

Boardroom diversity is desirable – quotas are not

The government could introduce quotas to force companies to take on female board members. **Susan Freeman** asks how we reached this point

With corporate governance failures held partly to blame for the banking crisis, a spotlight has been shone on who should run our top companies.

There is a growing consensus that companies run predominantly by “pale males” would do better if boards were more gender diverse. Following Lord Davies’ report, *Women on Boards*, published in February, FTSE 350 companies were expected to report by this month on their plans to increase female board representation.

Davies has signalled that, if voluntary corporate reform does not happen, quotas will be imposed. Property tends to be even more male dominated than other sectors, and the women who succeed do so on merit. Quotas would not be well received.

For 15 years it has been accepted that gender disparity will change, given time. Women earn top degrees, comprise almost 50% of the workforce and 50% of graduate entry to large companies. They should be reaching the top by now, but recent research from US analyst Catalyst says reports of progress “are at best overstated, at worst, just plain wrong”.

I recently attended the launch of *Women and the New Business Leadership* by Peninah Thomson, who in 2003 started the FTSE 100 cross-company mentoring programme to increase the number of female directors by linking senior women with chairmen and CEOs. A third of FTSE 100 companies now participate and it has been copied in 12 countries.

Thomson observed that Davies’s speech at the launch showed a “significant hardening of language and tone compared with the [Women on Boards] report”. Clearly, a tipping point had been reached and pressure would continue.

Whatever your views, it is remarkable that Mothercare, with its largely female customer base, has only one female director and Arcadia has just appointed its first female board member, the ubiquitous Karren Brady.

Apart from the wasted talent, diversity helps to avoid the aptly named “comfortable clone

syndrome”. Catalyst data show “companies with a significant participation of women in top management achieve 34% higher returns”.

Banks were criticised in the wake of the recession because board members’ similarity in background and outlook made them particularly vulnerable to “groupthink”, which occurs when members try to minimise conflict and reach consensus decisions without evaluating alternative viewpoints.

In response to Davies’s call for one-third of new board appointments to be female, Sir Win Bischoff, chairman of Lloyds Banking Group, and Centrica chairman Sir Roger Carr founded the 30% Club. Davies wants 25% of FTSE 100 boards to be female by 2015 (graphic, below). That figure is just 14% at present, and a meagre 9% on FTSE 250 boards. Thomson says tokenism will not be enough: you need the critical mass of three women on a board to make a difference.

Failing this, quotas will be applied as in countries such as Norway, where 40% of a board must be female. So there is a strong incentive for FTSE 350 companies to publish their targets.

Rejecting corporate culture

Although the lack of senior women is partly through career choice, Thomson says it is also often a rejection of the workplace culture: “It’s to do with organisational cultures that are abrasive for women: they may be very aggressive, they may be macho, there may be micro-inequities.”

Not only are there few female corporate role models, but women cannot expect a helping hand from the sisterhood. A recent Israeli study found that attractive women applicants were screened out of the interview process by HR departments.

Nigel Nicholson, in his book *Managing the Human Animal*, explains that businesses are “male in rationale, design and functioning”, and so favour male aspirations. Women have to compete like men to get to the top, and patriarchy is biologically encoded as our model of authority. Despite Davies’s best efforts, women’s motivation may prove the biggest obstacle to their boardroom advancement.

Although women are rejecting corporate culture, they now outstrip men in starting up on their own, owning around 680,000 UK businesses.

There are strong arguments for

diversity, but quotas are not ideal and result in the same handful of women taking up multiple roles. Like it or not, Davies is adamant that if corporations prove undaunted by non-legislative pressure, quotas will be applied. ■

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Gender representation on UK FTSE 100 company boards

■ + ■ Extra women needed to meet Davies’ report target (25%)
■ Women on boards of FTSE 100 companies (14%)

