

## Women on Boards

# Chwarae Teg Consultation Response

November 2010

### *Introduction*

**Chwarae Teg** promotes, supports and develops the role of women in the Welsh economy. Established in 1992, we do this by raising awareness of the positive contribution women make to economy and society and sensitising Welsh Assembly Government strategy and policy to the barriers confronting women who wish to fully participate in the labour market.

The persistency of occupational segregation, the over representation of women amongst the working poor, the under-utilisation of women's skills, the gender pay gap, the lack of women in senior and management level positions and the limited number of women in decision making roles presents a challenge to Welsh policy and practice.

Funded by the **Welsh Assembly Government** *inter alia* to provide expert advice to Ministers and policy-makers on these matters, Chwarae Teg also designs, develops and manages significant projects supported by **European Structural funds** which support women's participation in, and the development of, the Welsh economy. This has included working with women entrepreneurs and encouraging early stage enterprises in addition to providing pre-employment training for economically inactive women in their communities.

Our current project, **AGILE NATION: New ways of working in the 21<sup>st</sup> century**<sup>1</sup> provides bespoke, accredited management training to equip women to progress into decision-making and leadership roles. We also work directly with employers, referral agencies and training providers to support the design of gender sensitive employment and training programmes and **the business benefits of equality and diversity in the workplace**. Chwarae Teg is a partnership organisation and we work with organisations from all sectors.

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<sup>1</sup> *Funded by European Social Fund and Welsh Assembly Government 2008 - 2014*

## Opening Statement

Women account for 51% of the population in the UK<sup>2</sup> and 50% of the workforce.<sup>3</sup> They make 80% of all buying decisions<sup>4</sup> and will soon account for 70% of graduates.<sup>5</sup> However, despite all this, they continue to be under-represented in decision making. This is the case in many countries across the globe despite evidence of the benefits women bring to businesses when

they are given the opportunity to participate at board level.

*“At the current rate of progress, it will take [...] 73 years to achieve an equal number of female directors of FTSE 100 companies”*

(EHRC, 2008)

There are many steps

that businesses can take to increase diversity in the boardroom. The extreme approach would be to follow the example set by Norway and introduce legislation to force companies to increase female participation at the highest level. As a result of these measures, women account for 42% of board members in Norway. Research carried out by Chwarae Teg in partnership with the CBI, shows that business leaders in Wales believe that **encouraging change by promoting the benefits of gender balance is preferable to legislative force.**

From looking at examples of good practice, we can see that more diverse boards lead to an improvement of the culture within an organisation. Diversity in the highest levels of management leads to a culture of equality and allows decisions to be made based on a full

*“There are still 22 FTSE 100 companies with no women on their boards”*

(GEO, 2009)

understanding of the client or customer base. Research shows that women make **80%** of all buying decisions throughout the globe.

Therefore, it makes no sense for them to represent **18%** of decision

making bodies throughout the EU and **8.8%** of FTSE 350 board directors in the UK.

Chwarae Teg would like to see more women represented in the boardroom to reflect the position they hold in society. It is clear from the evidence available that women’s skills are under-utilised in the economy. Businesses must be encouraged, through interventions and commitment from the highest levels, to value the benefits of increasing female participation so that we can achieve true equality for the benefit of society as a whole.

<sup>2</sup> Mid-Year Population Estimates (2009) Accessed via NOMIS

<sup>3</sup> Annual Business Inquiry (2008) Accessed via NOMIS

<sup>4</sup> The Economist (2006)

<sup>5</sup> Hausmann, R. et al. (2010) The Global Gender Gap Report (World Economic Forum: Geneva)

## What's happening elsewhere? Examples of progress:

- **Nordic Countries** in Europe are the top four countries for the share of women in boards of largest European companies – European average is 11%; Norway = 41%; Sweden = 27%; Finland = 20%; Denmark = 17%.<sup>6</sup>
- **Norway:** in 2002 the country's trade and industry minister, **Ansgar Gabrielsen**, proposed a law requiring that 40 percent of all company board members be women.
- **Sweden:** Sweden has quite good results in the representation of women on boards (27%) although there is no law compelling companies to do so. A woman has just been designated as President of the Supreme Court (**Marianne Lundius**).
- **Finland:** the Finnish President is a woman (**Tarja Halonen**) and the Finnish government installed during the financial crisis has never been so feminine: 11 out of 20 ministers.
- **Denmark:** Denmark ranked 4<sup>th</sup> in Europe for the share of women in boards of the largest European companies without a law.
- **Iceland:** in 2009 the new government formed included 5 women, including a woman Prime Minister (**Jóhanna Sigurðardóttir**). A lot has been said about the role of women as agent of change in the economy.<sup>7</sup>

## *Consultation Questions*

### **1) Women are under represented in the boardrooms of UK listed companies. Why do you think this is the case?**

A report from the European Commission highlights the following barriers for women in senior positions<sup>8</sup>:

- Stereotyping
- Lack of role models
- Family commitments
- Lack of management experience
- Lack of mentoring opportunities

The following paragraphs expand on these and present some additional areas that Chwarae Teg feel are important in this discussion.

<sup>6</sup> Desvaux, G. et al. (2010) Women Matter 3: Women leaders, a competitive edge in and after the crisis (McKinsey & Company: Milan)

<sup>7</sup> The Nordic Delegation (2010) Women's Forum for the Economy and Society (Global Meeting)

<sup>8</sup> European Commission (2010) More Women in Senior Positions: Key to Economic Stability and Growth

## Stereotypes and organisational culture

Research shows that senior managers tend to recruit 'in their own image'. This mindset often causes males to overlook highly qualified women when recruiting board members. As a result, women often feel under pressure to develop masculine management styles and more assertive behaviour which is then judged negatively. The contrasting style of women in management must be appreciated and valued for what it brings to the arena. Furthermore, male-dominated boards often fail to acknowledge or appreciate diversity and the benefits it brings to business. In traditionally segregated occupational sectors where women are under-represented, there is a tendency to continually recruit board members who reflect and perpetuate the stereotype. The occupations that are more likely to recruit women, such as Human Resources (HR), are often seen as lacking the knowledge and competencies required for service on FTSE Boards.

Key statistics on female directors of SET (Science, Engineering and Technology) FTSE 100 companies in 2009:

- Only 10.8% of Board directorships were held by women (61 women across 53 companies)
- Exclusively male Boards still existing in 28.3% of companies
- Only 30.2% of companies had more than one female director on their Boards
- Only four companies had a female Executive Director on their Boards
- There were only three female Chairs of FTSE 100 companies and none of these were in the SET sectors<sup>9</sup>

## Family commitments

More women than men have caring responsibilities outside of the workplace and the perceived impact of taking up a position at Board level prevents many women from pursuing any opportunities in this arena. Statistics show that **9 in 10 women consider family responsibilities as the 'most significant factor' preventing them from advancing into senior roles**".<sup>10</sup> A lack of quality, affordable and flexible childcare presents a major barrier for women in the workplace and without an increased number of women progressing to senior levels; the opportunities for Board representation are limited.

## Flexibility

In this digital age, there are many opportunities for more flexible practices to be adopted for the convening of board meetings. The ability to participate via video conferencing etc could make board membership more appealing to women as it will allow them to reconcile their work and family life, not be excluded because of geographic limitations and contribute fully to board responsibilities. Traditional patterns of work and governance are being challenged and, for many progressive, global companies, the benefits of maximising Information Communication Technology are being fully embraced. Chwarae Teg deems this flexibility in management and leadership as gender neutral and a major attribute when recruiting board members.

<sup>9</sup> Sealy, R et al. (2009) The Female FTSE Board Report 2009 (Cranfield University: Bedford)

<sup>10</sup> Equal Opportunities Commission (2005) Britain's Hidden Brain Drain (EOC: Manchester)

## Professional development

More women suffer from a lack of self-confidence than men.<sup>11</sup> This makes them less likely to apply for posts for which they do not consider themselves to be fully qualified. For those women who make it to the boardroom, as a minority group, they often feel under pressure to prove themselves. This can make the position stressful and there must be support mechanisms in place to help women succeed once they reach this level of management. Research also shows that women are less likely to have the opportunities for development that are necessary for progression on to boards and that of those who do receive it, many create the opportunity for themselves.<sup>12</sup>

## 2) What impact do you feel that greater gender diversity in senior positions may have for business?

Women account for the majority of customers and, in many cases, are more highly qualified than men. Research shows that male decision makers tend to plan services according to their own needs and experiences. The diverse nature of our communities should be represented at this level of management to improve business decisions and increase customer satisfaction.

Evidence shows that gender equality on Boards can lead to a significant change in the culture of an organisation whilst enhancing the reputation of a business. However, less than 7% of non-executive directors in the UK are women. Countries with more equal representation of women at board level such as Norway, Iceland and the USA report significant benefits to business. An article featured on the European Professional Women's Network website quantifies these benefits: "**companies with the highest percentage of women board directors outperformed those with the least representation by [...] 53% percent for return on equity, 42% for return on sales and 66% for return on invested capital.**"<sup>13</sup>

## 3) Do you feel that a lack of gender diversity has caused any particular problems for your organisation? If so please describe.

A lack of diversity at board level gives companies a limited outlook. Boards need to be representative of society in order to attract the best talent and deliver a service that meets customer need.

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<sup>11</sup> Broughton, A. & L. Miller (2009) Encouraging Women into Senior Management Positions: How Coaching Can Help. (Institute of Employment Studies, Research Report 462)

<sup>12</sup> Ibid.

<sup>13</sup> Lois, J. et al. (2007) The Bottom Line: Corporate Performance and Women's Representation on Boards (Catalyst: USA)

The lack of women in senior roles is a persistent problem in the UK. Chwarae Teg encourages positive action and we design initiatives that will increase the number of women at this level. We do this by working with businesses and the Welsh Assembly Government to support them to implement 'family friendly' practices. We also encourage women to undertake training and apply for Public Appointments through accessing tailored programmes.

#### **4) Please describe any steps undertaken by your organisation to overcome the particular issues faced.**

The European Commission recommends:

- Ensuring awareness of representation among under-represented groups through on-going data collection and monitoring
- Flexible working and Work-life balance policies for women and men
- Providing access for women to networks, coaching and mentoring
- Training and development to equip women with the necessary skills to progress to the next level

Chwarae Teg supports all of these recommendations. We have been working in Wales to raise awareness of the benefits of flexible working for business and offer consultancy services to support the development and implementation of these policies. We also support a 'Women in Management' network which is run by the Chartered Management Institute. This provides an opportunity for women to meet like-minded people so that they can exchange ideas and experiences.

Furthermore, our current project 'Agile Nation'<sup>14</sup> will help approximately 2,800 employed women to gain a management qualification and 610 employers to understand the benefits of equal and diverse workplaces along with flexible working and work-life balance policies. These figures will be achieved over the total time span of the project. Evidence shows that employers who offer a fair, equal, flexible working environment are rewarded by achieving greater productivity, staff retention and access to a wider pool of talent, to name only a few. The Agile Nation project also offers support for SMEs to implement remote working and provides a mentoring scheme for the women on the programme.

#### **5) What impact have such measures had?**

The Women in Management network referred to above provides an opportunity for women managers from all sectors to come together and discuss issues. The network provides a supportive environment for the exchange of ideas and good practice. The network also allows women share practical advice so that the group can learn from each other's experiences. We have found that networks enable women to inspire one another to achieve and reach their full potential.

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<sup>14</sup> Lois, J. et al. (2007) The Bottom Line: Corporate Performance and Women's Representation on Boards (Catalyst: USA)

Apart from supporting women in their career management and progress to more senior levels within industry and the public sector, Chwarae Teg's own team sit on a range of Boards and organisations. Albeit not on publicly-quoted companies, this representation does provide experience, skills and role models for other women and promotes the wider benefits of a diverse board representation. Visibility is the key.

## 6) What actions might be taken to help achieve more women being recruited to the boardroom?

There are several areas that are key to helping more women gain board positions and remain in post:

- **Training** - steps should be taken to make sure that women can access training courses that will help them progress their careers make them 'board ready'. Subsidised training would ensure inclusive opportunities.
- **Mentors and Networks** - There should be more mentors to encourage women to aspire to board level. Women are more likely than men to have low self-confidence. Mentors can help women to overcome this barrier. They can provide the encouragement and support that women need to progress into management and through the ranks to board level.
- **Role models** - The European Commission emphasise the power of role models in increasing the number of women progressing through the ranks. The UK is fortunate to have a number of women who have succeeded in the business world and their achievements should be promoted to others to increase aspirations amongst women. Establish an "ambassador" programme to work with students, business women and others to promote and encourage board membership.
- **Recruitment and Retention** - There should be more active encouragement for women to put their names forward when board positions become available. Once these women have been recruited, businesses must take steps to support them. Evidence shows that the length of time women hold board positions is shorter than that of men. For example, in the US, male Chief Executives "hold their jobs for approximately twice as long as their female counterparts (8.2 and 4.8 years respectively)"<sup>15</sup>. Steps to increase the retention of women include equality and diversity training for male board members or a type of 'buddy' system to provide ongoing support. It is important to remember that women do not only need mentoring support to get into the boardroom but also to help them cope with any pressures once they get there.

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<sup>15</sup> M. Ryan & S. Alexander Haslam (2007) Women in the Boardroom: The Risks of Being at the Top (CIPD: London)

**Chairman Interview: Sir John Bond, Group Chairman, HSBC holdings:**

*“Women and men have the same intellectual capacity and skills. However, they bring different perspectives to bear which is a powerful argument for having a mixed board”*

Women@Work No.2: Women on Boards: Moving beyond Tokenism. Veronique Bourez, 2005

## *Final Comment*

Chwarae Teg supports any initiative to increase the role of women in the economy and society. We commend the UK Government proposal to increase the female representation on Boards of publicly-listed companies.

However, this is just the first step. Chwarae Teg would propose broadening the opportunities for more shadowing of board members, building capacity through a range of interventions and ensuring that all business and company information is disaggregated by gender – particularly Companies House and Patent Office information.

We would recommend that an annual survey be carried out to ensure that any initiative is adequately monitored and measured to ensure progress is captured and publicised.

Chwarae Teg does not actively support legislation to increase the number of women on boards but would look to other countries, Denmark or Sweden for example, where gender equality of opportunity is encouraged and greater representation is achieved without laws compelling same.

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