence to your employer

Useful links

www.publicappointments.cabinetoffice.gov.uk

www.appoinments.org.uk

www.publicappointments@geo.gsi.gov.uk

www.commonpurpose360.org/board-opportunities

Janette Rawlinson

j.rawlinson@justrealsolutions.com

www.justrealsolutions.com

July 2012