

Coaching and Mentoring at Work Annual Conference – 1st July 2015, London



Onwards & Upwards

Mastering models and techniques to
enhance coaching and mentoring practice



Coaching and Mentoring at Work conference 1st July 2015

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Helping women to get into the boardroom – why and how?

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The EU aim



Gender diversity on boards:
do quota systems work?

Increasing the number of women on boards is a business imperative – a good gender balance can improve decision-making and enhance company performance.

Background

The business case for achieving a gender balance at board level is growing. Increasing the number of women on boards is a business imperative – a good gender balance can improve decision-making and enhance company performance. While progress across the EU has been made, it remains slow. This is fuelling frustration at a political level and among women who have the talent to make it to the top but lack the necessary opportunities.

The UK Government encourages a voluntary approach to improving the gender balance in company boardrooms, but an EU initiative under negotiation in Brussels sets a minimum compulsory quota of 40% representation for each gender. These contrasting approaches raise crucial issues for female diversity: do we want or need compulsory quotas, and what are the most effective ways of improving the representation of women in senior roles?

In February 2015, we published a [survey](#) of 452 CIPD members exploring the views and experiences of HR professionals on how best to increase senior female representation. The findings indicate strong support for a voluntary, and not mandatory, process to achieving better gender balance in the boardroom.

We have also just published a [literature review](#) to evaluate the advantages and disadvantages of an enforcement approach such as that on the horizon in Brussels. The review draws on evidence about mandatory quota systems introduced in different international contexts and explores the circumstances where this kind of approach can have either positive or negative outcomes, as well as the unintended consequences that could follow.

The EU directive

The proposal in Brussels for a directive to improve female diversity on company boards sets a mandatory 'procedural quota' of 40% representation for each gender in respect of

non-executive board members. As it stands, the proposal applies to companies listed on stock exchanges in EU member states irrespective of whether they are privately or publicly owned, but it excludes SMEs even if they are listed on stock exchanges. The proposal has not yet reached agreement in Brussels but, if adopted, the directive will apply to around 5,000 listed companies across the EU. There is also the option for member states to have an overarching quota objective of 33% to include all directors (executive and non-executive) where corporate governance codes recommend a 'unitary board' system as in the UK and a few other EU countries.

The European Commission's aim for the directive is to break the glass ceiling in Europe's biggest companies. A key impetus was the slow rate of progress in improving boardroom gender diversity: at the time of initiating the legislation in 2012, in the EU 85% of non-executive board members and 91.1% of executive board members were men. Improvement over the previous decade equated to a mere 0.6 percentage point increase in female representation per year. However, there has been better progress more recently. In January 2015, the Commission reported that the share of women on the boards of the largest publicly listed companies in the EU had reached 20.2%, an increase of eight percentage points since October 2010.

The proposal provides for a 'procedural', rather than a rigid, quota system; this is effectively a preference rule designed to meet the 40% objective. In the presence of equally qualified candidates of both sexes, priority should be given to the candidate of the under-represented sex unless an objective assessment of the individual candidates tilts the balance in favour of the candidate of the other sex. Therefore, the proposal sets out a 'fair and transparent' selection process whereby priority is given to female candidates only if they are under-represented and equally qualified compared

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The reasons for the proposed EU directive

Increasing the number of women on boards is a business imperative – a good gender balance can improve decision-making and enhance company performance.

Quota systems have increasingly been adopted by some European countries to improve senior female representation in business and employment.

Studies show that the success of quotas depends on a number of factors; for example, quotas are much less effective when they aren't enforced by sanctions.

The evidence from our literature review shows that, on balance, the quick wins associated with legislating for mandatory quotas are outweighed by the potential longer-term disadvantages.





Diversity Matters

Compelling evidence
about the correlation
between improved
diversity on boards and
business performance

Vivian Hunt
Dennis Layton
Sara Prince

24 November 2014



The UK voluntary approach





FEMALE FTSE BOARD REPORT 2015

With women's representation at 23.5% in the FTSE 100, we are very close to the 2015 target.....the Davies Steering Group expect the 25% target to be met before the end of this year (2015). This is not gender parity, but it is a major milestone in a much longer journey.

We have now reached 2015, the year for which Lord Davies set a target to achieve 25% of women serving on the boards of FTSE 100 companies. Since the publication of the Davies Review in 2011, we have made huge strides in gender diversity in our top companies. We have almost doubled women's representation and ended all-male boards in the FTSE 100.

This is a credit to the leadership and determination of so many senior business leaders, keen to address the gender gap on their boards and within their organizations. But we in government have also played our part by leading networking events between chairmen and female board candidates to showcase the breadth of talent. We have supported the executive search firms and organizations focused on the development of women, as they take bold action to address the gender imbalance. And we have repeatedly met those businesses who were lagging behind and praised those who were leading the pack.

With women's representation at 23.5% in the FTSE 100, we are so very close to the 2015 target. We only need 17 more women on the boards of the FTSE 100 companies to reach our target. If the appointment rate of one woman to every two men appointed is sustained, Cranfield University and the Davies Steering Group expect the 25% target to be met before the end of this year. This is not gender parity, but it is a major milestone in a much longer journey.

The FTSE 250 has also made great progress, more than doubling the percentage of women on their boards since 2011, from 7.8% to 18%. The number of all-male boards in the FTSE 250 has also dropped from 151 in 2011 to 23 today. This is still 23 too many, albeit a huge achievement in a relatively short space of time.

Cranfield's '100 Women to Watch 2015' report shows the extraordinary field of strong female candidates poised for FTSE board positions, with many others reaching senior levels just below the boardroom. We have been delighted to see many new initiatives launched this year, all aimed at showcasing talented, aspiring women and connecting them to new career opportunities.

Last year was a tremendous year for action in the executive pipeline with many companies stepping up and setting targets to measure the progress of women across our top performing companies. The tide is turning as we see senior women in every sector and across all industries, breaking through the barriers to succeed at the highest levels. We are seeing more and more male leaders championing this agenda, putting measures in place to identify talent and nurture it. However, we need many more champions, to truly deploy the widest search criteria, reach across all sectors and tap into yet unexplored talent pools, such as academia and the public sector.

Diversity thrives where great leadership, vision and transparency are plentiful. Few leaders today remain to be convinced that the input of a diverse workforce challenges conventional thinking, better reflects the customer base and leads to improved output and innovation.

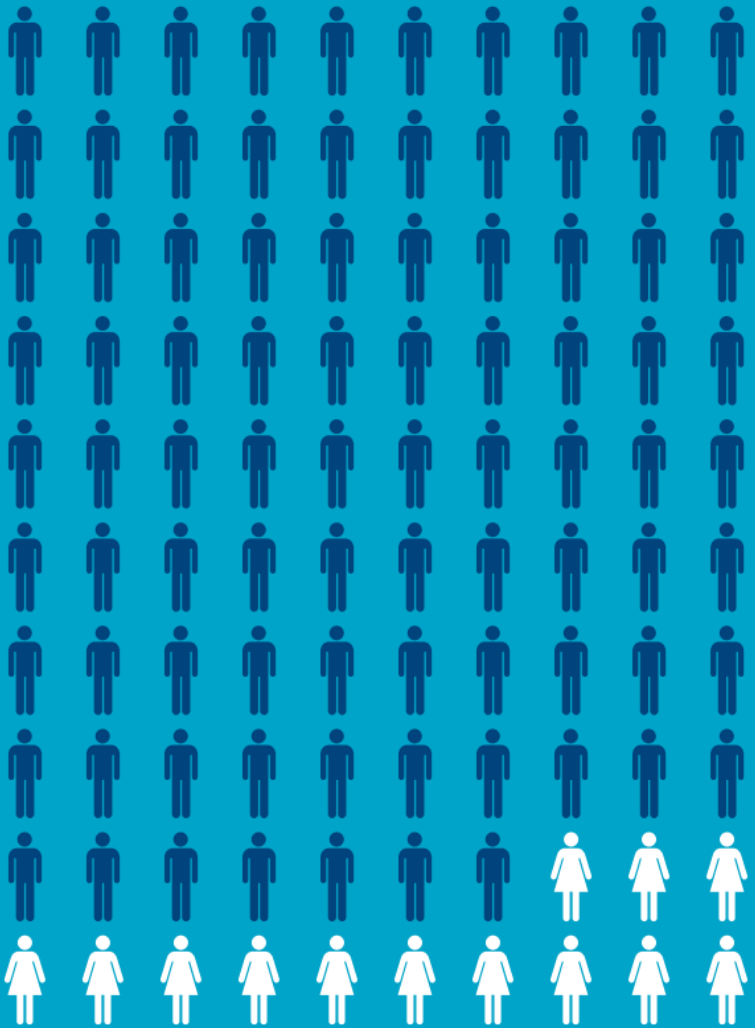
We need to deliver fully upon the initial target of 25% this year, if we are to enhance the UK's reputation for responsible governance, competitiveness and an ability to attract talented men and women in the global marketplace. We are keen to show the rest of the world we can do this on our own without quotas and in doing so, we will achieve long term sustainable change in the boardroom and wider workplace.

Everyone deserves to achieve their full career potential. Everyone deserves to participate equally in growing our future economy.

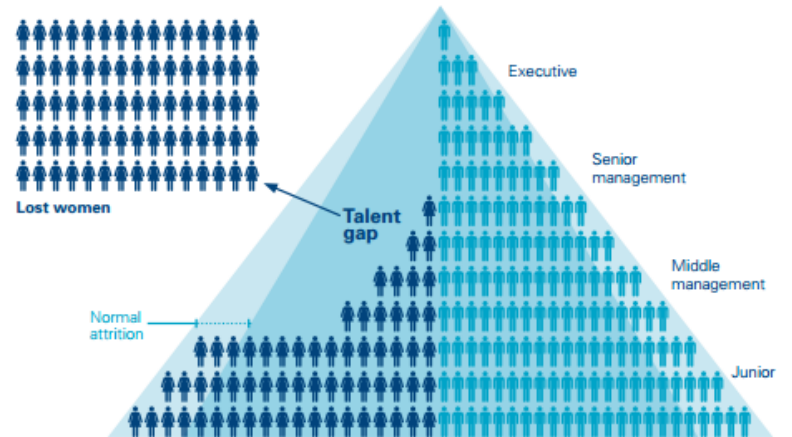
Rt Hon Nicky Morgan MP
Secretary of State for Education &
Minister for Women and Equalities

Rt Hon Vince Cable MP
Secretary of State for Business,
Innovation and Skills

Women on boards February 2011



**Figure 5:
The talent gap**



Source:
*Your Loss: How to
Win Back your Female
Talent, 2010*

Survey report

February 2015

Gender diversity
in the boardroom:
Reach for the top



What HR professionals think



'Female progression to top roles is not sustainable unless organisations provide a strong and sustainable framework to recruit and develop women at every stage of their career.'

'More than half (53%) of the HR professionals taking part in our survey believe that the Government should set a more ambitious voluntary target to improve gender diversity in boardrooms post-2015.'

'There is no quick fix to boosting senior female representation in organisations and employers need to take a holistic approach to building a strong and sustainable female talent pipeline.'

'HR professionals believe that there are a number of wide-ranging benefits associated with having a good gender balance in the boardroom.'

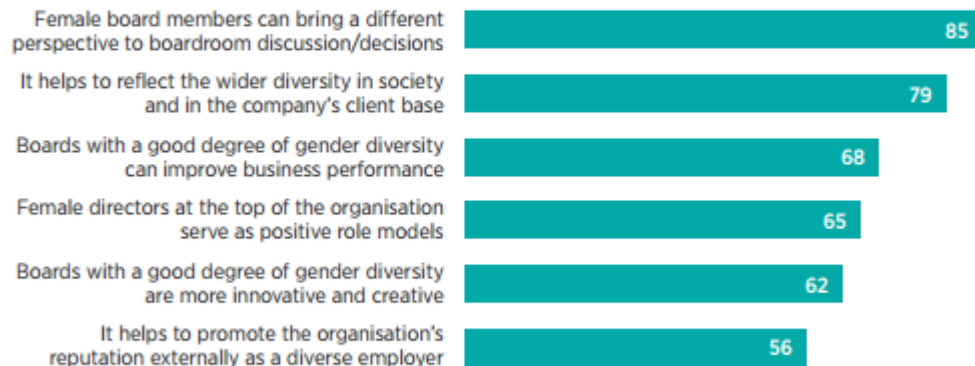
'Increasing the proportion of female executive directors is a tougher challenge compared with boosting the number of female non-executive directors in boardrooms.'

'Some feel that mandatory quotas are demeaning to women and could hamper gender equality as there would be a perception that women are hired because of their gender and not on merit.'

'Almost half (49%) of surveyed organisations monitor the gender profile of their workforce at all levels including senior and board roles.'

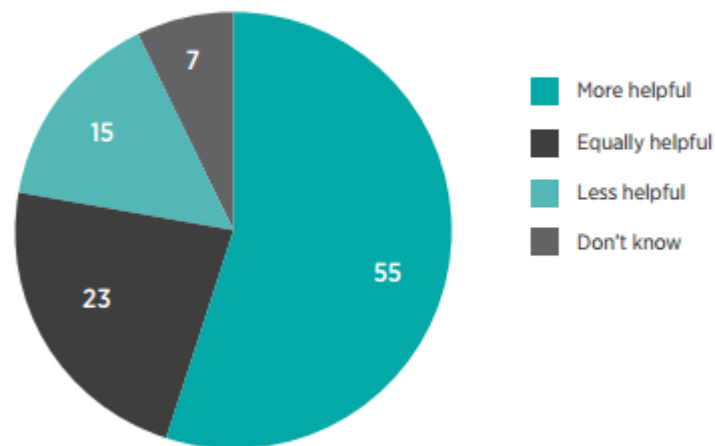


Figure 1: The benefits of having a good representation of female board members (%)



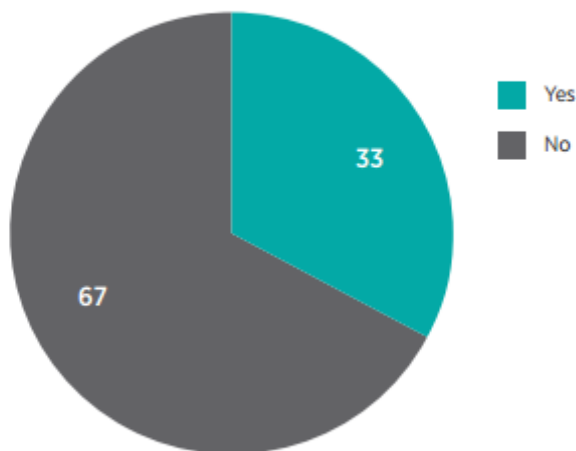
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Figure 2: The effectiveness of a company's own voluntary targets for gender diversity compared with mandatory quotas (%)



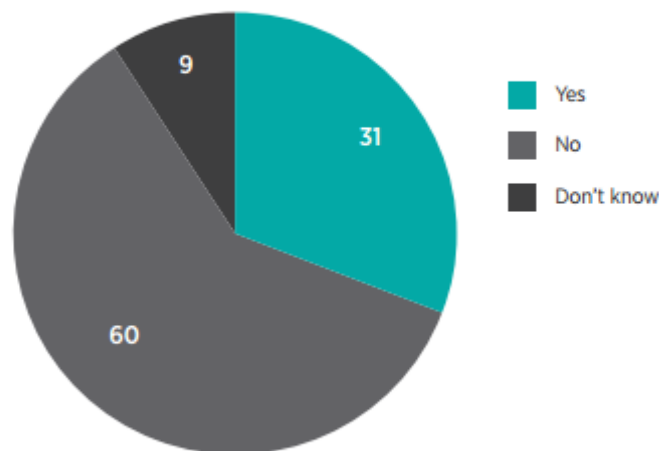
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Figure 3: Are you aware of the EU proposal to introduce mandatory quotas? (%)



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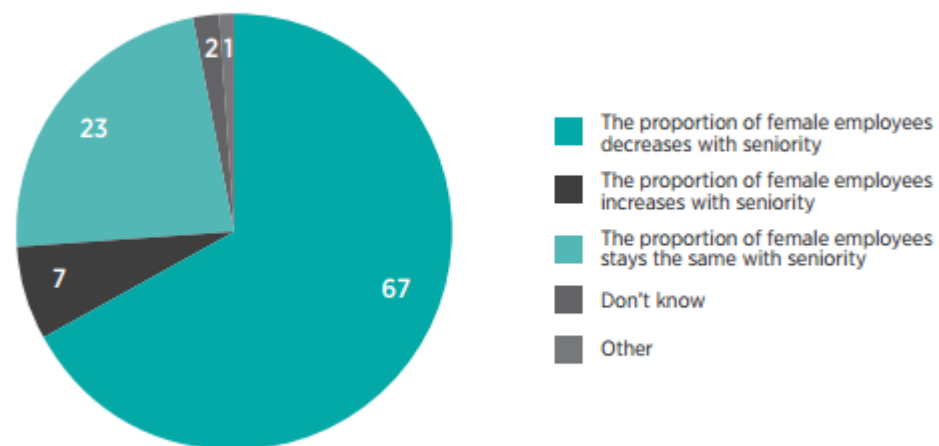
Figure 4: Do you think that a mandatory gender diversity quota should be introduced? (%)



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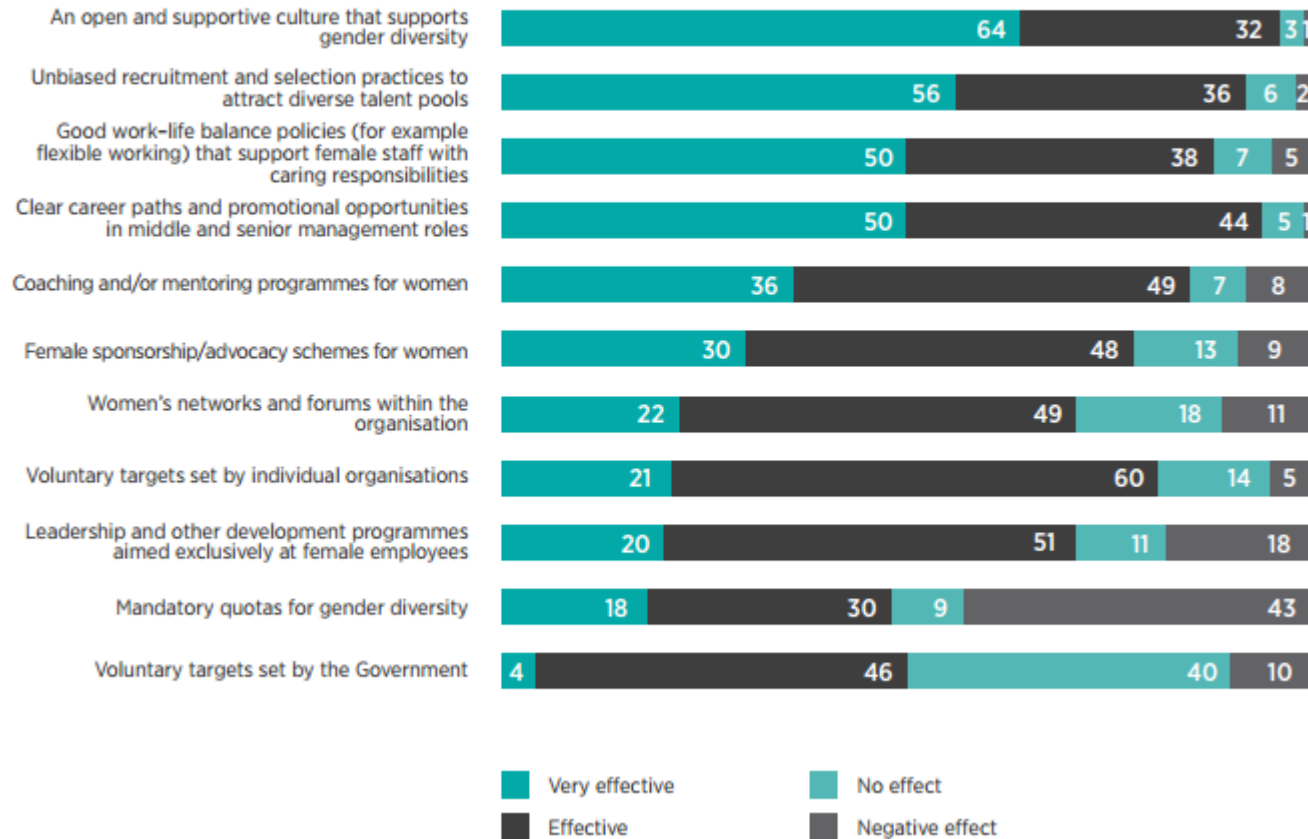
Figure 6: The gender balance of employees as seniority increases (%)



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Figure 7: The effectiveness of organisational approaches in improving the gender diversity of boardroom executives

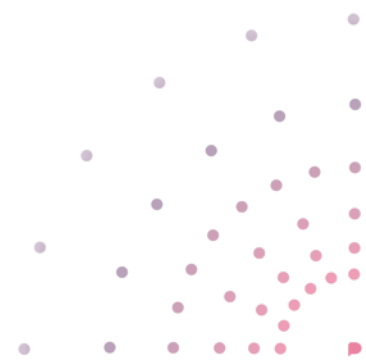


What academic research says



Quotas and *targets*:

How do they affect
diversity progress?



'If one believes that a minority group is not discriminated against, affirmative action may seem like an unfair advantage.'

'How does a larger percentage of women on company boards affect company performance?'

'Does the end justify the means in respect of a quota imposition?'

'A key question is how long do the effects of quotas last?'



CIPD Public Policy recommendation

From
25%
to
50%

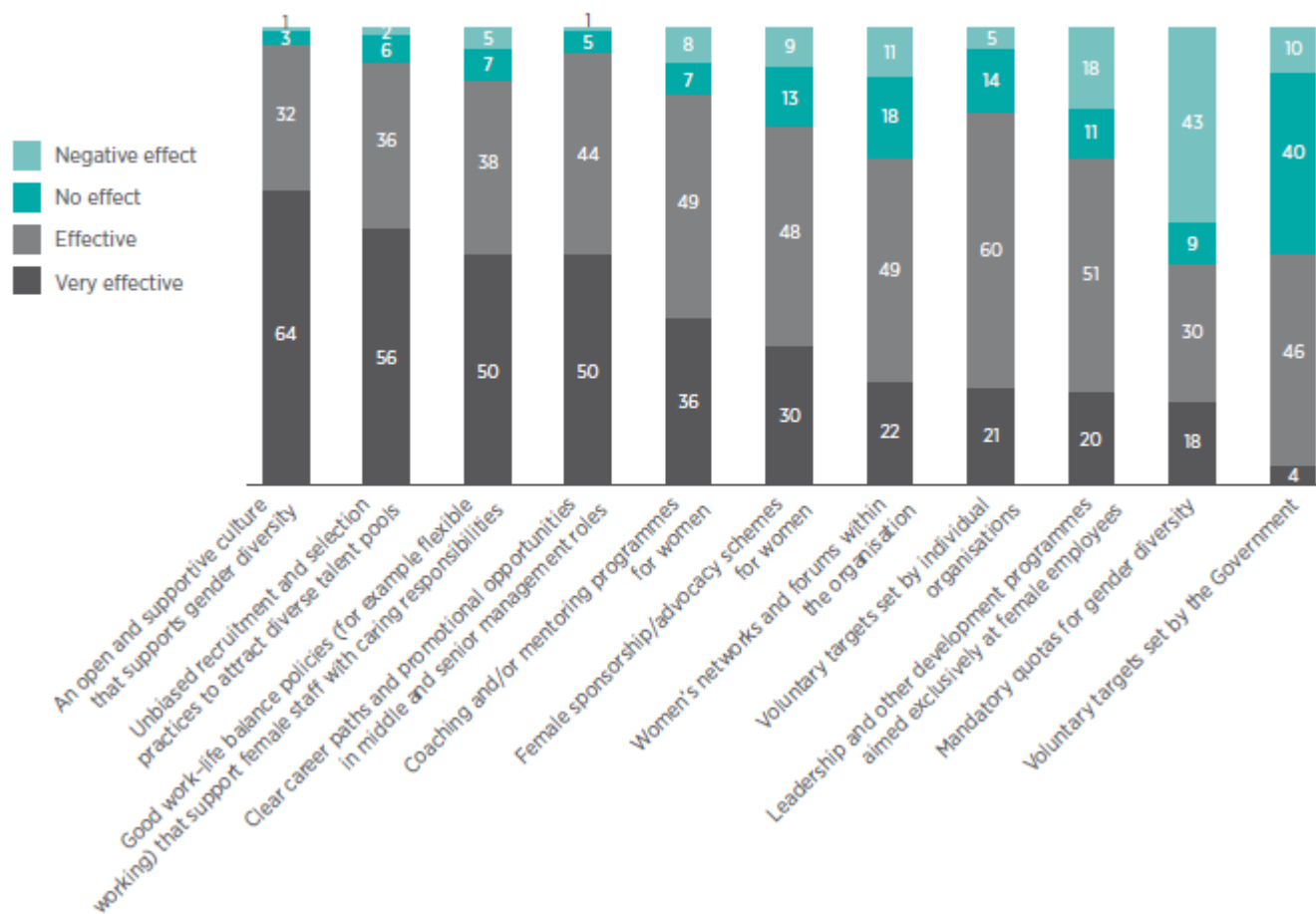
What percentage improvement should be aimed for? It is important that minority group representation should go beyond tokenism. To counter the imbalance caused by the effects of stereotyping and bias, representation levels should seek to mirror population distributions. Therefore, in relation to female representation, arguably it would be justifiable to aim for an equal 50% quota for both genders.



Key CIPD recommendations for building the female talent pipeline



Figure 2: The effectiveness of organisational approaches in improving the gender diversity of boardroom executives (%)



Breaking the Boardroom

A guide for British businesses on how to support the female leaders of the future



CIPD
Championing better
work and working lives

Telefonica

Practical guidance

"Any company that adopts a proper Women in Leadership programme is a company to watch. If you look at the most successful companies in each sector, there's almost always a woman on the board. Women bring a different ingredient to the board, so any company that doesn't have a woman at that level – see you later alligator! They'll get left behind."

- Jo Cox, Chief Commercial Officer, Sure

CIPD



Thank you

