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Women and the New Business Leadership

Peninah Thomson

with

Tom Lloyd

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Also by Peninah Thomson:

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WOMEN AND THE NEW BUSINESS LEADERSHIP

PENINAH THOMSON
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TOM LLOYD

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For Alastair and Diana
and the young people who know me as Aunt, Godmother or friend
James, Kate, Tristan, Ben, Tom and Eleanor
all making their contribution in the world

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Preface

"The problems that face our world are so complex and difficult that we will need all the talent available to solve them." We wrote those words in the preface of our first book, *A Woman's Place is in the Boardroom*, in 2005, and reiterated them in the second, *A Woman's Place is in the Boardroom: The Roadmap*. Writing in early 2008, we noted that the complex problems facing our world were proliferating, and gave as examples the "July bombings" in London and many other acts of terrorism worldwide; the increasing pressure on the world's resources; the potential impact of climate change; the credit crunch; political, social and economic problems in the Middle East, Asia and Africa; and a whole series of natural and human-made disasters in other parts of the world.

We believed then that not applying the talent of half the population to deal with those problems represented an enormous waste of resources. We still do. Nor have we changed our view that although increasing the number of women on the boards of our large companies will not of itself solve these problems, it will contribute to their solution by increasing the reservoirs of human ingenuity, imagination, insight and *will* available to address them.

We had no way of knowing, in early 2008, just how complex and difficult the world's problems were going to become, as the credit crunch developed into a full-blown financial and economic crisis. Expressions that would have previously sounded like hyperbole became, as banks and companies fell and governments wobbled, realistic descriptions of potential outcomes, and the question of whether western capitalism itself would survive began to be openly debated. The chairman of a leading global bank – a man not given to hyperbole – described, during our discussions for this book, the events of the financial crisis as a "near-death experience." "It was a damned close run thing," he said. "It could have easily gone down. It almost did."

The impact of the financial crisis is still emerging. The UK Chancellor of the Exchequer, the Rt Hon. George Osborne MP, speaking at Bloomberg in August 2010 said that it was in summer 2009 that "we saw the first signs that fears about the liquidity and solvency of banks would become fears about the creditworthiness of the governments that stand behind them." The Chancellor observed in the same speech that the UK's budget deficit – at 11 percent of gross domestic product (GDP) – "remains the largest in the G20." In March 2010 consumer debt in the UK stood at around

£1500 billion (Department for Business, Innovation and Skills, HC 475) and at the end of October 2010 public sector net debt in the UK was £955 billion (ONS: Public Sector Finances). Other countries – Ireland, Greece, Portugal, Spain – were also in challenging economic circumstances, and in November 2010 commentators were debating whether the Euro would survive.

The "credit crunch" we wrote about in 2008 has developed into a financial and economic crisis, which in turn is generating political and social repercussions. It is not hyperbole to say that the UK economy, in common with other western economies, is confronting some of the most serious, and most intractable, problems it has faced in living memory.

Against this backdrop, two courses of action are needed. First, we have to try to ensure that nothing resembling the banking crisis, which threatened the whole system of western capitalism, ever happens again. Second, in parallel with the reform of regulatory frameworks and the management of risk, the economy has to return to growth. Women now account for 46 percent of the UK workforce, and their increased participation in the leadership of our large companies and institutions has a part to play in addressing both of these challenges.

What is that part? In the preface to the 2010 edition of *Fool's Gold*, Gillian Tett, social anthropologist and US Managing Editor of the *Financial Times*, suggests that one way in which élites tend to control a society is by influencing the cultural discourse: the way the society talks about itself. She points out that what matters, when exerting influence on the discourse is not merely what is publicly discussed, but also what is *not* mentioned in public – either because it is deemed impolite, taboo or uninteresting, or because it is simply taken completely for granted. "Areas of social silence, in other words, are crucial to supporting a story that society is telling itself." The particular "story" to which Tett is referring is the one about the catastrophic impact on global markets of the credit bubble, but the argument holds true for other stories, including those that inform the "cognitive map" of boards. Sir David Walker, in Annex 4 of his "Review of corporate governance in UK banks and other financial industry entities," points to the risks of dysfunctional board behavior and observes that "board behaviour cannot be regulated or managed through organisational structures and controls alone." Annex 4 refers to the danger of "groupthink," one aspect of which is an unwillingness to talk about an issue within the group, and thus the creation of what Tett calls an area of "social silence."

This is where women can make a contribution. Increasing the number of women in strategic decision-making bodies – such as boards – will work against both "groupthink" and "social silence," in two ways. First (as we have shown in our previous books, and reiterate in the pages that follow), since women often simply don't know the "rules of the game" and are unfamiliar with the dynamics of largely all-male groups (such as boards) they are more likely to ask straightforward questions, often opening up the debate and – sometimes unknowingly – challenging what Tett describes as patterns of social conformity or shared ideology and assumptions. Second, for whatever reason, many senior women have a highly developed moral compass, and a strong desire to debate a whole issue and to bring people into the debate. These qualities are not, of course, confined to women; nor do all women possess them. But hundreds of interviews with women during the course of researching and writing four books have demonstrated that many women do have them.

A third reason to make more space at the boardroom table for women relates to the "upside": the need for a return to economic growth. Research by Professor Lynda Gratton of London Business School and others has shown that creativity and the entrepreneurial activity that leads to innovation, and thus to economic growth, is more likely to emerge in gender-mixed teams.

There is a tendency for the issues of corporate governance reform, the need to stimulate growth and the desirability of more gender diversity on boards and their equivalents outside the corporate sector, to be discussed separately, as if they were discrete challenges each of which needs to be addressed on its own. We show in this book that they are all aspects of a more fundamental need to reconfigure, recompose and, in so doing, re-invigorate institutional leadership at the end of the first decade of the 21st century. We also show that the interconnections between governance, growth and gender are recognized by many male leaders, as well as by many aspiring female leaders, and by many national governments, particularly in Europe. The Treasury Committee *2010 Report on Women in the City* describes the linkage between the contribution of talented women to strategic decision-making, and economic recovery:

> We must ensure that talented women are not being denied the opportunity to contribute to business and commercial decision-making. This is a concern not only for women as individuals. … The UK needs to draw on the talents and experiences of women in order to successfully rebuild our economy following the recession.

If we were redesigning institutional leadership from the bottom up, using the findings of research into the links between gender diversity on the one hand, and corporate performance, the quality of corporate governance and the creativity of leadership teams on the other, we would not start from here. But "here" is where we are, and we must focus on the process of rebuilding with the tools that are to hand. We hope that this book will help to indicate where we need to get to and provide useful suggestions about what we need to do, and how, therefore, we may "get there."

Peninah Thomson

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Thanks and observations

It is customary to thank one's publisher at the end of this section rather than at the beginning but I want to reverse the convention, because without the unobtrusive but persistent support and encouragement of Stephen Rutt and Eleanor Davey Corrigan there would be no book. My thanks to Stephen, Publishing Director and Head of Economics, Business and Management at Palgrave Macmillan, and Eleanor, Assistant Editor, for their sustained commitment over the last 15 months.

There are a lot of people to thank for their contribution to this, fourth, book. Many individuals, in many countries, took the time to inform and advise me while it was being researched and written. The book represents something of a "bridge" between two areas that are usually considered separately: corporate governance, and the participation of senior women on boards. In this regard, it has benefited from the extremely varied expertise upon which these people drew and which they generously offered. They contributed experience in economics, corporate governance, psychology, accountancy, government and regulation; and in utilities, retail, insurance, manufacturing, defense, and banking (indeed in almost all business sectors); in addition to their understanding of UK and international talent management and executive development. Their contribution to this book has been of enormous value.

Just occasionally, unintended consequences turn out to be good. A thought-provoking by-product of the work of researching and writing this book about women and the new business leadership has been the insight provided by the men and women named below (and by some who wished to remain anonymous) into their own, personal, leadership frame of reference. In reflecting upon the potential contribution of women to the new business leadership, they have been candid about their own leadership in unprecedented times, been frank about what works and what does not, and projected their thinking forward to the strategic changes in leadership practice that will need to be made as the UK economy recovers. If having the courage to be candid and open – to "name things" – is, as I believe, going to be one of the attributes necessary for effective leadership in the years to come, these men and women have shown that they possess it.

I would like to thank the growing number of chairmen and CEO mentors on the *FTSE 100 Cross-Company Mentoring Programme* for their sustained commitment and support, particularly during the last three years when many could have argued that the extraordinary financial and economic conditions made it impossible for them to continue to mentor. Although some had to ratchet back on their time commitment, not one of the mentors withdrew from the Programme, and all continued to provide active sponsorship to their mentees. Particular thanks for their generous-spirited contribution to this book are due to Marcus Agius – Chairman, Barclays Bank plc; Sir Roger Carr – Chairman, Centrica plc; Chris Dedicoat – President, European Markets, Cisco International Ltd; Niall FitzGerald KBE – Deputy Chairman, Thomson Reuters; Sir Peter Gershon – Chairman, Tate & Lyle plc and Premier Farnell plc; John Gildersleeve – Chairman, The Carphone Warehouse Group plc; Sir Philip Hampton – Chairman, Royal Bank of Scotland plc; Baroness Sarah Hogg – Chairman, Financial Reporting Council; David Kappler – Deputy Chairman, Shire plc; Sir Rob Margetts – Chairman, Ordnance Survey; Dick Olver – Chairman, BAE Systems plc; Sir John Parker – Chairman, Anglo American plc and National Grid plc; David Reid – Chairman, Tesco plc; James Smith CBE – Chairman, Shell UK Ltd; and Michael Treschow – Chairman, Unilever plc. The discussions with these Programme mentors shaped my thinking about the issues raised in this book, and they and many other mentors commented on the text. For all of these contributions, I am very grateful. A full list of mentors is shown in Table 8.1.

The commitment of mentors to the *FTSE 100 Cross-Company Mentoring Programme* during the last three, difficult years was mirrored by that of the mentees, who were themselves providing leadership at a time of unprecedented turbulence. Despite unpropitious circumstances, the mentees have continued to achieve career progression and external appointments, and their achievements are summarized in this book. A number of mentees currently involved in the program are profiled, and particular thanks go to them for their contribution to the book: Andrea Blance – Legal & General plc; Diana Breeze – J Sainsbury plc; Deborah Bronnert – Foreign and Commonwealth Office (FCO); Monica Burch – Addleshaw Goddard LLP; Tracy Clarke – Standard Chartered plc; Irene Dorner – HSBC plc; Anna Dugdale – Norfolk and Norwich University Hospital NHS Trust; Emma Fitzgerald – Shell International; Sally Jones-Evans – Lloyds Banking Group plc; Charlotte Lambkin – BAE Systems plc; Mary Meaney – McKinsey & Company; Jacqueline O'Neill – Tesco plc; Joanna Place – Bank of England; Ceri Powell – Royal Dutch Shell plc; Julie Scattergood – Rolls-Royce plc; Helen Webb – J Sainsbury plc; Lynne Weedall – The Carphone Warehouse Group plc; Denise Wilson – National Grid plc; and Helen Wyatt – Unilever plc. My thanks go to the 35 current mentees on the *FTSE 100 Cross-Company Mentoring Programme*, the 27 alumnae, and also to the mentees on the Australian, French and South African programs who shared with me their reflections on the issues and ideas that underpin this book.

I should also like to thank the senior leaders associated with the international programs who have discussed with me the most appropriate process for their particular national context or briefed me on the progress being made. Particular thanks go to Carlos Mas Ivars, Presidente, PricewaterhouseCoopers Spain and to Bertrand Collomb, Président d'Honneur of Lafarge.

Government has a particular role to play in promoting the effective deployment of all a nation's talent. The Rt. Hon. Lynne Featherstone MP, Parliamentary Under Secretary of State (Minister for Equalities), discussed her commitment to enabling senior women to make a contribution at strategic levels during our participation in a debate at Oxford Brookes University. Ms Featherstone and the Home Secretary and Minister for Women and Equalities, The Rt Hon. Theresa May MP, direct the work of the Government Equalities Office (GEO), which is responsible for equalities legislation and policy in the UK and leads on the government's international obligations to implement the UN Convention on the Elimination of All Forms of Discrimination against Women, the Beijing Declaration and Platform for Action, and the EU Roadmap for Equality between Women and Men. I would like to thank the Director General of the GEO, Jonathan Rees; and Helene Reardon-Bond OBE, Deputy Director, Gender Equality Policy and Inclusion, who have kindly briefed me on policy initiatives and on the policy direction, in relation to gender equality, of the coalition government.

Special thanks go to two fellow professionals who are also friends. First to Jacey Graham, my co-author on the two previous books, for her advice in relation to the *FTSE 100 Cross-Company Mentoring Programme*, her unflagging commitment to helping women achieve their potential, and her friendship. Second to Hilary Lines, a colleague and friend for 20 years, who continues to work with me in organizations seeking to introduce beneficial change, helps me think through ideas and encourages me to push my thinking further.

In addition to the mentors and mentees named above, a number of organizations and individuals are working hard to bring to fruition the changes in companies and in attitudes that are necessary if the UK is to benefit from the skills and experience of all its labor force, not just half. Many have been generous with their time, insights and encouragement. I can express gratitude to only a few. Andrew Hill, City Editor of the *Financial Times*, appreciated early on that the *FTSE 100 Cross-Company Mentoring Programme* had the potential to be an instrument of organizational change. Alison Maitland covered the early stages of development of the Programme for the *FT*, and has been a constant source of encouragement. Haifa Fahoum Al Kaylani, Chairman of the Arab International Women's Forum, was the insightful Moderator of the World Bank Conference that provided me with an important international platform for discussion of the *FTSE 100 Cross-Company Mentoring Programme* and its potential as an instrument of beneficial change. Bassam Chebaro of Arab Scientific Publishers brought out the Arabic edition of *A Woman's Place is in the Boardroom* in 2010, bringing it to the attention of a worldwide audience for whom the appropriate participation of women in professional life is of keen interest. Helen Alexander, President of the CBI, has been a source of encouragement and support since granting me an interview for the first book (*The Changing Culture of Leadership: Women Leaders' Voices*) in 1999; it's been a privilege to participate in the CBI submission to Lord Davies' Review under her leadership.

Particular thanks are due to my partners at Praesta Partners LLP. In addition to being a leading international executive coaching firm, Praesta is a learning community, and I and my colleagues continue to endeavor to live out, in our own professional work, the creativity and innovation we see manifested in many of our client organizations. During the last decade we have been proud to coach over a thousand senior women who want both to make their optimum contribution to the workforce and to fulfill their own potential, and also the senior men who are their peers, their bosses and their team members. We have also advised many companies that are committed to providing an organizational culture in which talented women can thrive. My thanks to all the partners and coaches, in Praesta UK and Praesta International, for their interest, commitment and support, and to my executive assistants, Hazel Devery and Sharon Pearce, for their administrative skills, efficiency and unfailing good humor.

Members of the *FTSE 100 Cross-Company Mentoring Programme* Advisory Council, Baroness Rennie Fritchie, Stephen Brenninkmeijer and Anne Watts CBE, kindly contribute their strategic overview of the direction and focus of the UK Programme and the growth and expansion of the international programs. Together with six founder chairmen mentors, they provide me with counsel, a different perspective and the occasional "touch on the tiller," and I hugely appreciate the continued guidance and commitment of them all.

The last chapter of *A Woman's Place is in the Boardroom: The Roadmap*, published in 2008, included a section "Towards a global network of programs." In it, we observed with pleasure that companies and organizations in other countries were taking up the baton, and starting programs designed to do something positive about the lack of women on company boards. At that time, similar initiatives – all based on the *FTSE 100 Cross-Company Mentoring Programme* – had been created in five countries. Today, there are no fewer than 12 international programs running or being launched, in France, Canada, Spain, Australia, the Netherlands, Germany, South Africa, Asia, Hungary, Belgium, Turkey and Ireland. As a bespoke, not-for-profit intervention tightly focused upon assisting senior female executives to become credible candidates for board positions, or to otherwise progress their careers, the *FTSE 100 Cross-Company Mentoring Programme* is the largest experiment of its kind undertaken anywhere in the world. Although the original is a UK program, the speed with which it is being emulated all over the world reflects the fact that it addresses a global need; and what has been learned from it is of general, international application. Those who are working to take forward the initiative are named in Chapter 4, "Cross-company goes global": I am delighted to be able to support and advise them in their work to establish well-founded programs in their own countries, and thank each of them for their energy, determination and willingness to take up the baton.

In 2008, as *A Woman's Place is in the Boardroom: The Roadmap* was going to the publisher, we were preparing the first colloquium on the *FTSE 100 Cross-Company Mentoring Programme*. Held at the London Stock Exchange with the generous support of the then Chief Executive, Dame Clara Furse, that first colloquium welcomed nearly 70 delegates from six countries to learn about, and comment upon, the program. In October 2010 the second colloquium on the *FTSE 100 Cross-Company Mentoring Programme*, "Widening the Circle," was held; this time, with the kind permission of the Governor, Mervyn King, at the Bank of England. Given the particular financial and economic situation the focus of this colloquium was upon the UK, and 90 invited guests, including 28 chairmen and chief executives of *FTSE 100* and *250* companies, gathered to review the success of the *FTSE 100 Cross-Company Mentoring Programme* and to discuss how its impact could be extended. I should like to thank the Governor for agreeing to host the colloquium and for delivering a speech at it, in particular since the colloquium took place the day after the announcement of the Comprehensive Spending Review and there were many demands upon his time. The colloquium was chaired by Sir David Lees, Chairman of the Court of the Bank of England. In addition to chairing the colloquium Sir David provided invaluable advice throughout the planning process; the success of the event owes a great deal to his wise counsel and I am very grateful for it. I am honored that the Bank of England has offered to host the third colloquium on the *FTSE 100 Cross-Company Mentoring Programme* in October 2011.

This book is built upon two intellectual "pillars": corporate governance, and behavior in leadership groups. Professor Bob Garratt of Cass Business School is the author of several core texts on corporate governance; he designed the governance self-test included in *A Woman's Place is in the Boardroom: The Roadmap*, and his advice, expertise and international experience in corporate governance continues to inform my thinking and expand my horizons. Professor Garratt has observed that much of the corporate governance focus in the UK tends towards legislative and regulatory interventions and therefore restricts the debate; this book is a small step toward redressing that imbalance.

Baroness Sarah Hogg, Chairman of the Financial Reporting Council, and a founder mentor of the *FTSE 100 Cross-Company Mentoring Programme*, generously made time during the summer of 2010 when the FRC was bringing out the new Corporate Governance Code to discuss with me the thinking behind the earlier shift from rules-based to principles-based regulation, and the insertion into the new Code of the paragraph on page 13 which establishes the Supporting Principle relating to gender diversity, and which constitutes an important "nudge."

Sir David Lees, Chairman of the Court of the Bank of England, and Peter Montagnon, Senior Adviser, Financial Reporting Council, each devoted considerable time to read the manuscript and advise me on it, in particular in relation to corporate governance. The argument is more focused as a result, and I thank them both for their guidance.

The then Global Chief Accountant of PricewaterhouseCoopers, Richard Keys, kindly took the time to outline the impact upon the accountancy profession of the failures of Enron and Worldcom (among others) and the increasing recognition of the need to move away from a prescriptive rules-based accounting approach to one based more on principles and the exercise of judgment, and helped me understand the significance and implications of this change.

Laura Whyte, Personnel Director of the John Lewis Partnership, kindly explained how the registrar system devised by John Spedan Lewis works today.

During a visit to Johannesburg to speak at the launch of the *South African Cross-Mentoring Programme*, and subsequently, I benefited from discussions with Professor Mervyn King, Chairman of the King Committee on Corporate Governance in South Africa and of the United Nations Committee on Governance and Oversight. The South African Corporate Governance framework, like that of the UK, is regarded as an exemplar, and the notion of the Triple Bottom Line – the annual auditing of organizational performance through financial, impact on the physical environment and impact on the community outputs – is built into King 3, the South African code. As Chairman of the Board of Directors of the Global Reporting Initiative (GRI), Professor King's work continues to shape the direction of corporate governance internationally and it was he who suggested that while the focus of this book, in relation to corporate governance, is upon gender diversity on boards and the potential contribution of women to the new business leadership, it should also put down a marker for the future by including a reference to the importance of sustainability. That marker has been placed.

A fundamental premise of this book is that changes to regulation, and/or to codes of corporate governance, will not of themselves effect the fundamental shift necessary to ensure that nothing resembling the global financial and economic crisis recurs. Although corporate governance and regulatory changes are necessary they are not sufficient, and for meaningful change to take place they will need to be accompanied by shifts in human behavior and by an altered frame of reference with regard to leadership: altogether more slippery concepts.

The shift from rules-based, to principles-based regulation, and the new interest shown in Annex 4 of Sir David Walker's review in the behavioral and psychological aspects of corporate governance, are contributing to the emergence of what amounts to a new context for corporate governance in the UK. Clare Huffington, President of The International Society for the Psychoanalytic Study of Organisations, co-author of *Working below the Surface: The Emotional Life of Contemporary Organisations* and former Director of the Tavistock Consultancy Service, has shared with me her insights into what really happens in organizations, drawing upon more than 20 years of professional expertise in psychoanalysis, systems thinking and group dynamics. I am grateful to Clare, and also to Nicola Haskins, my supervisor, who sharpened my thinking and pushed to a further stage my own analysis in relation to group dynamics.

In 1998 I was a Director at PricewaterhouseCoopers, with an international career as an advisor to senior executives in regard to their personal leadership and to corporate transformation. From that time to the present, through career development first as a Director and Executive Coach at The Change Partnership Ltd and then as a Senior Executive Coach and Founder Partner of Praesta Partners LLP, I have benefited from the professional guidance of Professor Peter Hawkins. In addition to being an advisor Professor Hawkins is the Honorary President of the Association for Professional Executive Coaching & Supervision and author of the standard work on the supervision of coaches, mentors and consultants. It was Peter who first suggested I "give in" to a natural tendency to work across corporate silos, professional disciplines and other boundaries, and who is therefore in some senses the progenitor of much of my writing, including this book. His suggestion that I focus on integrating my advisory, coaching and consultancy work with organizations and individuals is therefore the latest in a fairly long series of "prods": not always comfortable or easy, but always the source of development and growth, and greatly valued.

Finally, I'd like to give my warmest thanks to Tom Lloyd, my co-author, with whom it continues to be a real pleasure to work, and to my family and friends, who have all heard a great deal about the contents of this book over the last couple of years. As well as their ideas, debate and suggestions I'm very fortunate to continue to benefit from their love, their interest, and their cheerful support.

Every effort has been made to trace all the copyright holders but if any have been inadvertently overlooked the publishers will be pleased to make the necessary arrangements at the first opportunity.

Abbreviations

ABI	Association of British Insurers
AFEP	French Association of Private Companies
AGM	Annual General Meeting
ASX	Australian Securities Exchange
BBC	British Broadcasting Corporation
BoE	Bank of England
BWP	BoardWomen Partners (French cross-company mentoring program)
CAC-40	Cotation Assistée en Continu – 40 (Benchmark French stock market index) tracks the 40 largest French stocks by market capitalization
CBI	Confederation of British Industry
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CWN	City Women's Network
DAX	Deutscher Aktien Index (German stock index)
DIW	Deutsches Institut für Wirtschaftsforschung (German Institute for Economic Research)
EC	European Commission
ED	Executive Director
EU	European Union
EPWN	European Professional Women's Network
ExCo	Executive Committee
FidAR	Women on Boards (German lobbying group)
FRC	Financial Reporting Council
FSA	Financial Services Authority
FT	Financial Times
FTSE	Financial Times Stock Exchange
GEO	Government Equalities Office
GSI	Goldman Sachs International
HRD	Human Resources Director
JLP	John Lewis Partnership

MBA	Master of Business Administration
MEDEF	Mouvement des Entreprises de France (France's largest companies' union)
META	Minority Ethnic Talent Association
MPC	Monetary Policy Committee
NED	Non-executive Director
NFK	Network for Knowledge
NHS	National Health Service
NomCo	Nominations Committee
OCPA	Office of the Commissioner for Public Appointments
P&L	Profit and loss
PC	Political Correctness
PwC	PricewaterhouseCoopers
SBF	Société des Bourses Françaises
SWIMM	Senior Women in Media Mentoring
VP	Vice President
WEF	World Economic Forum
WFES	Women's Forum for the Economy and Society
WMN	Women's Media Network

Foreword

The UK has a long tradition of emphasizing behavior over strict rules in its thinking on corporate governance. This is at the heart of its comply-or-explain approach, which relies on peer pressure to encourage conformity with the general consensus definition of best practice.

Successive governance codes have transformed the behavior of boards and individual directors, but there is one challenge we have clearly failed to crack: the apparent aversion of many companies to appointing more women onto boards.

There are, of course, some practical obstacles, not least the current relatively small pool of senior women executives who can bring real business experience to the boards they join. The academic literature is a bit mixed, and there is plenty of superstition, which seemingly influenced the fall in Norwegian share prices when that country introduced a requirement on companies to appoint women directors.

Especially in the wake of the banking crisis, where boards of financial institutions too often failed in their basic governance tasks, it is nonetheless hard to ignore two common sense propositions.

One is that boards with insufficient diversity are more likely to fall prey to the danger of groupthink, and it is hard to imagine how a board with no or too few women on it could be sufficiently diverse. The other is that, in the long run, we are doing ourselves a great disservice if we limit the talent pool by excluding roughly half the population.

Peninah Thomson has been an indefatigable advocate of change, but with a practical and realistic approach marked by her vigorous support for mentoring. This has brought senior women and company chairs together in a way that, according to many involved, has been a source of inspiration and education to both.

In this book she develops the arguments further. Recent financial turmoil and the challenges facing the business world create an opportunity for change. We should seize it with our traditional best-practice approach, rather than wait for compulsion and quotas which few practitioners, least of all our most senior women, actually profess to want.

Peter Montagnon, Senior Adviser, Financial Reporting Council

Note: This foreword expresses the personal views of Mr Montagnon and not necessarily those of the Financial Reporting Council.

Introduction

Although it seems as if things are getting back to "normal" after the financial and economic traumas of 2007–08 and their aftermath, wheels are in motion that will change the way the world does business. Old certainties and assumptions can no longer be taken for granted. The habits of mind and action that led to the crisis are being reviewed and, if necessary, they will be modified or abandoned. To continue to do what we did before 2007 in the same way and to expect different results would be folly. Business needs to, and will be obliged to, adopt new principles of governance and decision-making practices.

This task of review and reform is urgent, because the fragility of the world's financial and banking system is not the only threat to our well-being. The stability of the planetary ecosystem itself is under threat. Scientists tell us that, if we cannot achieve a more sustainable way of life soon, there is a serious risk of dramatic changes in the climate, the economic and business consequences of which will make the fallout from the financial crisis look like a minor sideshow by comparison.

Sir John Beddington, chief scientific advisor to the former Labour and now coalition British governments, has warned that if current trends continue a "perfect storm" precipitated by food, energy and water shortages could suddenly blow up around 2030, when the world population will be 8.3 billion. At the "Sustainable Development UK 09" conference in London in 2009, he estimated that within 20 years demand for food and energy will be 50 percent higher than now, and demand for fresh water will be 30 percent higher, and warned that climate change could aggravate the shortages in unpredictable ways.

We must hope that such a "perfect storm" of catastrophic shortages and soaring commodity prices, if it erupts, does not coincide with another banking crisis, because if it does we will all be in real trouble.

As risk piles up on risk and the fragility of our economic systems combines with the fragility and degradation of nature's systems to create a period of unprecedented danger, it is all hands, whatever their sex or provenance, to the pumps. It is time to call up the reserves – to bring John Knox's "monstrous regiment of women" into the front line and the strategic discussions. We cannot allow the quality of management and leadership in any walk of life to be anything other than the best possible. In business, we cannot permit senior executive and director selection processes to continue to ignore half the talent available, or to dispense with the well-documented benefits of gender-diverse boards.

Cometh the hour, cometh the woman. Because the man is not enough.

We need all our abilities, skills and talents if we are to grapple successfully with the grave and growing problems that confront us. Both halves of humanity will have to be fully engaged, at every level, in the search for solutions.

This book is about the implications for companies and their boards of the challenges confronting us, and the role a substantial influx of women onto the boards and governing councils of large companies and institutions can play in meeting those challenges.

A leader in the *Financial Times* on 25 November 2010 on the eve of the deadline for submissions to Lord Davies's review of how the UK government could encourage the appointment of more women to boards put the case as follows: "Male dominance of boardrooms creates two distinct problems. Companies with few women have failed to recruit from the widest pool of talent. And boards that are not diverse may exhibit more blinkered 'groupthink' and conformism, damaging both business and society more generally." The *FT*'s first point is obvious, and has been made often. Its second point is a relatively new argument that has been given a particular edge in recent years by the banking crisis and its protracted aftermath.

Although the point is seldom put so bluntly, an implication of the *FT*'s second point is that the all-male board does not work as well as the gender-diverse board, and a substantial influx of women to boardrooms would significantly improve corporate governance and so reduce the chances of a recurrence of the global financial crisis.

In Chapter 1, we examine how the shock of the financial crisis and its prolonged economic consequences have changed the parameters of the debates about corporate governance and regulation. The chapter includes discussions of the implications of the recent shift from rules-based to principles-based regulation, and the new interest in the behavioral and psychological dynamics of boards exemplified by Annex 4 of Sir David Walker's review of corporate governance.

We suggest that appointing more women to corporate boards may be a more effective way to achieve the desired changes in behavior than trying to change the behavior of male directors.

In Chapter 2 we show, through interviews with several chairmen and chief executives (CEOs) of FTSE 100 constituents (the UK's largest listed companies), that we're not alone in this view. Although the distinguished contributors, 12 businessmen and Baroness Hogg, a former chairman of a FTSE 100 company and now Chairman of the Financial Reporting Council, oppose mandatory quotas for women on boards, all say that women bring valuable qualities and perspectives to boards.

These interviewees know what they are talking about – they are all mentors on the *FTSE 100 Cross-Company Mentoring Programme*, which brings together FTSE 100 chairmen with sub-board female executives at other FTSE 100 companies in mentoring pairs, in what has proved to be a successful effort to prepare the mentees for promotions in general, and for appointments to boards in particular.

Chapter 3 discusses a distinction that has recently been made in the literature between "mentoring" and "sponsoring" schemes, as ways to bring more women onto boards. We acknowledge the importance of the difference in the meanings of the two words but show, with the help of the results of an independent study of the *FTSE 100 Cross-Company Mentoring Programme*, that in practice mentors who have the authority and influence to act as sponsors are not deterred by the label "mentor" from doing so.

The program has proved a rich learning experience for both mentors and mentees. In addition to achieving its objective of increasing the number of women on company boards, it has provided a forum for the engagement of the old guard of company leadership, personified by the mostly male mentors, with the vanguard of what can be seen as the new component of corporate leadership, personified by their female mentees. As they have helped their mentees prepare themselves for high corporate office the mentors have been learning about how the female leadership style differs from, but can be complementary to, that of the male.

A striking feature of the *FTSE 100 Programme* is the attention it has attracted and the emulators it has inspired already, and continues to inspire, elsewhere, which we describe in Chapter 4.

This suggests two new themes have become embedded in the corporate governance debate: first, that more gender diversity on boards may be part of the solution to the governance weaknesses revealed by the Enron, WorldCom, Tyco and other scandals before the crash, and the more systemic weakness exposed by the crisis; second, that the high-level, cross-company, cross-gender mentoring/sponsoring model pioneered by the *FTSE 100 Cross-Company Mentoring Programme* is an effective way to achieve the increased supply of board-ready women required by the first new theme.

The idea that appointing more women to senior management positions may be part of the solution to the governance problems revealed by the financial crash is not confined to the corporate sector. In Chapter 5 we describe some of the ripples from the *FTSE 100 Cross-Company Mentoring Programme* that have spread beyond the corporate sector to government institutions, the civil service, professional services firms and the media industry.

In Chapter 6 we examine some of the practical implications of this new interest in women as part of the redemption of a manifestly flawed system of corporate governance. Through interviews with mentees on the *FTSE 100 Cross-Company Mentoring Programme* we describe some of the qualities these women themselves believe they bring to boards, and the roles they typically play in board discussions after their appointments.

We turn, in Chapter 7, to the vexed question of statutory quotas.

We are not persuaded by the arguments for statutory minima for the number or proportion of women on company boards, but we recognize their strength, and acknowledge the progress towards gender parity they have inspired in Norway. We describe the state of play on the quota issue in other European countries, and examine the growing pressure on UK companies to increase the gender diversity on their boards from lobbying groups, Lord Davies's review and the European Commission.

On the face of it, quotas are distortions of the market, but might they not be justifiable to correct what many see as a more serious market distortion?

Sir Philip Hampton has warned UK companies that they are "drinking in the last chance saloon" – that unless they make substantial and visible efforts to improve gender diversity on their boards in the very near future, mandatory quotas are inevitable.

The final chapter identifies two basic approaches to the reform of corporate governance: change the system or change the behavior. It describes, but does not advocate, governance systems that separate operational from ethical and prudential governance, and argues that the better way to change the behavior of boards is to appoint more female directors.

It then calls for and prescribes action on the both the supply and demand sides of the market for female directors, summarizes recent research into the links between gender diversity on boards and corporate performance and standards of corporate governance, and proposes that one action the constituents of the FTSE 100 (and now the FTSE 250) can take to improve gender diversity on their boards is to join the *FTSE 100 Cross-Company Mentoring Programme*.

This program is referred to frequently throughout the book for two reasons. First, because the author's views on gender diversity on boards or their equivalents have been profoundly influenced by her experience running the program, and her conversations with its two classes of participant: chairmen and CEOs of large organizations (the mentors), and senior women at sub-board level in other large organizations (the mentees). Second, because the program's mentors and mentees are the principal protagonists in the drama described in this book, which, despite the slow progress to date, the author expects eventually to culminate in a sharing of the leadership of our large organizations between men and women.

To give an idea of the kind of women who will be arriving on large organization boards in greater numbers, we include two profiles of former or current mentees on the program in each chapter. We chose these 16, from a total of 62 former and current mentees, to convey the wide variety of organizations from which the program's mentees have been drawn.

The profiles demonstrate how valuable this "precious gift" of the program, as one mentee we interviewed called it, has proved and is proving for its mentees. They should also give an idea of the leadership potential that still lies largely untapped in a gender that has for too long been neglected by large organizations.

Postscript

Some time after we went to press Lord Davies of Abersoch published his "Women on Boards" report, to which we refer several times in this book. We are grateful to the publishers for allowing us back into the book to add a summary of the report's main recommendations.

As we predicted, Lord Davies stopped short of recommending statutory quotas for women on boards, but did not rule them out indefinitely. The quota option was left open in the event that his recommendations led to insufficient improvement in gender diversity in boardrooms.

His recommendations focused on FTSE 350 companies – the constituents of the FTSE 100 and FTSE 250 stock market indices. They were:

1 All Chairmen of FTSE 350 companies should set out the percentages of women they aim to have on their boards by 2013 and 2015. FTSE 100 boards should aim for a minimum of 25 percent female representation by 2015 and Davies expected "many will achieve a higher figure." Chairs should announce their goals by September, 2011. All Chief Executives are also expected to review the percentage of women they aim to have on their Executive Committees in 2013 and 2015.
2 Quoted companies should be required to disclose the number of female employees in their organisations each year, the proportions of women on their boards and the number of senior female executives.
3 The Financial Reporting Council (FRC) should amend the UK "Corporate Governance Code" to require listed companies to formulate policies on boardroom diversity and measurable objectives for implementing them, and disclose annually summaries of these policies and progress made in achieving the objectives.
4 Companies should report on the matters in recommendations 1, 2, and 3 in their 2012 Corporate Governance Statements, whether or not the above regulatory changes have been made, and Chairmen are encouraged to sign a charter supporting the recommendations.

5 In line with Corporate Governance Code's provision B2.4 ("A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments") Chairmen should disclose information about the company's appointment process, and how it addresses diversity in the company's Annual Report, and include a description of the search and nominations process.

6 Investors are encouraged to pay close attention to recommendations 1–5 when considering company reporting and appointments to the board.

7 Companies are encouraged periodically to advertise non-executive board positions, to encourage greater diversity in applications.

8 Executive search firms should draw up a voluntary code of conduct addressing gender diversity and best practice, which covers the relevant search criteria and processes relating to FTSE 350 board appointments.

9 To achieve these recommendations, recognition and development of two different populations of women, well qualified to be appointed to UK boards, should be considered:
   - executives from within the corporate sector, for whom there are many different training and mentoring opportunities; and
   - 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.

   Entrepreneurs, existing providers and individuals must come together to consolidate and improve the provision of training and development for potential board members.

10 This steering board will meet every six months to consider progress against these measures and will report annually with an assessment of whether sufficient progress is being made.

The clear implication of the last recommendation is that if the steering board considers insufficient progress is being made, the question of statutory quotas will be revisited.

Chapter 1

Corporate governance after the banking crisis

It is an ill wind that blows no one any good, and a good thing that will, hopefully, emerge from the otherwise ill wind of the 2007–08 financial crisis is a reform of corporate governance. Some reforms will be forced on companies by tougher regulation, particularly in the financial services sector, with which they will be obliged to comply. But there are internal pressures for reform too. Corporate executives have a duty to their shareholders to minimize the risk of a recurrence of the wealth-destroying storms that swept through the world's capital markets at the end of the 2000s, the effects of which are still being felt in the early 2010s.

Corporate governance reform is acknowledged to be necessary in all industries, but so far the main focus of regulatory attention has been the banking sector. In the UK the most significant structural change in the regulatory environment for financial services groups is the transfer of the responsibility for "prudential regulation" from the Financial Services Authority (FSA) to the Bank of England (BoE).

Legislation effecting this change will be put before parliament in 2012, but during the run-up to the formal transfer of power, which will involve the migration of more than 1000 staff from the FSA to the Bank, the BoE wants to act as if it had already occurred. This should allow the process of inculcating the transferred FSA staff with the outlook and philosophy of central bankers to be completed before the legislation is passed.

The re-structuring of UK financial services regulation provides an illuminating insight into the post-crash thinking of regulators in the UK. "We shall aim to avoid an overly legalistic culture with its associated compliance-driven style of regulation," the Governor of the BoE, Mervyn King, said in his Mansion House speech on June 6, 2010. "We must reverse the seemingly inexorable trend towards more regulation and more regulators. That did not work in the past and is not the right response now."

From rules to principles

The BoE will retain the so-called "principles-based," as opposed to "rules-based," regulatory approach adopted by the FSA in 2007. The fact that the

FSA did not prevent the financial meltdown in 2007–08 is not seen as a failure of principles-based regulation in the UK or the US, where regulation of banks was switched from a rules-based to a principles-based system by the Dodd–Frank Wall Street Reform and Consumer Protection Act, signed into law by President Obama on 21 July 2010. This is one of the main lessons regulators on both sides of the Atlantic have learned from the crisis. Rules-based, compliance-driven regulation has become unfashionable. It's not enough, any longer, to tick boxes. Each case must be judged on its merits according to whether it is consistent with the spirit of principles, rather than with the letter of rules.

There will be rules in the form of minimum capital ratios, but any decision to intervene in the banking sector to preserve stability will be based on human judgment, just as monetary policy is based on the judgments of the Monetary Policy Committee. "Over the next few years," the BoE Governor pledged at the Mansion House, "we will put in place a framework for financial stability to parallel that for monetary stability. We need both. As we have seen, one without the other is not enough. Just as the role of a central bank in monetary policy is to take the punch bowl away just as the party gets going, its role in financial stability should be to turn down the music when the dancing gets a little too wild."

The Governor may have been referring here to the remark attributed to Charles ("Chuck") Prince, former Chief Executive Officer (CEO) of Citigroup. "As long as the music is playing," he said, "you've got to get up and dance." When the music stopped Prince resigned in November 2007 shortly before Citigroup posted a $10 billion fourth-quarter loss, after a $22 billion write-down of sub-prime mortgages and consumer loans.

The idea behind the shift from a rules-based to a principles-based regulatory system is that rules encourage regulated organizations to hire lawyers to find ways round the rules, within the law. It becomes a game between the regulator and the regulated. The rules proliferate as loopholes are identified by the latter and plugged by the former. Principles-based regulation requires the regulated organization to adopt the regulator's point of view and decide, in advance, whether or not the actions it contemplates are consistent with the regulatory principles.

In theory, the regulated are forced by principles-based regulation to confront the consequences of their collective actions, and will thus take the principles into account when making decisions. There will be a tendency for the principles to be ossified into rules by precedent (you let them do that last year so you must let us do it now), but principles-based regulation is inherently more flexible than rules-based regulation and adapts more effectively to changed circumstances (it was OK last year, but it's not OK now).

Principles have been at the heart of the approach of the Financial Reporting Council (FRC), the UK corporate sector's leading self-regulatory institution, since its origins in the Cadbury Committee's review of corporate governance in 1992.

In the latest edition of its *Corporate Governance Code* published in June 2010, the FRC acknowledges a tendency for familiarity with its principles of "accountability, transparency, probity and focus on the sustainable success of an entity" to breed, if not contempt exactly, at most a cursory form of compliance that it describes as "the fungus of 'boiler-plate'," which simply re-uses the same text each year in corporate governance reports.

In its first post-crash review of its *Code* the FRC says "much more attention [needs] to be paid to following the spirit of the *Code*, as well as its letter." It says that compliance with the *Code* does not, in itself, constitute good corporate governance. The *Code* can only be a guide. "It cannot guarantee effective board behaviour, because the range of situations in which it is applicable is much too great for it to attempt to mandate behaviour more specifically than it does." To comply appropriately with the *Code* "boards must think deeply, thoroughly and on a continuing basis, about their overall tasks and the implications of these for the roles of their individual members."

The FRC adopted a principles-based approach in *The UK Stewardship Code*, which it published in July 2010 in response to accusations by the UK Treasury Select Committee in 2009 (see below), during its examination of the causes of the credit crisis, that institutional shareholders did not do enough to challenge bank boards before the crisis.

Though preferable to rules-based regulation, principles-based regulation is no panacea. Regulations constrain the regulated (if they didn't, they would be superfluous). The regulated will always kick against the constraints in their efforts to create value for shareholders and themselves through bonuses and other performance-related pay schemes. Regulations and codes of practice, as the FRC acknowledged, "cannot guarantee effective board behaviour." That's why there is also a behavioral theme in the post-crisis debates on corporate governance that the previous debate lacked.

Group psychology

This new interest in the psychology and behavior of directors and boards is exemplified in Annex 4 of the final recommendations of Sir David

Walker's report: "A review of corporate governance in UK banks and other financial industry entities," published in late 2009. Under the heading, "Psychological and behavioural elements in board performance," Annex 4 addresses a number of issues, including the size of boards and their sub-committees. The optimum size of a board is 8–12 people, because there is a "cognitive limit to the number of individuals with whom any one person can maintain stable relationships," which is imposed by "relative neocortex size."

This isn't the sort of language one would previously have expected in a review of corporate governance. It reflects the contributions to the review of a literature review and research by the Tavistock Institute of Human Relations and the talent management consultancy Crelos Ltd.

According to Annex 4, boards with over 12 directors "tend to suffer from the phenomena of passive free riding, dislocation and 'groupthink'," which reduce the ability of a board "to effectively monitor senior management and govern the business."

Passive free riding (not adding value), which may be a consequence of "a nameless apprehension, a threat of something that is around, something that is going to happen," expressed as an "unwillingness to talk about an issue in the group context," allows other members to build coalitions, disclose information selectively, divide and conquer. Dislocation, which reduces participation and commitment, is another large board phenomenon, which allows the leadership "to be controlling and political."

"Groupthink" occurs when the members of the board "try to minimize conflict and reach consensus without critically testing, analysing and evaluating ideas" or when the "motivation to achieve unanimity overrides motivation to appraise alternative courses of action."

There is a rich literature on "groupthink." It can have disastrous consequences. Examples, not mentioned in Sir David Walker's Annex 4, include the assumption of US defense chiefs in 1940 that Pearl Harbor was an impregnable fortress that the Japanese would not dream of attacking, and the refusal of the US State Department to take notice of the report of a lone CIA agent that the USSR was shipping missile parts to Cuba, because it was inconsistent with the State Department's belief that the Soviet leader, Khrushchev, had no hostile intent.

Other examples mentioned by Robert E. Allinson, in his book *Global Disasters: Inquiries into Management Ethics*[1] include what is perhaps the best-known, and most extensively studied, "groupthink" disaster: the explosion of the *Challenger* space shuttle 73 seconds after its launch on 28 January 1986. It later emerged that Roger Boisjoly, a Thiokol Inc. engineer, had warned NASA project leaders that Thiokol O-ring seals on *Challenger*'s solid fuel rockets could fail if the shuttle was launched on a cold day. When he was asked, during a Presidential Commission on the disaster, why his warnings had been ignored Boisjoly said: "I felt personally that management was under a lot of pressure to launch."

Allinson says that similar early warnings were also ignored before the airborne raid on Arnhem at the end of the Second Word War, before the *Herald of Free Enterprise* ferry disaster in March, 1987, and before flight TE 901, carrying 257 people, crashed into Mount Erebus, an active volcano in Antarctica, in November, 1979. Boards aren't immune to "groupthink," whatever their size. They also tend to ignore warnings that challenge conventional wisdoms or suggest their strategies are based on dangerously false premises. A version of "groupthink" lay behind Chuck Prince's comment about the need to keep dancing when the music's playing. His "group" consisted of himself and his fellow CEOs at rival banks. When they were earning billions of dollars from securitization and trading in derivatives, he could hardly use the prospect of what the "group" assumed to be a highly improbable system-crash to explain to his shareholders, or more importantly to his employees, some of who were becoming very rich from derivatives trading, his decision to withdraw from these highly profitable markets.

There was no shortage of doomsters in the mid 2000s predicting that the US borrowing binge, the securitization of sub-prime mortgages and the growth of derivatives trading were bound to end in tears at some stage.

In March 2003 Warren Buffett, "the sage of Omaha," warned, in his annual letter to the shareholders of his Berkshire Hathaway group, that the then rapidly growing trade in derivatives posed a "mega-catastrophic risk" to the economy, and that derivatives were "financial weapons of mass destruction."

Annex 4 of the Walker report also noted the dangers of three other behavioral phenomena, "denial," "splitting" and "projection," in relationships between boards and their sub-committees. Suppose the board is uneasy about its ignorance in a particular area or sees a need to focus more intently on one particular area, such as risk management. The unease can be "denied" on the grounds that it is a specialist area that can be safely left to the experts. Leaving it to the experts is a form of "splitting": of distancing a board, intellectually and emotionally, from the abstruse complexities of risk assessment. If, after asking the experts to look into it, the directors become concerned that the experts might try to pull the wool over their eyes, they may "project" their ignorance or unease onto the risk management sub-committee they themselves appointed.

Andrea Blance

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Andrea Blance was Group Financial Controller at Legal & General Group plc (L&G).

Since graduating from the program she has been promoted to Group Chief Risk Officer, joined the L&G group's Executive Committee, and been appointed as L&G's representative on the new Treasury Insurance Forum.

"For me, the most important benefit of the program has been the good relationship I've developed with my mentor. He has been very generous with his time and given me thought-provoking and incisive advice in many areas, ranging from effective networking and general career advice, to helping me be 'more strategic' when I present to our board. My confidence has grown and I feel more at home debating topics outside my natural finance skills set. I am sure this was an important factor in my being promoted to Group Chief Risk Officer and becoming a member of our Executive Committee."

A new context for corporate governance

The shift from rules-based, to principles-based regulation, and the new interest in the behavioral and psychological aspects of corporate governance that is shown in Annex 4 of Sir David Walker's review, are contributing to the emergence of what amounts to a new context for corporate governance in the UK.

Principles-based regulation obliges leaders of regulated groups to study and understand the principles, and operate within them. They will continue to use lawyers to challenge applications of the Bank of England's prudential regulation principles, but principles are less easy to circumnavigate than rules and unlike rules, which are mostly expressed in numbers, they represent an argument about what is needed to preserve a stability that is as much in the interests of the regulated as it is in the interests of the regulator.

The same applies to the principles of transparency, simplicity and fairness in the US Dodd–Frank Act, which replace specifications of product terms and conditions in consumer protection regulation. In both cases the change in regulatory approach obliges companies and their boards to raise their sights when making decisions, from the minutiae of irksome rules, which must be either circumnavigated or complied with, to the "public goods": in these cases, of stability and fairness. In a sense, principles-based regulation invites the regulated to make common cause with regulators, in a collaborative effort to preserve and promote public goods such as stability and fairness.

In a paper published in 2007 by the law firm Herbert Smith and the London School of Economics, in response to the FSA's announcement of its switch from rules-based to principles-based regulation, the authors argue that the change in approach requires a change in the relationship between the regulator and the regulated:[2]

> There is a limit to what rules or guidance can do. What is key is the development of shared understandings between the ... [regulator] and regulated firms as to the role and purpose of Principles in the regulatory regime. ... Principles-based regulation will work only if there is ... dialogue between the [regulator] and regulated firms [to develop a] shared understanding of what conduct is required by the Principles. ... Regulatory conversations have to be based on some 'rules of engagement' ... [The regulated must] accept responsibility for thinking through the application of the Principles or rules in their own particular contexts. The [regulator must] support firms in exercising this responsibility, by giving firm commitments to the acceptability or otherwise of the responses firms develop to the Principles as part of the supervisory process. If Principles-based regulation is to work, different rules of engagement need to be developed.

In other words, a consequence of a switch from rules to principles is that the traditional adversarial relationship between the regulator and the regulated is replaced by conversations designed to achieve a meeting of minds about what's good for the community, economy or country.

At the same time, more attention has been focused on the frailties of boards. From dispassionate stewards of shareholders' interests, boards have come to be seen as social groups infested with a range of psycho-pathogens from "passive free riding," "dislocation" and "groupthink," to "denial," "splitting" and "projection." This is Kant's "crooked timber of humanity," from which "no straight thing was ever made." How, we have to ask, can good, responsible corporate governance be expected to emerge from these psychologically compromised groups of people?

It's a wonder boards work as well as they do.

Insofar as the crisis was a consequence of the failure of external regulation, corrective action in the form of structural reforms of regulatory regimes and the switch from rules to principles has or is being taken. Insofar as it was caused by the failure of self-regulation, as former Federal Reserve Chairman Alan Greenspan has argued, and of the corporate governance system, there's still much to be done.

Reforming boards

According to Annex 4 of the Walker review: "board behaviour cannot be regulated or managed through organisational structures and controls alone." It develops over time, in response to current and anticipated situations. It's learnable, and depends on situational demands, such as the "strategic context, social influence, and the dynamic of the group itself."

Annex 4 distinguishes between "learnable" behavioral abilities and "intrinsic and innate" traits. Citing leadership research from the 1950s onwards, it says "traits do not influence leadership ability as much as a person's ability to learn rapidly from, and facilitate behavioural development in others," and recommends that executive and non-executive directors be "schooled in group relations, power dynamics and the behaviours and processes" needed to maximize "the intellectual capability of the group."

In academic studies this is known as "transformational" as opposed to "transactional" leadership, which rewards good and punishes bad performance. Annex 4 says transactional leadership is "predominant in the financial industry, where high risk, high pressure and high rewards dominate."

In other words, the Walker review's Annex 4 argues that the way to minimize the risks of dysfunctional board behavior, which was all too apparent during the financial crisis, is to train directors, and particularly chairmen, in the art of "transformational leadership" so that they can acquire "highly-tuned facilitation and listening skills," and can "satisfy the group's emotional needs, whilst also holding the group to the work at hand."

But some people question whether reforms can have much effect when the jobs are done by the same people after the reforms. Annex 4's advocacy of "transformational leadership" suggests an alternative approach to achieving behavioral change in boardrooms – change the people.

As we pointed out in *A Woman's Place is in the Boardroom*[3] the weight of evidence from academic studies that used the Multifactor Leadership Questionnaire (the standard questionnaire for academic leadership studies) is that female leaders are significantly more "transformational" than male leaders. One of these studies found "women leaders were rated by both their female and male direct reports as displaying ... key aspects of transformational leadership more frequently than men" and "female leaders were generally rated higher [than males] on leadership factors that have been shown to predict individual, group and organizational performance."[4]

There is also a growing belief that the problem of "groupthink" is more likely to be avoided with more gender-diverse boards.

In an article in *Bloomberg Businessweek* on 5 February 2008, Sharon Allen, Chairman of the Board at Deloitte LLP, said the 1957 black-and-white movie classic *Twelve Angry Men* exemplified the essence of good corporate governance, and illustrated how "groupthink" can lead to bad decisions and miscarriages of justice.[5]

A jury of 12 white, middle-class, middle-aged men (a typical board of roughly the right size – see above) discuss what seems to be an open-and-shut murder case. "Groupthink" would have led to a guilty verdict, had it not been for Davis, played by Henry Fonda, who was not persuaded by the prosecution's case. He resisted pressure from his fellow jurors, which turned out to be based on prejudices and eagerness, for various reasons, to reach a quick verdict, and took them on a journey of discovery that led to a unanimous, not-guilty verdict, and so prevented the execution of an innocent man.

Allen's preferred method, as a chairman, for preventing "groupthink" is "diversity of thought, made possible by including new voices in the boardroom along with those that are traditionally white, older and male." She cited research by the Wellesley Centers for Women, which found that female directors make three contributions to good corporate governance that male directors are less likely to make: "a willingness to consider the concerns of a wider range of stakeholders; greater persistence in pursuing answers to difficult questions; and a more collaborative approach to leadership."

She said: "Through robust and rigorous examination, diverse boards can help management develop the best approach to any challenge or opportunity," and added that diverse boards can "elevate the good of the enterprise above the self-interest that sometimes prevail[s] among like-minded individuals."

In its latest *Corporate Governance Code* (see above) the FRC echoes this sentiment. For the first time the code includes as the "first supporting principle" in its "Appointments to the board" section an injunction on gender: "The search for board candidates should be conducted, and appointments made, on merit, against objective criteria, and with due regard for the benefits of diversity on the board, including gender."

Another advocate of this "change the people" approach to reform is the UK's House of Commons Treasury Select Committee, whose views can be seen as "proto-regulatory," in the sense that they can lead to changes in regulations, or even in the law. In April 2010 the committee urged the UK's banking industry to appoint more women to senior jobs to combat the "groupthink" that members believed had contributed to the 2007–08 financial crisis. "We are not saying that had women been in charge, the crisis wouldn't have happened," said Committee Chairman John McFall, "but we are highlighting the fact that women are poorly represented in the financial sector, particularly at senior level." He said it was "in the interests of financial institutions themselves to boost female representation at senior level and thus try to embed diversity and challenge more deeply into the culture of banking."[6]

Two years earlier Harriet Harman, then Deputy Leader of the Labour Party, had said what the Treasury Select Committee declined to say in 2010, when she suggested that the world would not have been plunged into recession if the most conspicuous bank casualty of the crisis had been Lehman "Sisters," rather than "Brothers."

Harman's assertion was impossible to prove, of course, but one can say with reasonable confidence that a female CEO of a hypothetical "Lehman Sisters" would have been highly unlikely to have earned the soubriquet "gorilla" among Wall Street investment bankers; she would probably not have referred to competitors as "enemies" whose throats must be "ripped out" or told her employees to act as though they were "at war" or, whatever the provocation, have publicly declared at a conference in London in spring 2008, when Lehman Brothers' shares were being "sold short": "When I find a short-seller I want to tear his heart out and eat it before his eyes while he's still alive."[7]

Still less conceivable, given popular perceptions and expectations of femininity, is that such intemperate and luridly bloodthirsty sentiments, had they been expressed by a woman, rather than by the Lehman Brothers CEO Dick Fuld, would have been greeted with amused tolerance, and possibly a hint of admiration, by some Wall Street bankers.

Who can say whether Lehman Brothers would still have collapsed if it had been run by a woman, or if the world financial crisis would have been avoided or the infection of toxic assets would have been less virulent had there been more women on the boards of the major banks? We cannot re-wind the crisis, change the sex of its leading protagonists and then

Diana Breeze

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Diana Breeze was Director of Organisational Development at J Sainsbury plc.

Since graduating from the program she has been appointed Director of Corporate HR at J Sainsbury and, in addition to this promotion, has been appointed to the International Advisory Board for Executive Education at the Said Business School, University of Oxford.

"It is a privilege to be part of the *FTSE* program, because it gives me regular access to an individual with an extraordinary degree of perspective on broad business issues. I find each session challenging, stimulating and, all in all, a fantastically valuable use of time."

play it out again. We can only speculate and come to a view, based on the available evidence. This includes the 2005 study from the Centre for Financial Research at the University of Cologne, "Sex matters: Gender differences in a professional setting" (by Alexandra Niessen and Stefan Ruenzi),[8] which found that female fund managers take less extreme risks than males and pursue more conservative investment strategies.

By the Spring of 2010 the anger aroused by the crisis had lessened and the Treasury Select Committee did not accept the suggestion of Charles Goodhart, professor at the London School of Economics and a former member of the Bank of England's Monetary Policy Committee (MPC), when he told them that more female representation at senior levels would have made the banking crisis less likely. Nor did the committee recommend, as some had been urging them to do, statutory minimum percentages of women on boards, as have been introduced in Norway and elsewhere (see Chapters 4 and 7).

However, they did conclude in their final report that more diverse bank boards were needed. “We believe the lack of diversity on the boards of many, if not most, of our major financial institutions may have heightened the problem of ‘groupthink’ and made effective challenge and scrutiny of executive decisions less effective.”[9]

The committee said the banks should do more to encourage diversity at senior level, such as looking to “a wider range of sources” for their executives. “Our report urges the City to take matters into its own hands, and improve gender diversity,” said McFall. He urged the Treasury Select Committee in the next parliament (the general election in May 2010 led to the Conservative–LibDem coalition) to monitor progress towards more diverse bank boards: “I am sure it will want to see evidence that this voluntary approach is yielding results. If it does not, then *the pressure for compulsory measures is likely to grow*” (our emphasis).

Those who hoped the political pressure on companies to improve the gender diversity on their boards would ease under a new Conservative government were disappointed. In an equalities manifesto, launched during the 2010 general election campaign, the Conservative Party said that if they won the election they would take steps actively to promote the appointment of more female directors to company boards. Measures proposed in the manifesto included the requirement that half the “long list” candidates for directorships of listed companies should be women; every directorship would have to be advertised publicly; and all companies with boards on which women accounted for less than 30 percent of members would have to set out in their annual reports the steps they were taking to meet the 30 percent target (see Chapter 7).

The Conservatives stopped short of proposing statutory enforcement of a minimum quota of women on listed company boards comparable to the 40 percent quota that became effective in Norway in January 2008, because it could contravene European Union (EU) law. The party had been advised, however, that its three proposals were compatible with EU law, and said it expected them to increase female representation on company boards in the medium to long term.

In early August 2010, the Conservative–LibDem government announced an “aspiration” that half of all new appointments to the boards of public bodies should be women by 2015, and launched an inquiry led by Lord Davies, a former Chairman of Standard Chartered Bank, into why there are so few women on company boards. "The fact that there are only 131 female directors in *FTSE 100* companies means that we cannot be using all the skills and talents that make our workforce so competitive," said Lord Davies (see Chapter 7).

The coalition government seems convinced that something will have to done about the lack of gender diversity on company boards. A few weeks after the announcement of the Davies inquiry Theresa May, the Home Secretary and Minister for Women and Equality, said that "In these challenging economic times we need to make the most of everyone's talents and more balanced corporate boards are better for everyone – employers, employees and customers."[10]

The European Commission (EC) is also looking closely at gender diversity on company boards, which it sees as an important political issue for Europe. Although Norway, which passed a law requiring the boards of listed Norwegian companies to consist of at least 40 percent women and 40 percent men in 2006, is not a member of the EU, Finland, Spain and France, which are EU members, have all introduced into law or corporate governance codes requirements to increase the proportion of women on the boards of listed companies, and at the time of writing (autumn 2010) Belgium and the Netherlands, also EU members, were considering similar measures (see Chapters 4 and 7).

At the time of writing the EC was working on a Green Paper on corporate governance, covering issues related to company boards, shareholder control, and the application of the "comply or explain" principle used by many self-regulatory bodies, including the UK's FRC (see above). This requires regulated companies either to comply with the guidelines and codes of practice, or to explain why they have not (this is also known as the "if not, why not?" principle). The Green Paper will look at the composition of boards and particularly at the "diversity" of their directors in terms of professional backgrounds, nationality and gender (see Chapter 7).

A "PC" argument

The financial and economic crisis and the public belief that failings in corporate governance were partly to blame for it have politicized the debate about how, and by whom, our companies should be run.

There is a new belief within the political establishment that they would be better run, and less likely to act recklessly and so put the stability of the financial system in jeopardy, if there were more women on their boards, and an expectation that companies will respond appropriately when filling board vacancies. If they do not, the political establishment will take note and, as John McFall warned, "the pressure for compulsory measures is likely to grow."

In the absence of an objective *ex ante* measure of the quality of a company's governance, the more gender-diverse board has become an important symbol of the new, post-crisis enlightenment. Progress towards gender-diverse boards will be watched closely as a proxy for corporate governance reform and a sign that the lessons of the crisis are being learned. In other words, the idea that our companies would be better, which is to say more prudently, run with more gender-diverse boards has become "politically correct."

Political correctness is generally assumed to be a great advantage for an argument, because it suppresses or marginalizes dissent and so smoothes the way for the achievement of the arguer's goals.

But political correctness (PC) is a mixed blessing, because it's a pejorative term. To call an argument "PC" is to suggest that it's succeeding and gaining positive press coverage, not because of its intrinsic merits, but because its objective has been deemed by the powers that be to be politically, rather than actually, desirable.

Suppressing and marginalizing dissenting voices does not answer or refute them. It excludes the skeptics, and forces them underground where they lie in wait for an opportunity: for the appearance of a crack in the PC defenses. This might take the form of a mistake or series of mistakes by the arguers, as happened with the so-called "Climategate" scandal, which cast doubt on the reliability of the evidence for global warming. Or it might take the form of an authoritative voice self-confident enough to challenge the consensus and declare that the PC emperor has no clothes. This can have the effect of legitimizing dissent, lending credibility to skeptical views and removing the protection from attack previously afforded to the campaign by its PC status.

Those, such as ourselves, who advocate change (increasing the number of women of appropriate caliber on the boards of our large companies), apparently blessed with the fair winds of PC, should welcome events of this kind as opportunities to dispense with PC protection and demonstrate the intrinsic merit of their argument.

We were provided with such an opportunity at the beginning of 2010.

It might seem presumptuous, even foolhardy, to take issue with *The Economist* – the most authoritative commentator on current affairs on both sides of the Atlantic – but its lofty dismissal, in its first issue of 2010,[11] of what it called the "new feminism" was much too provocative and misconceived to ignore.

We cannot speak for others mentioned in the magazine's article and editorial, but we have never seen ourselves as "feminists," new or old, and although we would hesitate to suggest that its arguments were "sloppy and counterproductive," as the editorial described the arguments of the "new feminists," there were some flaws in its reasoning.

The first is that by pointing out that "variation within subgroups in the population is usually bigger than the variation between subgroups" it confused variation with difference. Our position has always been, not that women are better managers than men, but that companies are better run by men *and* women than by men *or* women. Women are demonstrably different from men, psychologically as well as physically, and in all sorts of ways, and the differences do not disappear when one looks at variations within the male and female sub-groups.

The second mistake in the argument put forward in *The Economist* is that these putative new feminists of the magazine's imagination see women running "touchy-feely organisations." Again we can't speak for others, but we've never argued, and nor do we believe, that the business case for appointing more women to company boards is stronger in some industries than in others.

The third flaw in the editorial is the suggestion that we advocate the abandonment of "old-fashioned meritocracy" in the appointment of directors and senior executives. Nothing could be further from the truth. Our argument is that real meritocracy is gender-blind and is in this respect conspicuous by its absence in company board appointments. In advocating this "old-fashioned meritocracy," *The Economist* was surely not suggesting that the fact that some 90 percent of FTSE 100 directors and 95 percent of FTSE 100 executive directors are men accurately reflects the distribution of management ability between the genders.

Finally, *The Economist* editorial contradicted itself. It said "the new feminists are right to be frustrated about the pace of women's progress in business," but later counseled patience. "Women are now outperforming men markedly in school and university. It would be a grave mistake to abandon old-fashioned meritocracy just at the time when it is turning to women's advantage." Women have been outperforming men in higher education for decades. The last year male university graduates out-numbered female university graduates in the US was 1980. First-degree gender parity was reached about a decade later in the UK. In both countries women have accounted for close to 60 percent of first degrees since the millennium. How long does it, or should it take for this academic ascendancy to be reflected in the gender diversity in our boardrooms? It has nothing to do with old or new "feminism." It is simple arithmetic. If the best people were running our companies, half of them would be women.

The Economist quite rightly prides itself on its rationalism. It's the eye in the skull looking through fad and fashion, and the mist of spin and PC, to the realities of modern life. The fact that, in this particular case, *The Economist* missed its target is no reason to doubt the value of the skeptical/rationalist position, any more than the PC status of an argument such as ours is a reason to doubt its intrinsic merits.

There may be good reasons to doubt our assertion that we would all be better off if there were more women on company boards, but the fact that the assertion is "PC" is not one of them. Ultimately, it boils down to the evidence. When the evidence is overwhelming, the skeptical position becomes irrational.

Recent additions to the evidence for our assertion include a study published in 2009 that found irrational skepticism about the value of women on company boards in a quintessentially rational – if the "efficient market hypothesis" is to be believed – institution: the stock market.

Researchers at the University of Exeter in the UK found that firms with one or more women on their boards fared worse than average on the stock market, and share prices responded negatively to news of the appointment of women to boards. An analysis of the performance of FTSE 100 companies between 2001 and 2005 showed that companies with all-male boards had, on average, market values of 166 percent of the book value of net assets, while companies with one or more female directors had a market value of 121 percent of book value.[12]

What could be clearer evidence that the campaign for more women on boards is deeply flawed? The market has no axe to grind. It seeks the truth of things, because those who find it first make the most money.

But before those skeptics wave copies of the first 2010 edition of *The Economist* around and say "we told you so," they should read on a bit. The University of Exeter research also found that companies with one or more women directors out-performed those with all-male boards on Return on Assets and Return on Equity and were, as other studies have shown (see Chapter 8), much better investments in the longer run. The research team's leader, Professor Alex Haslam, said:

> Our study shows very clearly that shareholders tend to devalue companies with women board members and to chronically over-value those with all-male boards. What is not clear is whether this is because shareholders feel that women perform less well on boards than men or whether they see a woman's appointment as a signal that the company is in crisis. Whatever the reason, it is clear that this response is unwarranted, because there is no objective evidence that having female board members damages a company's performance. If anything, the opposite is true.

The efficient market hypothesis is true, "in the end," but between now and the end markets can be very inefficient, as the events of 2007–08 and the market's irrational prejudice in favor of all-male boards clearly demonstrate.

Parties to the debate

There's a tendency to see the debate in the UK and elsewhere about women on boards as an argument between a conservative, male-run corporate sector, which sees no good business reason to change the current gender diversity on boards, and an ill-assorted collection of "new feminist" pressure groups whose members know nothing about business and are motivated more by a desire for social equity than the belief that women have an important role to play in the reform of corporate governance.

This is a misconception. As we shall show in Chapter 2, the belief that the appointment of more women to corporate boards has a major role to play in the reform of UK corporate governance is shared by many male leaders of the corporate establishment.

Notes

1. Prentice Hall, 1993.
2. *Principles-based Regulation: In Principle and in Practice. Preliminary observations:* February 2007.
3. Palgrave Macmillan, 2005.
4. "The transformational and transactional leadership of men and women," Bass, B.M., Avolio, B.J., and Atwater, L., *Applied Psychology: An International Review,* 1996.
5. *The Death of Groupthink*, February 5, 2008.
6. "The City needs to put more women in senior jobs, says MPs' report," Katie Allen, *Guardian*, 3 April 2010.
7. "Exposed: Dick Fuld, the man who brought the world to its knees," Andrew Gowers, *Sunday Times*, 14 December 2008.
8. "Sex matters: Gender differences in a professional setting," Niessen, Alexandra and Ruenzi, Stefan, Centre for Financial Research, University of Cologne, 2005.
9. *Women in the City,* House of Commons, March 22, 2010.
10. "Theresa May calls for more women on company boards," Angela Monaghan, *Daily Telegraph*, 17 September 2010.
11. "Womenonics: Feminist management theorists are flirting with some dangerous arguments," *The Economist*, 2 January 2010.
12. "Investing with prejudice: the relationship between women's presence on company boards and objective and subjective measures of company performance," *British Journal of Management*, June 2010.

Chapter 2

The new world

On 20 October 2008, a few weeks after the global financial system fell apart following the collapse of Lehman Brothers on 15 September, a letter was published in the London *Daily Telegraph* under the heading "Now more than ever, we need women on boards."

It was signed not by the Minister for Women or the director of the Equality and Human Rights Commission, or some gender-parity evangelist or pressure group, but by 17 of Britain's most distinguished businessmen:

Roger Carr, Chairman of Cadbury and Centrica;
Dominic Casserley, Managing Partner UK and Ireland, McKinsey & Company;
Peter Erskine, former Chief Executive of O2 and non-executive director of Telefónica SA;
Sir Richard Evans CBE, former Chairman of United Utilities;
Ian Ferguson CBE, Chief Executive of Tate & Lyle;
Niall FitzGerald KBE, Deputy Chairman of Thomson Reuters;
Sir Philip Hampton, Chairman of J Sainsbury and vice president of the CBI (Confederation of British Industry);
Philip Jansen, CEO Europe of Sodexo;
Sir Rob Margetts CBE, Chairman of Legal & General;
Charles Miller Smith, Chairman of Asia House;
Sir Mark Moody-Stuart KCMG, Chairman of Anglo American;
Richard Olver, Chairman of BAE Systems;
Sir John Parker, Chairman of National Grid Group;
David Reid, Chairman of Tesco;
Sir Peter Ricketts, Permanent Under Secretary and head of the Diplomatic Service, Foreign and Commonwealth Office;
James Smith, Chairman of Shell UK;
Peter Sutherland KCMG, Chairman of BP.

All were, and most remain, mentors of senior women in the *FTSE 100 Cross-Company Mentoring Programme*. They said in their letter that it was "essential to accelerate the progress of women into senior positions, given the UK's need to deploy the best talent available ... [and this need was] greater than ever in the current economic climate." They explained: "Women contribute to properly balanced boards, and from our personal experience we are clear that their participation has a beneficial impact on the character and culture of the board."

There was no mention of Lehman Brothers in the letter, let alone a suggestion that, as the then Labour Party Deputy Leader Harriet Harman put it later, the world would not have been plunged into crisis if it had been Lehman "Sisters," rather than "Brothers" (see Chapter 1), or that the bank would not have collapsed under a mountain of toxic sub-prime loans if it had enjoyed the "beneficial impact" of women on its board.

Reading between the lines of the letter, however, it does not seem an unreasonable inference that some of Britain's most illustrious business leaders, each of whom, as a mentor in the *FTSE 100 Cross-Company Mentoring Programme*, has an unusually deep appreciation of the qualities women bring to our boards, suspect things might have turned out better in 2007–08 if the "character and culture" of our boards had been enriched by the presence of more women.

Conversations with mentors

In 2010 after the dust from the 2007–08 financial crisis had begun to settle, the author asked some of the mentors on the *FTSE 100 Cross-Company Mentoring Programme*, including some signatories of the *Daily Telegraph* letter, how, in their view, the world had been changed by the financial crisis and whether they thought that more women on boards might help to prevent a recurrence.

Marcus Agius, Group Chairman, Barclays Bank plc

Barclays' Chairman, Marcus Agius, likened the 2007–08 banking crisis to a "near death experience," like the battle of Waterloo.

> Waterloo was one of the most important battles of western civilization, and it was so intense, so difficult, so fraught, and so close that those who were involved in it, and survived it, thought about little else for the rest of their lives. It really was a very, very close run thing: the victorious Duke of Wellington later described the battle as "a damned nice thing – the nearest run thing you ever saw in your life." The financial crisis felt to me like a protracted battle of Waterloo. Day by day we were dodging bullets and making sure we didn't step on any land-mines. It was about survival for 18–24 months – it was very intense. Eventually, thanks to some magnificent work by a number of companies and ministers – particularly Alistair Darling, who I think was superb – death was

averted, the system survived and, stretching the analogy, the powers of Europe began looking for a way to prevent a recurrence. I'm no historian, but, as I understand it, "the powers that be" in Europe after Waterloo resolved at the Congress of Vienna never to allow Europe to be dominated by a dictator again.

That's what we are going through at the moment. Everybody is trying to change the regulatory framework, to make sure "it," in this case, the need to prop up the banking system with public money, will never happen again. The idea is that either the troubled bank goes bust or, better still, its "living will" is invoked, which means it instantly re-capitalizes, and carries on, without having to call on the public purse.

It was a damned close run thing – that's how it felt. The financial system could have easily gone down. It almost did. During that period, one's only mind set was survival.

What has all that got to do with gender? Nothing, directly, but one of the positive consequences of the crisis is the knowledge that it could have been avoided by taking better decisions. People realized that governance is important, but there was an awful lot of tokenism and box-ticking before. Now we know we have to do it with greater care.

It was recognized, after the Battle of Waterloo, that countries had to change their behaviour. It is now everyone's earnest intention that the banking crisis shouldn't happen again. We are trying. We hope to succeed; we may or may not, but we must obviously try. So governance is very important. There are two ways in which governance is going to change. First, non-executive directors, in particular, need to be better qualified. You can't appoint someone for some superficial reason. There has to be real quality there, which of course, to my mind, speaks directly against any notion of quotas. You can't employ people just because they're women, or just because they're from a certain ethnic background. You can only have people on boards who can make a meaningful contribution to the debate. Second, the desire to avoid excessive or poorly understood risk is much greater. So, for both these reasons, finding good new directors is hard. In one way, it would be great if everything was relaxed, and barriers to entry had come down. But, in fact, barriers to entry have gone up. That's how it is. You can't get away from it.

But, on a more positive note, it's not just a question of numbers and qualifications. It's a question of creating the right climate on the board and creating the right culture. And I believe that the culture which works is in fact a culture in which women can thrive and do very well and one in which women, in many respects, are better qualified than many men; a culture in which the board and the company are managed to prevent the taking of bad decisions. There must be total transparency. In other words, Directors must insist on being told the whole story and women are likely to insist on that more than men. [A mentee we spoke to made a very similar point; see page 111].

Some men don't ask questions about certain things. They just accept that "that's the way it's done round here; it's the club rule." Women will say "no, tell me!", "let's talk about it. What are you trying to hide?" Women can be just as difficult as men, but generally, once they get their teeth into something they want the answers. Many men are more sensitive to club rules; "you don't do that; you don't bring business papers into the dining room; you don't smoke in this room." Men are conditioned to observe and respect club rules.

Women often don't know what the rules are, but even if they do they will often say "they're your rules, not mine." So that's transparency.

Second, to make good decisions, I believe there has to be what amounts to a deal between executives and non-executives that starts by recognising that executives have a difficult job. They have to run a company in a competitive environment where the landscape is always changing; where, at any time, a competitor may come up with some new technique or make an acquisition that changes the game.

And, of course, the game changes the whole time and the only way to cope with it is to be better; to be more inventive and more creative. You have to try things no one has attempted before, without knowing whether they will work until you've tried them. You think about it as hard as you can, but then you have to take a deep breath and do it. And that is very difficult, and all the time people are looking at you, and measuring you and monitoring you. It's very stressful, but it's how capitalism works.

Non-executives don't have these difficult jobs, but when executives come to the board with proposals, they must recognise that it is not only the right of non-executives to enquire and challenge, it's also their duty. In the bad old days, the line might have been: "Oh come on, we have to get this past the non-executives. Let's tell them as little as we can get away with, and see if we can fix it with the chairman to manage the conversation so that clearance is given as fast as possible." I'm sure it was never put as bluntly as that, but you can imagine how it could have been.

The point is that looking forward from now, the process of challenge and enquiry needs to be done much, much better. Executives shouldn't resist those non-executives, they should embrace them. Very few people ask these awkward questions – not awkward for the sake of being awkward, but awkward because they want to understand it. "When I read your proposal," the non-executive says, "these are the thoughts that occurred to me. Tell me why this makes sense, and why that doesn't make sense. What have you, and what have we, done about this? Have you thought about that?" All these questions are what non-executives are there to ask and executives are there to respond to.

At the end of the process it emerges, hopefully, that the executive has done his/her job properly and the non-executive says "Thank you. I'm satisfied. You

> have not only my blessing, but also my backing." So the non-executive has now moved from being your inquisitor/judge, to being your champion. You've got a supporter right behind you, who will cheer you on, and that's very important.
>
> Another example of behaviour in "the bad old days" was when the level of mutual suspicion was unproductive. The non-executives would do a number of things for political reasons, or would keep qualifying their support: "well, I suppose if that's what you want to do, you do it" and would leave the executives feeling the non-executives were waiting for them to trip up, so that they could turn around and say "I told you so." That is absolutely how not to do it. If you do it properly, the deal is: "I will co-operate and answer all your questions and I will present this case as clearly as I can and I will try to persuade you why I think this is the right thing for us to do. In return, if I do persuade you, you will support me with conviction and won't question those who execute the decision."
>
> It's the diversity of challenge that is important. Not for the sake of diversity itself – the people need to be as relevant as possible, so they don't obstruct the process – but because it's more likely to lead to a greater variety of challenge, and so to more debate about the merits of the project and, therefore, the avoidance of "groupthink." Women bring, in addition to their particular expertise or geographical background, the diversity of their gender to the discussion.

Sir Roger Carr, Chairman, Centrica plc

Roger Carr, a founder member of the "30% Club" (see pages 133–4), has no doubt about the value that women bring to boards. For him, the debate about whether or not women have contributions to make, as women, to the new company leadership is over. All that remains to be decided is the practical matter of how to achieve better gender diversity on boards.

> The challenge is to increase female participation on boards and I believe the way to do that probably embodies three things:
>
> First of all a commitment from companies to the expansion of numbers of women on all boards as a principle. Second, for Chairmen to aspire to the non-executive content of their Board being at least 30 percent of women within the next five years, commensurate with the business and skills requirement of their organisation. And finally companies should ensure that within their organisation their policies and processes encourage, support and provide opportunity for women to develop and grow to enrich the talent pipeline for board membership.

Sir Roger commented further that "increasing women's participation on boards is an act of corporate self-interest – diversity in general and women in particular enrich the chemistry of a boardroom, and the quality of decision-making."

Chris Dedicoat, President, European Markets, Cisco International Ltd

Chris Dedicoat says his view on the predicament of women in senior positions has been further endorsed by his experience as a mentor on the *FTSE 100 Cross-Company Mentoring Programme*.

> Personally, I don't believe there is a huge amount of difference between the attributes required for a successful male or female leader. Gender should be irrelevant. We need to understand that male and female leaders may execute in different ways and display different leadership traits, but the fundamental capabilities are ostensibly the same. The important point is to build inclusive and diverse leadership teams.
>
> The alpha-male type tendencies which have already become obsolete in many globalised companies can be evident in both male and sometimes female executives. In my experience, successful female (and male) executives express themselves through who they are, not who they are trying to be. I see that in my mentee. She is herself, and she is comfortable with that. She doesn't try to be someone else. As a consequence she can lead and be comfortable with her style, and people around her will be comfortable with her style.
>
> Sometimes I see female executives trying to exhibit the traits of others who've been obviously successful. It doesn't come naturally to them and in my view doesn't work well for anyone in the long term. My mentee doesn't do that – she's herself. She leverages her attributes.

We asked Dedicoat what value he thought he was contributing to his mentee.

> I hope that what I can give is a few ideas about how people can express themselves better and contribute outside of their own disciplines. My mentee is clearly a very competent CFO [Chief Financial Officer]. I hope the value that I can bring is in helping her contribute across all the functions and, as an executive of the company, maybe leverage the company's financial capability more so that she can provide better advice and use financial leverage to create more opportunities for the company she works for.

What value did he think he was gaining from the mentoring?

> The big benefit undoubtedly for any executive is that, if you can for some time in your working day or week understand a bit more about the challenges and opportunities a different industry faces, that is a huge benefit. It helps you, as an individual, to be more rounded, and that's always what I seek.

Niall FitzGerald, KBE, Deputy Chairman, Thomson Reuters

Niall FitzGerald also thinks the world has changed since the crash and continues to change.

> Society at large will become less tolerant of bad behaviour. It's currently too tolerant. The consequence for business leaders is that they will have to be much more conscious, in their early thinking, about the impact of their actions on society. It's time for them to think about the balance of values and to be much more alert to the fact that unless they behave appropriately, although they may make lots of nice profits in the short to medium term, they may endanger and undermine their organisations in the long term.
>
> It is not good business to behave that way. Previously, you could actually make a good case for saying: "I'm not about minding society. I'm about running my business and making money – everyone must take care of themselves." In the future, society won't allow businesses to behave in ways that undermine trust and threaten the sustainability of society itself. There's a big issue there.
>
> I also think more and more businesses will look for people with a more grounded sense of the role of business in society. You can't have a successful business in a broken society – it doesn't work. So, as a business leader, you have to help society to become successful; helping, not in a socialist sense, but helping a wider group of people to benefit from what business does. That is going to require a different approach to leadership. It is not simply about, as it was in the 1990s and perhaps in the early part of the 2000s, the pursuit of shareholder value. It's about the pursuit of things that create value, and that lead to shareholder value creation.
>
> Peter Drucker was once asked: "What is the single purpose of an enterprise?" His answer was: "to acquire and retain customers." If you do that everything else follows. You can now expand that, and say it is to acquire and retain customers in a responsible manner in relation to the rest of society. If you do *that*, everything else follows.
>
> It is difficult for me to separate what I see happening from what I myself believe should be happening, but it's my impression that people are beginning to see that the only real measure of success is building and growing a sustainable entity, not something which, in ten years, has burnt itself out because people behaved badly. I suspect that ten years from now someone will write a book about the decline of [an investment bank] and will trace [the origins] back to somewhere between 2000 and 2010. There was a huge value shift, from being a business built by a total focus on what's in the client's interest, to what's in [the investment bank's] interest.
>
> It's odd because they're very intelligent people, but they didn't fully think through what the long-term consequences of focusing on what was best for

them would be and of clients saying “well I’m not going to be associated with them.” But it will be seen to be back then, when they became completely self-interested rather than doing a damn good job, which was appreciated by clients, and were also seen to have a clear responsibility towards society. I don’t mean being philanthropic – I mean understanding that you have an impact on society, and you had better be aware of that impact when you take decisions, and whether that impact is for good or ill.

A few years ago, I spoke to an investment bank’s women’s group. There must have been 100 of them. I said: “I have good and bad news for you. The good news is that, in my view, the way in which the world has developed means authority is no longer a given. It must be earned. People will only give their loyalty to those they respect – they will not give it to the position. And that means you have to have leaders who are tough, skilled, but also empathetic. You have to engage people. They have to want to respond to you; to want to be led by you. If you divide us all into our intellectual, physical and emotional and spiritual parts, the strengths that are going to be more important in the future are emotional and spiritual. I don’t mean religious. I mean something inside, your sense of values. And typically women are stronger in those areas than men. Men are stronger in the more narrowly defined intellectual and physical areas. They’re not good at handling emotion or expressing their spiritual sides. So that’s the good news: the world would be a better place with more women in senior positions. But here’s the bad news. Look around you. You are trying to be men – you even dress like men in your pin-striped suits. You’ve all adopted a role model that may be yesterday’s model.”

Fast forward to today, and I would put even more emphasis on that now. It’s not a male, or female thing. It is about people who are sensitive to, and thoughtful about, the impact of what they do, as leaders, outside the business. And to have that sense, you have to have experience outside the business; you have to be curious about society, interested in what makes society work, and what makes you work as a leader of a business, because as a leader of a business you are a leader of society. You have a responsibility to operate in ways that enable you to retain your freedom to operate, because if you don’t operate that way, that freedom could be taken away.

I understood before I was a mentor [on the *FTSE 100 Cross-Company Mentoring Programme*] how tough it was as a woman, but when you get into the undergrowth and talk to someone about the things they are trying to overcome you appreciate it even more. What it underlined for me was not that we need to get more of our share of the female talent, because that’s just common sense. I learned that it’s not enough to say it, and not enough to have a program. You have to change the environment in the business to accommodate that. I have four children: three grown-up children and a little one of nine. When she was born, I was absolutely determined that I wasn’t going to miss as much of her life as I had missed of the others’. Being in the position I was, I led the company, I could correct it. I said that two things were not going to happen from now on – first, I wasn't going to leave for trips on the weekend and second, don't even dream of arranging breakfast meetings with me, because I am going to have a breakfast meeting with my daughter – every day.

Other people in the business, not only women, said, "maybe that's what we should be doing" and it empowered them. Without meaning to, I created an environment where it became acceptable. But it's not about gender. It's about diversity in general. If you want a very diverse community within your business because it is right for the business, you have to pay attention to the environment into which you are asking these people to come. I go out and spend, to put it very crudely, a lot of money to attract you and then when you come to work each day the environment inside the business inhibits you. You shouldn't have to leave half your personality in a jar outside the door, because, if you do, I'm only getting half of what I paid for.

When people ask what's the hardest dimension of diversity to deal with – gender, colour, or creed – I say it is none of those. It is style. You show me a business that has really embraced every style that is available, and I'll show you a really diverse and successful business.

John Gildersleeve, Chairman, The Carphone Warehouse Group plc

John Gildersleeve isn't convinced that the financial crisis has changed the environment of corporate governance significantly, outside the banking sector.

This industry didn't contribute to the crisis, and the world will meddle at its peril, if it tries to impose a set of inappropriate standards upon all industries. The problem was caused by a number of factors, including ill-advised deregulation by the government. I don't think it has changed the attitudes of most business leaders, or boards in the UK. It has had a seismic effect in the financial sector and so it should have done, but we're not in that business. I bump into the financial sector pretty regularly, and I have some friends and acquaintances in it, but I have no role in it. In the businesses I deal with as a director or chairman it is business as usual in corporate governance. The Walker report suggested annual elections for chairmen and perhaps even directors. I'm not sure that is entirely sensible. Chairmen are rather like umbrellas; you only really need them when it's raining.

Gildersleeve is in no doubt, however, quite apart from the banking crisis and its aftermath, about the need for more women on boards.

I have always had a ... "preference" is the wrong word. I've always felt as attracted to having female executives as male. I've never discriminated. But I haven't been chairman of a board, and this is now my fourth chairmanship,

Deborah Bronnert

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Deborah Bronnert was Head of the Europe Delivery Group at the UK's Foreign and Commonwealth Office (FCO).

Since graduating from the program she has become Director, Global and Economic Issues at the FCO and a Trustee of Merlin, a charity providing medical expertise and help in emergency situations, such as the Pakistan floods in 2010, which also remains in countries after the crisis to help rebuild shattered health services.

"I was promoted before my sessions with my mentor started, but being nominated for the program gave me extra confidence to apply for jobs at a more senior level. Joining Merlin was a direct consequence of the program, both in terms of extra confidence and useful advice from my mentor. Being mentored by the Chairman of a global bank was hugely beneficial to me, and gave me invaluable insights into leadership and impact at the very highest level. I have sought to use these insights in my own work in the Foreign Office."

where we've not had women on the board and, without exception, they have not been as much trouble as some of their male colleagues and without exception they've made a real contribution, and not because of their gender. Their gender hasn't had any effect ... well, it has in the sense that they do sometimes have a slightly different view. But I couldn't begin to articulate or explain it.

Some people won't consider women because of their gender; frankly they're just ignorant. At worst, women make an equal contribution, but occasionally

> they make a *different* contribution, because they have slightly different experiences and sets of values from men. I would never choose a woman because of her gender, because I don't really "see" gender. But half the population is female, and if you are in a consumer-facing business at least half your customers are female, and here [Gildersleeve was talking here as the Chairman of New Look, the fashion retailer] it's probably 90 percent. Why would you not want that to be reflected in the workforce? And if you walk though this office you will see a significant number of executives here are women. That's what the fashion industry does. The banking industry doesn't. It's a testosterone competition.
>
> Women think more deeply about other people than men. I don't want to sound condescending or in any way critical, but I think bearing children makes a difference. It is an experience of which men have no understanding. Successful women who have had children have been able to manage that emotional responsibility alongside careers. It is pretty impressive. Men broadly say "I work, I provide, you look after." Modern man's a bit different now, but responsibilities are still not equally shared.

Referring to the author's leadership of the *FTSE 100 Cross-Company Mentoring Programme*, he said he wasn't sure that there should be a "campaign" to get more women on boards.

> I don't think that that's what you do in the Programme. What you're doing is to raise the awareness of the abilities and capabilities of women, which will lead through a natural process to them becoming integral parts of business. There are women on the Tesco board [Gildersleeve was a director of Tesco for 20 years], but they're not there because 70 percent of Tesco customers are women. They're there because David [Reid, Tesco's Chairman, see below] and Terry [Leahy, then Tesco's CEO] recognize that there should be a balance of genders on the board and they've found some able people. In the same way, I have had women on every board I've been a chairman of, not because there was a campaign, or because I thought that it was politically correct, but because it brings balance to a board, and different values, and it has always been beneficial. If you expose more people to the experience of capable women it will just become what people do.
>
> It's about removing a groundswell of prejudice. If you can end up with three-quarters of the FTSE having their chairmen subscribing to the principle, that's as valuable as having 20 of them actively working really hard, and perhaps getting four or five women on the board.

Sir Philip Hampton, Chairman, Royal Bank of Scotland plc

Sir Philip Hampton believes that the presence of women on boards improves the quality of boardroom debates, but doubts whether the crisis and subsequent recession have done much to improve the prospects for a new influx of women directors.

> I think the real point coming out of the financial crisis and the recessionary environment has been that in selecting people for the board we are all focused much more on people with highly relevant expertise. So it's becoming inappropriate to have a lot of people on a bank board who don't have deep financial experience. And, when board candidates are interviewed, they have to show that they understand the industry enough to ask the right questions and understand the issues. This "professionalization" of boards, in terms of relevant experience, will narrow the field of candidates, if it hasn't done already. That means that, to some extent, "diversity" will take a back seat. So it's going to make it tougher for women who lack the relevant experience to get these jobs, and because it is hard for women to gain that experience in a traditionally male environment, there may not be an abundance of women with the right experience. So I think it is not going to make it easier, and may make it more difficult.
>
> You can take a bit more risk on NEDs [non-executive directors] than you would be willing to take on executive directors, because at any point in time you need credible executive leadership, whereas you can change NEDs without necessarily upsetting the whole apple cart. The scrutiny of relevant experience, cultural fit and leadership skills is going to increase in tough times.
>
> I recognise the strong tendency of many women to take their responsibilities very seriously; for bringing up children, or meeting professional obligations. They often have this deep sense of personal responsibility, so it is possible that had there been more women on bank boards their sense of responsibility and concern might have mitigated the financial crisis. But I doubt you can prove it.
>
> I have long thought that two or more women on a team improve the listening. It's often the listening rather than the talking that's the difficult thing, when people learn to listen to the views of others. It improves the interpersonal aspects, the "social architecture," give and take. Mixed gender groups are often better at debating things, in my experience, than all-male groups.
>
> Social architecture is crucial to any team. It is about the sense of mutuality; the willingness to compromise and find the optimum solution from the team, rather than an individual's view of the optimum.

Baroness Hogg, Chairman, Financial Reporting Council

From her vantage point as Chairman of the FRC, and former Chairman of a FTSE 100 constituent company (before becoming Chairman of the FRC in May 2010 she was Chairman of 3i, the private equity group) Baroness Hogg is in no doubt that the crash of 2007–08 has changed the context of the corporate governance debate in ways that favor the appointment of more women to boards.

> There has been a change in boards since the crash. They recognise the value of diversity, including gender diversity, to help them avoid "groupthink," and that's precisely the language we used in the *Combined Code* [see Chapter 1]. But we still have a number of major boards with no women, and the overall percentage remains low.
>
> So are all the issues on the supply side now? I don't think so. I think the alleged "shortage of supply" is exaggerated. There are lots of able women executives now including in finance. One of the problems is they're not sufficiently visible. This is partly a by-product of the *Code*. There are fewer executive directors on boards nowadays, because of the requirement for a majority of independent directors. The work done by Cranfield has done a lot to illuminate many able women on the executive committees of major companies and there's a bigger talent pool there.
>
> We all have to move away – and this goes back to the demand side – from saying that, in looking for a non-executive director, we only want somebody with board experience. It's absolutely vital to move away from that, otherwise we'll be stuck in a small closed loop. There is a particular issue today in the finance sector, in that the structure of organisations can be particularly opaque, so that it is quite hard for people to know (when reading lists of candidates) whether an "executive Vice-President" makes the coffee or runs the show.
>
> Financial institutions have to do more to help signal the quality and experience of their senior female talent and encourage them to take up non-executive appointments.
>
> As to the question of whether we need exhortation, regulation, or legislation, I, as the guardian of the *Combined Code*, am very much in the fashionable "nudge" territory. I don't like legislation in this area, and I particularly don't like statutory quotas. That is why the *Corporate Governance Code* made this specific reference to the importance of diversity. It is intended to nudge and provide an incentive to people who want to ask companies why they haven't got women on the board. I don't like rigid quotas – they don't seem to have worked particularly well in Norway, since the result seems to have been that the same small group of women show up on every board! I think it is better if companies set (and disclose) their own targets on a voluntary basis.
>
> There are other approaches of course, like requiring companies to report on what they are doing. I would be anxious not to see yet more boiler-plate, however, so I hope the language in the *Code* and the general pressure will stimulate action.
>
> One final point – although I think the attitude of boards on this issue has

changed since the financial crisis I have to say frankly that there hasn't been much pressure on the issue from investors.

David Kappler, Deputy Chairman, Shire plc

David Kappler also thinks that the 2007–08 crisis has implications for the way companies are run.

I suspect it means the world is going to get more difficult, and corporate governance is going to become an even bigger issue. I do not work in financial services, but clearly the Walker report has made, probably quite rightly, from what one understands, a number of recommendations for financial services, which are likely to be picked up by Chris Hogg's report for the rest of us. [Baroness Hogg (no relation, see above) replaced Sir Christopher Hogg as Chairman of the FRC after we spoke to Kappler]. Life is going to get harder. What was laughably described as "comply, or explain" is out – it is now comply or comply. That doesn't take into account the circumstances of companies. If you don't want to comply it's not easy to explain why not. It can be done, but probably has to be done with a strong share price.

As far as selecting board candidates [is concerned] I'm not sure if anything has really changed outside financial services. As chairman, one always tries to ensure that one has a balance of skills, backgrounds, and disciplines among the non-executives. I don't believe we need more people with financial experience. If you go too far down that road you don't get enough commercial people – enough marketers, enough scientists or enough new ideas people – as non-executives. I would fight fairly hard against that and try to bring on new people with different ideas, from different disciplines.

I have an argument going on at the moment, on one of my boards. I am trying to put in somebody from outside, with a great marketing and innovation background, but without corporate governance or PLC-type experience of which we have plenty already. Why not go for her? I may well lose the vote on it.

Another change is that if somebody isn't fitting on the board, we act more quickly and say "look here, Fred, I know you've only done a couple of years, but the chemistry clearly isn't working." Four years ago we would let him do his six years so he could leave with his head held high. Some NomCos [nomination committees] are saying "look, we said we'd keep you on for a two-year cycle. Two years is up." In one company I'm involved with we only give people two-year contracts. We have three-year contracts in terms of reappointments at the AGMs [annual general meetings], but the personal contract they have with the company is on a two-year basis.

It's a positive trend that will enhance the overall effectiveness of the board, but it does require good candidates to replace those who leave. So the pool has to get bigger.

> I don't see, in the industries I'm involved in, significant changes as a consequence of the crisis. To some extent CFOs are asking for more advice from NEDs with strong financial backgrounds, because there are some concerns about the availability of finance when the next series of loan renewals come up, probably in 2012.

We asked Kappler how likely it is, in his view, that we might not have got into the pickle we are in if there had been more women on company boards in the financial services area.

> I'm not sure. I had the impression that this crisis was generated not by policy mistakes at the top, but by people further down the organisation taking risks without the system being aware of them, or understanding them. I was completely unaware that some American banks were lending 125 percent of the value of a house to people with no income, just state benefit or a very lowly paid job. And you think "how did that happen?"

Kappler doesn't think it's appropriate for institutional investors to put pressure on companies to appoint more women to boards.

> If I was approached and asked why didn't you get some women on our board I would say "look, I've tried to get the best board that I can for this business, at this point in time. I'm not worried if it's a man or a woman. I want the best person to fit on this team," and I would be a bit indignant about it. All chairmen are aware of the issue and are not wittingly opposed to women on their boards. The problem is with the headhunters. The same names come round and round. I'm trying. I've got one going on at the moment and we have a woman on the list from the headhunters, at long last – because I made it very clear I wanted one – with no PLC experience. She is a new name. The headhunters are lazy. You get on their file, and the easiest thing for them to do is generate a list of people matching the criteria. "Here's the list," they say. "That will be £20,000."

Sir Rob Margetts, Chairman, Ordnance Survey

"In my experience," says Sir Rob, "women do bring a distinctive contribution to all aspects of team leadership, membership and governance. Although it is very dangerous to generalize, I have observed the deep sense of responsibility with accompanying diligence brought by female colleagues to the boards on which I have served."

But Sir Rob is not in favor of mandatory quotas for women on boards. "I personally prefer ambitious voluntary targets. Individuals appointed to senior roles must be there on the basis of the best candidate to fit the position. If one distorts this criterion, then it can be extremely damaging to the confidence of the selected candidate as well as to those who legitimately aspire to be considered. I am a firm believer that great companies espouse meritocracy."

Dick Olver, Chairman, BAE Systems plc

Dick Olver agrees with Sir Philip Hampton that the presence of women on a board improves the quality of boardroom debate.

> Women are better listeners and with women on a board, you're less likely to get "groupthink." It's vital for the Chairman to create an environment in which the NEDs feel able to ask any question that they want to ask and where it's OK to push and shove each other around in the interests of getting the best answer.
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> Unless the chairman creates that kind of environment, you can end up surrounded by "yes-persons," and cut off the debate you need to have. If we'd had a larger pipeline, we would have had more women on FTSE 100 boards and if we had had more women on those boards we might have had fewer problems.

The implication here that all-male boards constitute a behavioral context that is, in some sense, "abnormal" is in tune with the new thinking on boards exemplified by Annex 4 of Sir David Walker's report (see Chapter 1), and our own belief that companies are better run by men *and* women than by men *or* women.

Olver agrees with the argument in the Walker report's Annex 4 that no amount of regulation can handle the behavioral issues.

> The chairman can set the tone in the board and of course the tone at the top, between EDs [executive directors] and NEDs. That affects the culture of the entire firm. There is absolutely no question about that. The other thing that can be helpful, which the Walker report recommends, is a facilitated Board Effectiveness Review every three years. Some chairmen do it internally, but I believe that's not the best way. I believe it must be external and I also think its best to conduct these reviews on an annual basis. A woman does [the review] for us at BAE. I insist on that, because we find our EDs and NEDs are more relaxed in talking to her … about everything!
>
> Regarding the question of whether it's more or less desirable, given the crisis, to have women on boards: I would say it is more desirable, but the bar is very high for large companies, so we need to increase the pipeline of women coming through.
>
> Another thing that would be interesting and powerful would be for companies to report their high-level objectives in this area. Then you will find out if they have even got one! We have one, and I'm always concerned that it's not "edgy"

enough. I've been working on this for years. Last year we created a Global Women's Forum. It's actually very powerful, but they can't do a million things; so, we have a leadership focus, a safety focus, a business conduct focus, and a diversity and inclusion focus. The aim is to develop a global working climate that embraces diversity and inclusion. The short-term objective was to establish a "Diversity and Inclusion Maturity Matrix" (D&IMM) by the end of Q1 [31 March 2010] and then meet the milestones towards the specified end state due to be achieved by 2015.

Olver then explained what he meant by a "Maturity Matrix."

When companies can't revolutionise safety, for example, overnight they will establish a "Safety Maturity Matrix," consisting of five steps. You start off nowhere and end up being world class. In this case, the D&IMM is the ladder. In this company, 70 percent of the bonus will be predicated upon delivering financial objectives, and 30 percent will be based upon non-financial objectives. Right now, because of where we are, we've put the most points and weight on ethics and safety. But diversity is coming up, and some of the bonus will be based on whether people have achieved the D&IMM objectives.

Sir John Parker, Chairman, Anglo American plc and National Grid plc

Sir John has been a mentor on the *FTSE 100 Cross-Company Mentoring Programme* since it started, and says that "it has been a rewarding experience for me (and hopefully those that I have mentored!)." He too believes boards work better with women.

At Anglo-American we have a female CEO and one other woman on the board. At National Grid there are two female NEDs and our General Counsel is a woman. Working with these ladies has helped me to see the benefits of diverse boards. Women have a different style; less macho, more considered, often with a different perspective. These differences in themselves aren't the magic element. The key is the combination of differences between men and women, which results in a more effective and dynamic team, and thus a board that's fit for purpose.

Boards also need a mix of generalists and specialists. We mustn't be blinded to talent in areas outside our core business. The value of different perspectives is self-evident – we need diversity on a number of different dimensions, including gender.

As a chairman, I am very conscious of my responsibility to ensure that the board can deal with all the issues it faces, and breadth of view is essential. It is, therefore, very important to bring on new talent, and appoint the right people. But it is also essential that appointments are driven by the job specification,

Monica Burch

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Monica Burch was a partner and board member of the law firm Addleshaw Goddard LLP.

Since graduating from the program she has been appointed Senior Partner of Addleshaw Goddard and a Recorder (Civil). She has also been appointed a non-executive director of Channel 4 Corporation.

"My mentor gave me insights I would not otherwise have gained into the more granular and practical detail: which recruitment consultants to register with; what programs NEDs valued and attended; what other options (government, charity, trusts) might be rewarding in themselves, or help me to gain experience; and how I ought I to think about what I wanted. I received very good advice on my career decisions in general, and one of the most practical pieces of advice I have ever received, which continues to help me. I also received advice that helped me think about a potential shift to another role, which I subsequently decided to take up."

> and not by a quota. I need to be confident that we have the right people for the job. Being on a board is a serious role not to be entered into lightly; it's not like joining a club. Directors need to be able to challenge management, engage in the strategic debates, and hold management to account.
>
> I'm committed to equal opportunities at board level, as elsewhere in the organisation. The program [*FTSE 100 Cross-Company Mentoring Programme*] enables me to support women, prepare them for board roles and help them to make sure that they are prepared to be the best candidate. As part of this process it was important to impart my knowledge about the difference between executive and non-executive roles. NEDs need to understand that they must use different styles, but that they have the same responsibilities as EDs.
>
> Mentoring helps us enrich the talent pipeline. When I am involved with nominations, I ask for women to be included on the candidate list. The talent and skill are there and we need to ensure that we look in the right places. That's why I support and am involved in the program. We all need to take on some of the responsibility to ensure that women are being found through headhunters to support today's boards.

David Reid, Chairman, Tesco plc

David Reid does think the world has changed. Since the economic crisis he sees "a rapidly changing world in terms of failures in corporate governance, economic and social challenges, and issues of sustainable development," and he sees:

> even more opportunities for women to participate at senior levels in business, because they bring their own skills and specifically a more balanced and sometimes a wider perspective as well as good dynamics to boards. The key criterion for success and being an effective Board is not just profit and shareholder value. It's also about governance, social conscience and societal performance. … You need all of these to deliver a sustainable long-term performance. Apart from their own technical skills as experts in particular areas, women can bring a wider, more balanced, probably fairer perspective into boardrooms. I find women to be very perceptive on behaviour at the Board and good at team building and finding constructive solutions. Overall I think women can join in and make the boardroom a better place. So: good news for companies that see the advantages and make it happen.
>
> Being a mentor of women [Reid was one on the first mentors on the *FTSE 100 Cross-Company Mentoring Programme*] helps you to see some of the barriers in male-dominated worlds. There are some practical aspects, for example, women and young families, obviously, but putting that to one side the male-dominated world operates in a particular way. It's very competitive and we need to promote and facilitate and encourage women to take control of their own destinies so

they can compete. We have to make it easier for women to fulfil their potential, in the context of the business they are working in.

I think we need to take more risk and provide more support to make this happen; and we need to encourage women to take up positions in the core of their business, and operational rather than support roles.

I think any interventionist strategy, such as legislative or code compliance, is missing the point. To be successful is not a question of the right numbers, although that will be the outcome. It's a question of values and of women working in an environment where they can use and maximise their talents. Usually their contributions are obvious. And that, to me, is win–win. It's a win for boards and the senior echelons, a win for the women themselves and I think, ultimately, it's a win for the shareholders and a better and fairer society for all.

I am against quotas, because they miss the point. But to get more women on to boards without using quotas you need to make sure they are being properly considered and given the opportunities. You may not necessarily do that with numerical targets, but you could have behavioural targets, the way recruitment, or promotion works, for example, to ensure that it's a level playing field and progress is being made. If you do that successfully the numbers should grow.

One critical aspect ignored by the supporters of quotas is that to be successful in our aims, [we] need to develop a strong pipeline of women who can come through the organisation. This takes time and real granularity in development and support. If one does that then the numbers or quotas will look after themselves! I don't believe short cuts, although sentimentally attractive, will give the right answer, and are generally to be avoided.

It's the values, for want of a better word. Systems and processes sounds too technical. The values of the organization should mean that it happens naturally and obviously. But to get there you need to put some serious granularity and facilitation processes in place so that women can take charge of their own careers within a corporate setting, and fulfil their own ambitions. We continually work at Tesco to mitigate any barriers and indeed to facilitate success. It is not easy and it takes time.

As a company we have moved light years, in 15–20 years, away from the old aggressive, male-dominated society. People, particularly young people of both genders, don't want to work for that sort of organization now, so you have to change the values, the environment and the dynamics. You have to help people feel that they enjoy work, that their opinions are respected and that they get help and support and can get on. That's important for the leadership provided by the Board but also the view from the lower echelons of the organization and the pipeline to senior management. This needs to be in evidence with tangible processes and good examples of success.

Did he think the financial crisis had changed the criteria for new board appointments?

> There are two things. One is the technical skills you are looking for – have the candidates run their own functions before? Do they have international backgrounds? Have they got operational experience? Can they contribute on a broader basis as well as their functional expertise? Those sorts of criteria. And that has probably broadened, because you are looking also for people who maybe have wider views on societal/social issues. That's a growing and important segment, I would say. Then, on the behavioural front, especially as you have large boards these days, you need people who can work as a team with good board dynamics. Those are the key changes.
>
> With the new post-crisis world Boards aren't sitting down and turning everything on its head. I think that they are reviewing their own governance, to ensure that the board understand what the business is doing – so, more effort on training, more visibility, transparency and risk management. Most companies that were not involved in the banking element of the crisis are saying that we should all be looking to make sure that we're in the right place on governance, visibility and transparency and trying to get through the business challenges with our strategies still in place.

How did he think male and female leadership styles interact?

> That is a very difficult question. It seems to me that apart from their specific business skills women come at leadership from a different direction. They've got a very good understanding of why someone holds a particular view, and once you understand that, you are in a much better position to try and help and move the dynamics forward. That's quite a helpful contribution to make; understanding why people take positions.
>
> It is different in the public sector. When the board of a publicly quoted company decide to do something, it is empowered by the shareholders to set out a strategy and implement it. In government there are so many overlapping stakeholders, all with constantly changing agendas and views, together with short timescales to deliver political solutions: and there's also the question of where the funding is coming from. A company can organise its own funding and get on with it. The difficult thing in government is how to empower people so that they can get on and deliver.
>
> I broadly agree with those who say the beneficial impact of women on a board isn't realized until there at least three of them. If there are 12 on the board and just one woman, it is quite hard for her, in terms of air time, and the balance of discussion. You need to have a good representation of women, so you don't need to worry about where you need to get to numerically. Just start from today moving forward. That will have a cumulative effect and spread this idea of

women and men, so actually what you want is good diversity and the right dynamics and an effective Board.

Two of our seven NEDs are women and one of our eight executive directors is a woman. So three women out of our board of 15. I don't think we've arrived yet. There is more to do and if we find even more women, that would be great, because it would be in line with my perceptions about the contributions to be made. This is a very worthwhile scheme that we are involved in [the *FTSE 100 Cross-Company Mentoring Programme*], because it's a win for women in business achieving their ambitions, and a win for boards in benefiting from the female talent pool.

Sometimes, you see it very clearly. In one of our Asian countries, for instance, women are very well educated, they've gone through university, etc., but the culture is that they should be bringing up the family, so they are not working in business. There is just this vast talent pool not being employed.

Tesco is depicted by its critics as a hard, large, fast-moving "driven" organisation but actually Tesco is very customer-oriented and, because we've got so many people, it's very people-oriented too, because otherwise we couldn't be successful. So these values have been instrumental in our success. It's a competitive advantage. Competitors can copy your prices and copy your stores and products but it's harder and it takes much longer to copy your people.

If a nation isn't using its women, that's bad from a productivity point of view. If you said you can only use half your workforce, a Martian could come down and say: "why do you do that?" and that's a very good question. We can't be complacent about where we've got to. It's not nearly far enough and the pace is slow. We need to accelerate, but only as fast as you can realistically develop and support our pipeline of women. There lies the challenge, so let's get on with meeting it.

James Smith, CBE, Chairman, Shell UK Ltd

The need for more diversity on boards was also emphasized by James Smith.

A company that opens its doors to everyone and doesn't ask people to conform to the stereotypical culture is going to do better than a company that has its doors mostly closed. We don't want to force everyone into a conformist point of view, because then we lose the value they bring; we create risk, have a blinkered view, and lose the voices saying "no, I don't think it will turn out that way."

Ten million customers cross our doorsteps every day all round the world, so a hugely diverse customer base needs a diverse employee group, to understand and respond to those customers, in terms of what we offer them and what we can learn about how they make their choices.

From the point of view of the adequacy of talent, creativity, the avoidance of blinkered thinking and providing great customer service, it makes huge sense to have diversity in an organization and to value that diversity, rather than asking it to conform.

But Smith acknowledges that, in seeking diversity, Shell confronts a dilemma.

One of the delights of Shell is, and has always been, its collegiate atmosphere. We know and like each other. We like to talk, we like to think, we like to argue, people even like to feel they have a veto on things. However the other side of that creativity is the potential for loss of simplicity and the risk to clarity of strategy. Markets are global, although we never forget that the final interaction with the customer is very personal and local. So we need all that creativity to get the best global strategy combined with local touch. Then we need everyone to implement the strategy and not second-guess it. That means product, brand and business process standardisation. And if we get the standardization right it creates the efficiency that frees up time for that vital final personal interaction with the customer.

It is not as simple as choosing between a conforming organization that is disciplined to deliver and an organisation that's good at thinking but not good at doing. Success comes from combining the two. In the past we have been too much of a thinking/debating/arguing organisation. We are putting a huge accent on delivery now, but we are being careful we don't overdo it, and so squeeze out the thinking. It's a matter of tone, sequence and accountability.

I'm not saying we don't want discussion. We need discussion. We have to have an open, well-informed, passionate debate and all the expertise has to be there and the breadth of view has to be there. But we have to come to a conclusion, and once we have, we have to be clear that we are going to implement it. So I think recognizing the importance of both thinking and doing, and building it in, is absolutely crucial, but it's harder to have both than to have one or the other.

For me, the emerging challenge is recognizing the old certainties probably never were certain, and anyway they won't return, and to be very uneasy any time we think we're certain. By "we" I mean the corporate and the societal "we." Any time we feel comfortable, we should be worrying about taking things for granted. We should also be aware that we may be missing something, and that the resilience we so proudly talk of may be illusory. We should, therefore, make sure people can speak out so that alternative voices can be heard. We want to be sure we cover the downside, and instead of rejecting what seems uncomfortable, we should find opportunity in it.

More women, please

To expect some of the leaders and most distinguished practitioners of the current corporate governance system to vote for fundamental reforms of that system might seem unreasonable. The business leaders whose views are summarized above all have a clear vested interest in the status quo. They are not the sort of people, therefore, to whom one would normally look for trenchant criticisms of the current system.

So it is all the more significant, and a testament, not only to the candor of these captains of industry, but also to the seriousness with which they view the corporate governance failings revealed by the financial crisis, that they should have said so much.

All agree the presence of women on a board improves the quality of boardroom debate, and some also acknowledge the possibility that if there had been more women on the boards of banks, there might have been no crisis, because bank boards would have been less afflicted by the toxin of "groupthink."

The dangers of "groupthink" were mentioned by most, and diversity in general – and on boards in particular – was widely seen as a way to reduce the chances of "groupthink" in an era in which traditional certainties and the old assumptions about the system's resilience have proved illusions.

Particularly striking here was the suggestion that all-male boards create an abnormal and, by implication, an undesirable behavioral context. Women were said to be better listeners than men, and thus to improve the interpersonal dynamics and "social architecture" of a board; to have a sense of mutuality and personal responsibility less evident in men, and a greater willingness to compromise and find an optimum solution; to think more deeply about other people than men and to bring a wider, more balanced and fairer perspective to the boardroom.

They have a better understanding of why someone holds a particular view, which is very helpful on a board, and are said to be strong in areas that are becoming more important in corporate governance, such as sustainability, culture, social issues and fairness. Women were also thought to have a better feel than men for the emotional and spiritual aspects of situations and events.

Sir John Parker spoke of the synergies of gender diversity, and said its value lay not so much in women themselves as in the difference between men and women.

But, although all respondents thought the crisis had made a better gender diversity on boards more desirable, some thought it had done little to improve the prospects for the appointment of more women to boards.

This was because the crisis had also highlighted the importance of "professionalism" and relevant experience on boards, which will narrow the field of candidates and may cause the desire for more diversity to "take a back seat." Lady Hogg emphasized the need of boards to move away from an insistence on board experience when seeking new non-executive directors.

The persistence of this Catch-22 – to be appointed to a board, you need to have had board experience, but to obtain board experience, you need to have been appointed to a board – notwithstanding, the captains of industry we spoke to appear to have little doubt that, as Niall FitzGerald put it, "The world would be a better place with more women in senior positions."

Chapter 3

Friends at court

It is generally agreed following the 2007–08 financial crisis that the western system of corporate governance is in need of reform. There is a debate about the extent to which the crisis has exposed governance weaknesses in sectors other than banking, but insofar as failures in bank governance systems were partly responsible for the crisis, all large western companies need to review and reform their governance systems, because all are governed in the same way as banks.

We and others (see Chapter 2) believe that the appointment of more women to boards could make a useful contribution to improving the quality of corporate governance. This is not controversial. As we reported in our previous books and the previous chapter, many male leaders of large companies were convinced long before the crisis, and are even more so now, that better gender diversity on boards is desirable if only because the average "quality" of directors, however measured, is bound to be higher if they are recruited from the whole, rather than half, of the general population.

This is not mere rhetoric designed to demonstrate the male company leaders' "PC" credentials. Many company leaders all over the world are actively promoting the idea of the more gender-diverse board (see Chapter 4). The *FTSE 100 Cross-Company Mentoring Programme* in the UK has been running for over eight years now and has been widely emulated in other countries. The CEOs or chairmen of over a third of FTSE 100 companies are now devoting some of their precious time to mentoring high-potential women at other FTSE 100 companies with a view to helping them win board seats.

The mentoring solution

The idea that mentoring can help women understand and adapt to the male-orientated anteroom of the boardroom has become commonplace.

A survey conducted for the 2010 World Economic Forum, on corporate policies and practices for gender diversity in 20 countries, found that 59 percent of surveyed companies offer internal mentoring and networking programs, and 28 percent have programs specifically for women. A 2008 survey commissioned by Catalyst, the leading US not-for-profit focusing on the advancement of women in the workplace, of more than 4000 full-time-employed men and women with MBAs (Master of Business Administration – the standard management qualification) from top business schools, found that although the women were paid less than the men, had less senior positions and had significantly less career satisfaction, more women than men had mentors.[1]

"If they [women] are being mentored so thoroughly," asked Herminia Ibarra, Nancy Carter and Christine Silva in the *Harvard Business Review*, "why aren't they moving into higher management positions?"[2] This is the puzzle. The problem of too few women in the top corporate jobs is recognized and steps have been taken to address it, in the form of special mentoring for women in large companies, but the Catalyst survey suggests these measures have had little, or no effect.

The explanation proposed by Ibarra, Carter and Silva is that women are getting the wrong kind of mentoring, or rather that they need, in addition to the advice and wise counsel traditionally provided by mentors, more active support of a kind supplied, as a matter of course, by senior executives to high-potential men.

Ibarra, Carter and Silva quoted the case of Nathalie (all names in their article were disguised), who had worked for a company for 12 years with no gender-related support, and was suddenly inundated with mentoring and executive development programs. "Now I am being mentored to death," she told the authors. Another interviewee said:

> My mentor's idea of a development plan is how many ... meetings I can get exposure to, what presentations I can go to and deliver, and what meetings I can travel to. I just hate these things that add work. I hate to say it, but I'm so busy. I have three kids. On top of that what my current boss really wants me to do is to focus on "breakthrough thinking." ... I am going to be in a wheelchair by the time I get to be vice president ... they are going to drill me into the ground with all these extra-credit projects.

If companies want to use mentoring, or mentoring-like, programs to pull more women up their hierarchies to high office, Ibarra, Carter and Silva argue, they should focus on the quality, rather than the quantity of the support they provide. The bottom-line here is not the number of boxes ticked, but the number of promotions of women to senior positions that would not have occurred in the absence of the programs.

Catalyst found that the mentors of women in the companies studied in its survey had "less organizational clout" than those of men, and the more senior the mentors the faster their mentees advanced. Despite having had less mentoring since 2008, men had achieved 15 percent more promotions than women by 2010. It turned out that in the companies surveyed, mentoring in 2008 was a statistically significant predictor of promotion by the time of the 2010 survey for men, but not for women.

In other words, women need more senior mentors, who are willing to use their seniority and influence on behalf of their mentees.

Ibarra, Carter, and Silva call such a super-mentor a “sponsor,” but “patron,” “champion,” “advocate” or “friend at court” will do just as well. The point is that, since long before the modern company emerged in the mid-19th century, transfers of power and leadership within organizations from one generation to the next have often been effected by patron/protégé pairings: by senior people taking able junior people under their wings and using their seniority and influence actively to promote their protégés’ candidacies for high office.

Because the success of the protégé is a reflection of the patron’s power and stature, it is in the interests of the latter to do what he or she can to further the protégé’s career. Successful protégés enhance the prestige of their patrons.

In their *HBR* article Ibarra, Carter, and Silva say that mentors can occupy any position in the corporate hierarchy, but sponsors must be influential senior managers. They argue that, while mentors provide mentees with emotional support, feedback and advice, sponsors introduce their protégés to people who can help their careers, try to ensure their people are considered when senior jobs or challenging assignments are up for grabs, act as their protégés’ advocates and protectors (the French word “protégé” [the female term is protégée] means one who is under the protection or care of another person of superior position or influence) and fight to get their protégés promoted.

In other words, mentors help their mentees to help themselves and gain more self-esteem, while sponsors put their own reputations on the line to enhance the reputations and careers of their protégés.

In practice, of course, the roles are often combined, at least for men. A senior “mentor” assigned to a mentee in a formal mentoring program, who acquires a liking for and is impressed by his mentee, will often adopt the role of sponsor or patron, and begin actively to promote his mentee’s career. By playing the role of sponsors in this way, mentors can enhance their reputations as mentors, and so attract higher potential mentees.

This morphing of mentors into sponsors can only occur of course if the mentors are sufficiently senior or influential to be effective sponsors. The fact that, by and large, mentors of women are more junior than mentors of men makes this less likely for women and so they tend to be, as Ibarra, Carter and Silva put it, "overmentored and undersponsored relative to their male peers."

Ibarra, Carter and Silva identify five ingredients of a successful sponsoring program: a clear goal, such as promotions; alignment of pairing criteria with the goal; co-ordination of the program with the sponsored women's supervisors and with other programs, such as performance evaluation, training, coaching, leadership workshops and succession planning; training sponsors in the complexities of gender and leadership; and holding sponsors accountable for meeting the goals.

At the time of writing (autumn 2010) the idea that sponsorship is part of the solution to the problem of the lack of gender diversity at the top of large organizations looked set to become an important theme in 2011, particularly in the USA.

Sylvia Ann Hewlett, author and co-founder of the Center for Work–Life Policy, kindly gave us a pre-publication glimpse of a report on *The Sponsor Effect*, commissioned by The Hidden Brain Drain Task Force, a private sector group supported by 60 companies focused on realizing female and multicultural talent. The report by Hewlett and co-authors Kerrie Peraino, Laura Sherbin and Karen Sumberg was published in January 2011 as a *Harvard Business Review* Research Report.

The report concludes that one reason why women currently hold only 3 percent of *Fortune 500* CEO positions, are outnumbered four to one in the "C-suites" ("C-level" executives; CEO, CFO, COO) of large listed US companies, and account for less than 16 percent of corporate officers and only 6.3 percent of America's top earners is "a surprising absence of male (and female) advocacy."

To explain what they mean by "advocacy" here they question whether Sarah Palin, then governor of Alaska, would have risen to international prominence if Senator John McCain hadn't chosen her as his running mate in the 2008 US presidential election, or whether Elena Kagan would have been appointed to the Supreme Court "without President Obama's vigorous ... backing." They say that behind every successful woman, such as Katie Couric, evening news anchor at CBS, and Ellen Kullman, CEO of Dupont, there is "a powerful backer, usually male, who so believes in his protégé[e] that he's put his own reputation on the line to promote her all the way to the top ... [or a] network of backers, cultivated from inside and outside their industry over ... decades." With such a network, ambitious highly qualified people "make it to the [top] ... no matter how stiff the headwinds. Without it, they languish in the lower echelons ... no matter how hard they work, no matter how well they perform."

Women who are otherwise qualified to lead, the authors argue, lack powerful backers "to inspire them, propel them, and protect them through the perilous straits of upper management. Women lack, in a word, sponsorship." Most ambitious women underestimate the pivotal role sponsorship plays in their careers, and those that do realize the importance of "relationship capital" appear oddly reluctant to use it effectively. They're happy to do favors for others, but are "squeamish about cashing in on those deposits, lest they appear to be self-serving — or for fear they'll be turned down."

The report confirmed our suggestion in our earlier books that many women feel that using relationships to get ahead is "an inherently unfair, even a 'dirty' tactic," and that hard work alone should be enough to ensure they receive the rewards they deserve.

But the report also found that "women's reluctance to seek out and actively engage senior colleagues as allies is amply justified." Cross-gender sponsorship involving an older, married male spending time off-site, after-hours, with a younger female, "can look like an affair and the greater the power disparity between the male and the female, the more intense [such] speculation becomes. ... In short, because sponsorship can be misconstrued as sexual, highly qualified women and highly placed men avoid it."

This is one of the advantages of formal programs, such as the *FTSE 100 Cross-Company Mentoring Programme*. The mentoring relationships are visible, and mentors and mentees are encouraged to meet in the mentors' offices during working hours. The formality protects both parties from suspicions of impropriety.

Other factors inhibiting cross-gender sponsorship mentioned in the Hewlett report include more intense scrutiny of women than of men. "They must have 'executive presence' in their dress and bearing, but if they get it wrong, no one will tell them — least of all a senior male." And they have to "navigate a minefield of unspoken judgments about their personal lives. If they're married with children ... would-be sponsors presume they are less available, less flexible, and less dedicated to their work." But if a woman lacks spouse or offspring she may be seen as "not-quite-normal, someone whom married males in senior management reflexively avoid, because they cannot relate to her or find her threatening."

The challenge, Hewlett, Peraino, Sherbin, and Sumberg argue, is to make cross-gender, one-on-one relationships between sponsors and protégées "safe and transparent," and to persuade "the C-suite to put aside misperceptions and offer serious 'heavy lifting' to high potential males and females alike."

They refer to various intra and inter-organization programs that are addressing the challenge, including the *FTSE 100 Cross-Company*

Tracy Clarke

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Tracy Clarke was Group Head of Human Resources at Standard Chartered plc.

After graduating from the program she was appointed Group Head of Human Resources & Communications at Standard Chartered.

"I have gained a great deal from being a program mentee over the last two years. Having regular contact with my mentor and being able to draw upon his knowledge and wise counsel has been of huge benefit. During this time I have expanded my role to include Corporate Affairs and now have a direct reporting line into the CEO. My position as a non-executive director at Eaga plc has been extended further. I have also been approached for further non-executive roles. Due to the evolving environment on remuneration I have been working much more closely with regulatory bodies and other financial institutions, influencing and building relationships. I am also a commissioner for The Good Work Commission. Overall, I have had a positive experience as a mentee and fully support the purpose of the program."

Mentoring Programme, and cite American Express, Cisco, Deloitte, Intel, Morgan Stanley, and Unilever as examples of companies that realize successful sponsoring of their high-potential women will give them a significant competitive advantage in the global talent market.

The main focus of Hewlett and Ibarra, and their colleagues, was on internal programs in which mentors are colleagues, while sponsors are senior people within the same organization. Some, but not all, of their arguments and prescriptions also apply to programs that pair mentors/

mentees (patrons/protégées) from different organizations, such as the *FTSE 100 Cross-Company Mentoring Programme*. An obvious weakness of cross-company programs is that mentors lack sufficient influence in their mentees' organizations to be effective sponsors in those organizations. But this is only a problem if the goal is to achieve promotions within the mentees' organizations. The goal of the *FTSE 100 Cross-Company Mentoring Programme* is not to help the mentees to get onto the boards of their own organizations, but to help them get onto boards, period.

Moreover, if the mentor in a cross-company program is sufficiently senior, he or she will have considerable indirect influence in the mentee's organization through his or her membership of networks that include senior sponsor-level people within the mentee's organization. This is one of the main advantages of the cross-company mentoring model. It plugs mentees into a trans-corporate web of connections that embraces, but is not confined to, their own organizations. In this way, it can extend the goal-hunting space and widen the network which a mentor/sponsor can make available to his or her mentee/protégé(e).

The goals of intra-organization programs are confined to promotion within that organization. The goals of cross-organization programs tend to be wider. The goal of the *FTSE 100 Cross-Company Mentoring Programme*, for instance, is to increase the number of women on all boards. This may help to explain why the program has been emulated so widely in the UK's non-corporate sector (see Chapter 5), and in corporate sectors abroad (see Chapter 4).

The meaning of mentor

Ibarra and Hewlett, and their colleagues, make some important points about the differences between mentors and sponsors, and the need of high-potential women for more of the latter and less of the former.

We don't see it in quite the same way. It seems to us that support provided by one individual to another in the latter's efforts to climb a hierarchy, achieve a goal or realize an ambition comes in many forms, and at different times and in different circumstances the supporter may play many different parts. We see supporters and the roles they play as lying on a continuum ranging from, at one end, no support at all, where people are alone and must find their own ways to their goals, unaided, to, at the other end, what would usually be seen as excessive support and be described pejoratively as "nepotism" or "cronyism."

In between these extremes there are many different roles or guises for supporters, including in alphabetical order: advisor, advocate, aficionado, champion, coach, confidant(e), counselor, fairy godmother, friend at court, guardian angel, guide, guru, mentor, patron, *sensei*, sponsor, tutor, well-wisher. The fact that there are so many words, in so many different languages, describing one-to-one support roles suggests that throughout history they have played an important part all over the world in assigning power and passing it on to the next generation.

Patrick Burgess MBE, Chairman of the FTSE 100 company Capital Shopping Centres Group plc, who was invited to the Bank of England Colloquium on the *FTSE 100* program in November 2010 and has since become a mentor, provided a few more words to describe the mentor's role. After listening to several active *FTSE 100* program mentors describe their experiences of mentoring, he said the role seemed to him to be "a little bit of Socrates, a touch of Freud, and a dash of Father Christmas."

When leaving home for the war against Troy, Odysseus entrusted his son, Telemachus, to the care of his friend Mentor. He had in mind a role for Mentor that combined elements of tutor, counselor and coach. Telemachus was destined to inherit Odysseus's crown in any event, but he needed to grow into the role of sovereign and Mentor (occasionally infused by the spirit of the goddess Athena) was his guide, rather than his sponsor or patron.

But had circumstances been different – had Ithaca become a republic in Odysseus's absence, for instance – Mentor might have assumed the role of Telemachus's sponsor or patron, and used his influence and authority to support his young ward's candidacy for the presidency of Ithaca. Mentors are only mentors at particular times and in the prevailing circumstances. If they're committed to their wards they will change or add to their roles insofar as they are able when circumstances change.

The basis of the relationship is not the role or the name attached to it, but the commitment of the one individual to the other. When the commitment is firm, the supporter will play the most effective role he or she can in the circumstances and within the limits of his or her ability.

As a general rule, the more senior and influential the mentor, the more likely it is that the most effective role the mentor can play will be more like that of a patron or sponsor than of a counselor or tutor. The counseling and tutoring roles will continue, but in addition, the supporters will use their influence and authority to promote the candidacies of their protégé(e)s.

Although mentors on the *FTSE 100 Cross-Company Mentoring Programme* are called "mentors" rather than "sponsors," they're all among the most distinguished and successful business people of their day, and thus have the ability and credentials to act as very effective sponsors. It would be odd if, having become committed to their mentees, they didn't use that ability on their mentees' behalves. As indeed they do (see below).

Whether you call an individual's supporter a mentor, sponsor, guru or patron, the more senior and influential the mentor/patron, the better for a mentee/protégée, not because, or not only because, the mentor/patron will be more experienced and knowledgeable, but also because the mentor/patron has more power to change the environment in ways that favor the mentee/protégée.

So let's not get hung up on names and definitions here. In one-to-one support relationships, supporters play many parts. It is what they can do, and are willing to do for those they support, rather than how they are described, that really matters. Although called "mentors," many of the mentors on the *FTSE 100 Cross-Company Mentoring Programme* have been willing to put their own political capital at risk in support of their mentees.

Getting with the program

Clare Laurent's unpublished master's thesis, "Women's Experience of Mentoring in Overcoming Perceived Barriers to Corporate Success," was based on interviews with mentees in the *FTSE 100 Cross-Company Mentoring Programme*.[3] It provides an insight into how a simple idea that emerged from conversations with senior business people in the early 2000s has worked in practice for its mentees.[4]

In her thesis Laurent calls the female participants in the program "protégées" rather than "mentees," perhaps because, unlike many of the mentors in the intra-company programs studied by Hewlett and Ibarra, and their colleagues (see above), all of the mentors on the *FTSE 100 Cross-Company Mentoring Programme* are more than senior enough to act as effective patrons/sponsors.

She says "the lasting relationships formed [between 'protégées' and mentors during the program] confound views that formal programs are less satisfactory than spontaneous mentoring" and she found no evidence to support those who doubt that the important role-model function of a mentor can be discharged in a mixed-gender mentoring pair, or "dyad," as Laurent calls it. (All but one of the 15 dyads Laurent studied were mixed-gender.)

Laurent found that, even at this level (all mentees held jobs just below board level in their own companies), qualities and behavior were presented as gender-related, and success was associated by mentees with the ability to adapt to a "male culture." Even those who felt their own organizations were "gender diverse" spoke of success in terms of traditionally male qualities: "it's generally accepted in the industry that some of the toughest people in retail will be female," said one mentee. Men are described as more focused on success: "on the whole men go for jobs two years before they're ready and women go for jobs two years after they're ready."

Some mentees spoke of parental influences: fathers who had made no distinction between boys and girls, or had treated their daughters as if they were boys, and so helped them understand and fit into a man's world. Few felt this model of "fitting in" needed to change. One of the few mentees who saw themselves as advocates of change spoke of an élite, rather than of a male-dominated culture: "there is still a culture at the top end. ... There are some women who fit in to it and they don't tend to be women who are trying to balance family responsibility ... they sometimes have families, but they do it in a classic male way of having somebody else who does it."

Laurent suggests these views may explain why most mentees preferred male mentors. "I think it's good to have a man," said one. "The fact is, you want somebody who is plugged into those networks and can 'tell it how it is', and advise you accordingly." Laurent says: "what matters are the right access and advice and today those are largely [in] the domain of men, making the male gender of the mentor an important feature in understanding boardroom culture." A curious implication of some answers to such questions is that many of the female mentees Laurent talked to associate the "wisdom of age" in the business world more with older men than older women.

All mentees denied having a career plan, and some saw not having a plan as a common female trait. One said: "I had always ... actively sought my next challenge. But that hadn't been a conscious, 'I must rise up the organization' thing ... [unlike] a lot of men [who] always seemed to be thinking 'I'm at this level. ... How do I get to the next level?'"

Mentees saw "success" as an almost unintended consequence of other motivations. Planning could be construed as "manipulative." Female careers were emergent rather than planned; consequences of seeking challenges "for their intrinsic rewards or to achieve influence or recognition" as Laurent puts it. One mentee said: "the people that I work with are extremely important ... I'm very motivated by a boss who values me and who would tell me that I was good."

No one who lacked self-confidence could have reached the level all the mentees had already reached, but Laurent noted a "general lack of confidence or ambivalence about next career steps." Some of the mentees had encountered puzzling hurdles to their next promotions. "I feel that I'm at a bit of a crossroads," said one. "I know that I'm rated here, and people see that I've delivered ... yet ... there is this gnawing away ... if I was really, really good, I would be on the Operating Board." She did not attribute her failure to get onto the board to gender, but the anxieties of others about their next steps were directly related to gender. "[The board] was very scary, because a lot of these men are quite intimidating," said one mentee. She said she did not normally lack confidence, but she did in that environment. "So you think if I say something ... they'll think I'm stupid and then, five minutes later, a man says exactly the thing you were thinking of saying, or worse still you say it, nobody picks up on it and five minutes later they say

Anna Dugdale

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Anna Dugdale was Director of Resources at Norfolk and Norwich University Hospital NHS Trust. She is now Chief Executive of the Trust.

"The program has been a once-in-a-lifetime opportunity for me. Through it I have had the extraordinary privilege of developing a relationship with one of the most senior leaders of British industry. I have been able to share my challenges with him honestly and without reserve, and he has had the generosity to share his wisdom with me."

it … and it's 'Oh, yes David. That's a great point'. And you think: 'Didn't they hear me?'."

This is the same point made by an old cartoon we described in our first book. A man is sitting at one end of a table flanked by two men on either side. Further down the table sits a lone woman. The caption reads: "That's an excellent suggestion Miss Triggs. Perhaps one of the men here would like to make it."

The self-assurance needed to be heard, particularly if you are the only woman in the room, was mentioned by several mentees. "I have had to develop a much stronger sense of self than some of my male colleagues who can surf the stereotype and not worry about that. ... Success for women is when the next generation doesn't have to be as bloody-minded," said one.

Few of the mentees Laurent interviewed had been inspired by female role models. For some this was because of their lack of career plans referred to above. "I've never had a very linear view of my career," said one. "I think in the case of women ... you don't have role models. ... I could aim to be a CEO ... but they're only men so ... I can't really see what I can aspire to here, so I will go and ... discover other things." Mentees had a generally negative perception of successful business women: "I looked around the table at some of these other women who ... are on boards and I thought ... I'm not like them ... you know, Dame this and Lady that ...; so austere ... they seem just as scary as all the men that are on boards really."

Another mentee described some senior women she encountered earlier in her career in a way that echoed findings of previous studies. "There were some women partners in the firm. They were a bit odd ... the kind of people who had sacrificed everything else to get there. ... Somehow a bit hard, not themselves any more."

Some preferred the male role models provided by their mentors, who they saw as atypical males who provided positive role models, and shared their values. (It should be noted, of course, that the men were indeed atypical, because they had all agreed to be mentors on the *FTSE 100* program.) One mentee said: "Women see [that] a lot of successful men are very egotistical; elbow everyone out of the way. ... It's very reassuring ... to see really great men who aren't like that. And it kind of [makes you feel] 'OK, so I can do this,' without being the first and last to speak ... you know, the Alpha male ...."

For some mentees, the encounters with their mentors were something of an epiphany. "[The board] did feel like a boys' club ... like it was about golf and networks. ... [My mentor] completely restored my confidence … the nice feeling has [come] from having that change of resolve.

... Yes I do want to [be on a board] and I can see a way now much more clearly."

The mentee with a female mentor spoke of her mentor's empathy, and didn't share the preference of the other mentees for male mentors. "You're prepared to share vulnerabilities. ... I'm just incredibly impressed that a woman can make it to the sort of levels my mentor has. ... She has been through some of the same experiences."

Many mentees spoke of how their mentors had helped them to clarify and embolden their ambitions: "he's pushed me to think broader than I would have done in what I was thinking. ... His attitude is ... you should be thinking in a much more ambitious way," said one. "He really helped me to get my head around [the question] 'do I want to be a chief exec. or don't I?' It wasn't that I was wavering. ... It was just I never said 'this is what I'm going to do and elbow everybody else out of the way.' ... I just kind of felt ready to do something more and he said ... 'why don't you? Will you go for Chief Exec.? Do you want to be Chief Exec., and what is it that you want to be?' It was that that makes you stop and think."

Laurent says that this illustrates "the double bind" for a senior woman identified by Alice Eagly and Linda Carli in a *Harvard Business Review* article, which we referred to in an earlier book;[5] of wishing to move forward and show commitment, but not wanting to seem too ruthless, and thus unfeminine, in pursuing her ambition. Laurent concludes that "the direct and open approach of her mentor seemed to liberate her from that circularity."

The mentees said their mentors had given them confidence through their advice, attention and support. The status and experience of the mentors were important. "It gives me confidence that someone of his [her mentor's] stature and experience, which is way beyond anything I will achieve, agrees with what I'm doing," said one mentee.

Few mentees said they had experienced sex discrimination. Most put more emphasis on family background or education and couldn't think of obvious career obstacles. "I don't know whether I see that I'm being held back, I just see that there are opportunities ... there have been a few moments of confidence dips ... but ... you just give it a go," said one. "I never felt discriminated against, I have to say," said another. "It was implicit. ... Every Friday lunchtime the guys used to play football. ... I started to realize that, when they came back on Friday afternoon a lot of the assignments had sort of been allocated."

Few mentees raised discrimination directly in their mentoring, but some discussed with their mentors the problems faced by women, and felt the program was teaching their mentors something. "He had a lot of questions on what it is to be a woman with a career. And of course it was difficult for him to ask these questions of women in his company, because he's the boss. ... He was very willing to listen and discover," said one mentee. Others did not think their mentors were learning anything and did not believe issues related to their gender were appropriate in their mentoring discussions.

Mentees entered their mentoring relationships with a wide range of hopes and expectations. Some had specific goals in mind, in areas such as skills development, and achieved them. "For myself ... it is ... important to define boundaries. ... I'm quite task oriented. ... I set myself a series of objectives of what I wanted to achieve via the mentoring ... and it did all of those things for me," said one of these.

Others sought broader relationships incorporating professional and personal dimensions and focusing more on psychosocial matters. "He put me at my ease very quickly. ... We talked ... about my life, not just about my job, and my aspirations personally. ... We started from a point of similar interests."

The lack of detailed specifications for the mentoring was welcomed by mentees, because it allowed each relationship to find its own pattern. "He had no preconceived ideas about how ... [the mentoring process] worked, which made it easier for us to cook something up that worked for both of us," said one mentee.

All mentees said personal chemistry was very important. "I think a lot of that tone was set by that first chemistry meeting [initial 'chemistry' meetings were arranged for all proposed mentor/mentee dyads, to confirm compatibility]. ... He told me a bit about himself; I told him a bit about myself, we realised we had something in common. ... It just built one to the other, and that created a really powerful platform." But good personal chemistry does not require a similarity of outlook or common interests. "It's a very strong relationship ... [between] two completely opposite individuals. ... We bring different perspectives."

Some mentees saw the personal bond forged in the relationship as a necessary condition for success. As one mentee put it, success is only possible "if you genuinely build a trust-based relationship. ... Unless you can get to that stage, you are wasting your time in the mentoring relationship." Another said: "unless you get the totality of the individual I don't think you'll get the benefit of the mentoring relationship. ... They have to understand what is it about you, what's your driver. ... We've had some very frank conversations about that."

Many program mentees have subsequently been appointed to boards or executive committees, or advanced their careers in other ways (see Table 3.1 on page 65). It is not always possible to be sure they would not have done anyway, had they not been mentees on the program. But sometimes the link is clear, as in the case of a mentor who used his network to enable his mentee to be considered by (and subsequently appointed to) the board of a well-known not-for-profit organization.

Others valued the mentoring experience for its own sake. “He’s got such a wealth of experience, that’s the main benefit. ... I’ve got someone who’s got 40 years of experience ... just to spend time ... supporting me. It’s quite amazing.” Others thought it was still too early to tell what the benefits would be: “It’s very difficult to measure what the concrete outcomes of mentoring are. ... It takes time ... it’s about an evolutionary change.”

Laurent’s own summary of the mentees’ views of the benefits of the program was as follows: “those that benefitted from the program described, often in emotive terms, a mixture of concrete advice, broader support coupled with a personal interest and a feeling of privilege at building lasting relationships with high profile business leaders. As mentee 5 described it: “I think it’s given me an opportunity that was beyond my wildest dreams ... and it’s not an opportunity ... I could have created myself. ... So ... quite a precious gift really.”

The cross-company advantage

Those, like us, who believe that we would all be better off if our large companies were run by men *and* women, and who are frustrated by the slow progress towards more gender-diverse boards, can take heart from two developments revealed by Clare Laurent’s research.

The first is the impression her reports on her interviews with 15 mentees on the *FTSE 100 Cross-Company Mentoring Programme* give of a new kind of female executive knocking on the boardroom door. The lack of interest some mentees expressed in female role models, and some of their descriptions of successful women (“I’m not like them ... so austere ... they seem just as scary as all the men that are on boards really,” and “There were some women partners. ... They were a bit odd ... the kind of people who had sacrificed everything else to get there. ... Somehow a bit hard, not themselves any more”) give an impression of women who want to succeed as the women they are, not as women who have had to sacrifice their femininity to fit in with the male-dominated “boardspace.”

One mentee on an internal mentoring scheme interviewed by Herminia Ibarra and her colleagues for their *Harvard Business Review* piece (see above) expressed very similar sentiments: “My mentor advised me that I should pay more attention to my strategic influencing skills ... but often he suggests I do things that totally contradict my personality.”

The disappointment many felt when Cranfield University's School of Management published its 2009 *Female FTSE Report* showing that the number of FTSE 100 companies with female executive directors fell in that year from 16 to 15, and the number of FTSE 100 boards with more than one female director fell from 39 to 37, might have been moderated somewhat if qualitative analysis had shown that the women coming up through the pipeline to the board were changing.

There was a slight improvement in the some of the headline figures in Cranfield's 2010 *Female FTSE Report* (see page 136).

If the mentees quoted above are right about the kinds of women who are already on boards, and are justified in seeing themselves as different from those women – more authentic and true to themselves as women – things could be moving more quickly than the headline figures suggest. Perhaps measures already taken, such as the sharp increase in internal mentoring of women reported by Ibarra, Carter and Silva, and the generally heightened awareness of the imbalance of the genders on company boards, have been quietly removing some of the prejudices and "micro-inequities" we described in our first book, and helping more women reach the "marzipan" level just below the board with their femininity uncompromised.

This would certainly be desirable, because an influx of more women to large company boardrooms is only likely to improve standards of corporate governance if those new directors bring their femininity – the qualities both genders possess, but which are more commonly associated with women – with them. It is in their differences, not their adaptability, that the hope for improved governance lies.

But Laurent's research, and the slow pace of gender re-balancing on boards in the US and the UK revealed by the Catalyst and Cranfield figures, suggest that obstacles remain at the marzipan level; that although women's approaches and styles are less of a hindrance to advancement than they were lower down the hierarchy, they remain a significant obstacle to promotion from marzipan to icing. This is exemplified by the remarks we quoted earlier, made by a mentee who did not usually lack confidence: "A lot of these men are quite intimidating … So you think if I say something … they'll think I'm stupid and then, five minutes later, a man says exactly the thing you were thinking of saying, or worse still you say it, nobody picks up on it and five minutes later they say it ... and it's 'Oh, yes David that's a great point'."

There is a strong hint of frustration here, and an implication that the accommodations that have made it easier for women to advance to a level just below the board do not work for the final step. It is as if the board system has been insulated from efforts to modernize organizations and to accommodate and value the distinctive contributions of women, and remains to a large extent a male bastion.

The second encouraging finding in Laurent's research is that the barrier of old-fashioned, institutionalized prejudice at the sub-board/board interface is becoming superable, and that programs such as the *FTSE 100 Cross-Company Mentoring Programme* can make a difference.

Table 3.1 summarizes the "subsequences" (it's not always possible to be sure they are consequences) for mentees on the *FTSE 100 Cross-Company Mentoring Programme* from the program's launch in 2003 to November 2010.

TABLE 3.1 Achievements of mentees, *FTSE 100 Cross-Company Mentoring Programme* to November 2010

Appointed to ExCo or main board of own FTSE company	15
Appointed NED private sector company – FTSE & abroad	9
Appointed NED not-for-profit organization or charity	7
Appointed to public sector or government role (inc. Permanent Secretary)	8
Promoted in own FTSE company or moved for promotion to another	15
Appointed CEO of non-FTSE 100 company	3

The table shows a total of 57 "advancements" among a total of 62 mentees. Why is this program proving so successful?

One explanation is that it brings together two constituencies that would not otherwise have much occasion to meet: chairmen and CEOs of large companies who believe their companies need more women on their boards, and senior women who aspire to significant advancement in large companies. They are the demand side and the supply side – the two crucial constituencies to which companies must look if they want a better gender diversity in their boardrooms. The program provides a space for them to meet, talk and come to understand each other in a relatively formal setting, dedicated to a clear purpose.

A second explanation is that the program provides successful women with mentors of the highest possible stature, with more than enough influence to act as powerful patrons of their protégées. In other words, the program does not suffer from the weakness identified by Ibarra, Carter and

Silva of other mentoring programs, which assign lower-status mentors to women than to men (see above).

A third explanation is that the unusual "cross-company" feature of the program avoids the problems and conflicts of interest that can arise when the mentor is also the boss. The mentoring relationship is purer, in that it is unencumbered by local power differentials and organizational politics. The disadvantage here – that mentors lack the power within their mentees' employing organizations to be effective sponsors in those organizations – is less important when the objective is to help women acquire any board appointments, and when the mentors are of such stature that their networks are bound to include board members of practically all large UK companies.

It is clear from Laurent's research that both mentors and mentees are learning and extracting value from this program, and see it as an important initiative that is making a effective contribution to solving the problem of too few women on UK boards that it was designed to address.

It is seen as such elsewhere in the world and beyond the corporate sector, as the next two chapters will show.

Notes

1. "Women in management: delusions of progress," Nancy Carter and Christine Silva, *Harvard Business Review*, March 2010.
2. "Why men still get more promotions than women," Herminia Ibarra, Nancy M. Carter and Christine Silva, *Harvard Business Review,* September 2010.
3. Clare Gilbert Laurent, MSc, CMC, August 31, 2010, supervised by Professor Philip Dewe.
4. For a full account of the origins of the *FTSE 100 Cross-Company Mentoring Programme*, see Peninah Thomson and Jacey Graham, *A Woman's Place is in the Boardroom*, Palgrave Macmillan, 2005.
5. "Women and the labyrinth of leadership," *Harvard Business Review*, September 2007.

Chapter 4

Cross-company goes global

In November 2010 the *Financial Times* of London published "Women at the Top," a special report on the top 50 women in world business.[1] The selection and ranking were based on the size and complexity of the company, including turnover, number of employees and number of sectors and countries in which the company operated.

The top ten women were:

Indra Nooyi, Chief Executive of PepsiCo, in the USA;
Andrea Jung, Chief Executive of Avon Products, in the USA;
Guler Sabanci, Executive Chairman of Sabanci Group, in Turkey;
Irene Rosenfeld, Chief Executive of Kraft Foods, in the USA;
Dong Mingzhu, Chief Executive of Gree Electric, in China;
Ursula Burns, Chief Executive of Xerox, in the USA;
Yoshiko Shinohara, Chief Executive of Temp Holdings, in Japan;
Ellen Kullman, Chief Executive of DuPont, in the USA;
Cheung Yan, Chief Executive of Nine Dragons Paper, in China;
Patricia Woertz, Chief Executive of ADM, in the USA.

The highest-ranked UK group in the list was Anglo American, ranked 12th, the Chief Executive of which is an American, Cynthia Carroll. The full list consisted of 19 Americans (it might have been 20 if Marjorie Scardino hadn't been one of the judges, and CEO of Pearson, owner of the *Financial Times*), six Chinese, six Indians, four Britons, two Singaporeans, two Swedes, and one woman apiece from Denmark, France, Germany, Israel, Italy, Japan, Malaysia, Saudi Arabia, South Africa, Switzerland and Turkey. Few useful generalizations can be deduced from the ranking, because the numbers are too small and no trends are revealed, but the *Financial Times* report shows there are no impregnable barriers to the rise of women to company leadership positions in any modern economy or business culture.

The report, which was published to coincide with the FT's "Women at the Top" conference in London on 16 November 2010, suggests that, with the exceptions of the UK and Scandinavia, Europe is a little behind the times in terms of the rise of women to chief executive positions at large companies. Overall, however, there's nothing to refute the speculation of some that the 21st century looks set to become the century of women: the turning point in human history, when the world ceased to be run largely by men, and began to be run by men and women.

The future of a world run largely by men is explored at the annual meeting of the World Economic Forum (WEF) in Davos, Switzerland, in January each year. Those interested in the future of a different world run by men and women should make their way to Deauville, in France in October, for the annual meeting of the Women's Forum for the Economy and Society (WFES).

The sixth WFES Global Meeting in Deauville in 2010 was attended by 1300 participants from more than 80 countries. It focused on five issues:

- Change in politics – think and act collectively in a world of mistrust.
- Change in the economy – what we need now for true innovation.
- Change in the environment – how to make a "green" economy the "killer app." for business and a reality for all.
- Change in global health – how to combat malnutrition.
- Change through women leadership – how and how far to push the boundaries.

In addition to the usual complement of high-powered women a number of high-powered men associated themselves with the WFES ethos, by committing to attend the 2010 event. They included Marcus Agius, Chairman of Barclays (see Chapter 2); Alan Boeckmann, the CEO of Fluor; Paul Bulcke, the CEO of Nestlé; Aart de Geus, Deputy Secretary General of the Organisation for Economic Co-operation and Development (OECD); and Carlos Ghosn, head of the Renault-Nissan Alliance.

Founded in 2005 by Aude de Thuin and backed by three French companies, GDF Suez, Sanofi Aventis and Renault-Nissan, and Barclays group in the UK, the Deauville event has acquired in just a few years a stature that is beginning to rival that of the WEF. The acquisition of a majority stake in the WFES for an undisclosed sum in September 2009 by Publicis, the world's fourth largest communications group, was a sign of the times. Commenting on the deal, Publicis Groupe CEO Maurice Lévy said: "Aude de Thuin is a visionary ... [and] an entrepreneur. ... She has made the [WFES] an organization with real impact on current societal discussion ... and an extremely important platform for debating, exchanging views and engaging in discussion on issues ... relevant to ... our core business and the overall position of women in today's ... world."

The deal suggests that in the view of Publicis, not all the movers and shakers of the world of tomorrow will be men.

Publicis and Véronique Morali, President of the Forum and successor to de Thuin, plan to develop the WFES to give it a global reach and extend its brand franchise to other ventures in much the same way that the WEF brand has been extended. Among possibilities being considered is an international cross-company mentoring scheme that matches chairmen and CEOs of major multinational corporations with senior female executives at other multinationals.

Cross-company mentoring of senior women, on the lines pioneered by the *FTSE 100 Cross-Company Mentoring Programme*, have been cropping up like flowers in spring all over the world. The Canadian version of the idea was among the earliest emulators, and serves as a case study for others contemplating such a program in their countries.

Cross-company in Canada

A recent study by head-hunters Korn/Ferry International, and board governance consultants Patrick O'Callaghan and Associates, of the 300 largest companies in Canada found that in 2010 9 percent of their directors were women. That compared with 6 percent in 1995, a gain of just 3 percentage points in 15 years. Over the previous three years the percentage had not changed at all.

Frustrated by this glacial pace of change, Thea Miller of Patrick O'Callaghan and Associates identified the *FTSE 100 Cross-Company Mentoring Programme* as a promising way to accelerate progress in Canada towards gender-diverse boards and sought the advice of the *FTSE* program's managers.

Patrick O'Callaghan and Associates became the founding sponsors of the *Women on Board Mentoring Programme*, launched in Canada in May 2007. Other sponsors include the Richard Ivey School of Business, the Canadian Institute of Chartered Accountants, CN (the Canadian National railway) and Korn/Ferry. Patrick O'Callaghan, Chair of Women on Board, said: "There has been a lot of talk over the years about the lack of gender diversity on corporate boards, but very little has actually been done about it. ... This program [shows] that leading Canadian companies are concerned about [the issue]."

The development of the *Women on Board Mentoring Programme* since then illustrates some of the challenges faced by cross-company pioneers like Thea Miller and her colleagues.

The program was launched with five very high-caliber mentor/mentee dyads from leading companies in Canada. The stature of the people involved in the first year attracted more mentors to the program, and 13 mentors were involved in the second year. "We continue to attract very strong mentors to the program" says Miller. "In 2009 17 new mentors joined the program, and another nine signed up in 2010. Despite our many strengths, however, we have encountered and continue to encounter some serious challenges."

One problem was Canada's size. At the start of the program some of the mentors were working 3000 miles away from their mentees. This made the required face-to-face meetings difficult and expensive.

A second related problem is that the clustering of industries in certain cities – banks in Toronto, oil and gas groups in Calgary, mining and forestry companies in Vancouver – made it hard to solve the first problem by simply matching mentoring pairs locally. This is because the program cannot match people working with businesses that compete with one another, and because a primary guideline for matching is to pair people with different backgrounds.

A third challenge was the difficulty finding high-potential, board-ready mentees. This was largely because the mentors simply did not know many women executives, and so found it hard to nominate women from their own companies. (In the *FTSE 100 Cross-Company Mentoring Programme* mentees are senior executives nominated by participating mentors). This challenge was also related to Canada's size. Given the program's limited budget, it wasn't possible to travel to meet mentors and mentees to make assessments. The method of identifying candidates through mentor nominations has not produced the mentees required.

A fourth problem was the lack of national and local media interest in the program. In response to the lack of media interest, in 2009 the program began to position itself as "The Source" for excellent board candidates and began marketing directly to company chairmen, CEOs, governance/nominating committee chairs and members, and other influential directors through direct mailing campaigns and working more closely with the Institute of Corporate Directors. Miller and her colleagues also began a campaign informing executive and board search consultants across Canada about the program and its mentees and alumnae.

Despite these challenges the program continues to thrive. It's now a two-year program, with a cap on the number of mentoring pairs of 30. In September 2010 there were 29 mentoring pairs in Vancouver, Calgary, Toronto, and Montreal, and 13 mentee alumni had completed the program, giving a total of 42 participants.

In 2009, the program managers developed the Women on Board brand and launched the www.womenonboard.ca website, giving details about the program, including background, statistics, current participants and mentee/alumnae biographies, news, events, appointment, and tips and resources for women interested in becoming directors, and lists of firms wishing to appoint women to their boards.

Mentee lunches were introduced in 2008. To raise awareness further and encourage connections, the program organized its first mentor and mentee events in 2009 to which non-participating directors and CEOs were invited.

The program's Board of Directors meets every quarter and discusses some of the above challenges; at a strategic planning session in mid-2010 the discussion included difficulties identifying qualified mentees and mentors. As a consequence of this meeting, the program has formed a relationship with the Canadian executive search firm, Korn/Ferry International. With offices in all of Canada's major cities, the firm will help to develop criteria for mentees and mentors, identify potential candidates who meet the criteria, carry out introductory meetings with candidates, and provide a leadership assessment tool to assess mentee qualifications.

Table 4.1 summarizes appointments or achievements of mentees since the program began in May 2007.

TABLE 4.1 Achievements of mentees, *Women on Board Mentoring Programme* to November 2010

Corporate directorship: large company	3
Corporate directorship: small company	0
Corporate directorship: crown corp.	3
Directorship: large non-profit	4
Directorship: small non-profit	6
Promoted internally	4
Moved companies	2

The following attributable remarks by program mentors and mentees illustrate the motivations and experiences of participants.

Mentor quotes

> The values and perspectives that women directors can bring to board deliberations are very significant. Corporations do themselves an injustice by not availing themselves of this resource more fully.
>
> James M. Stanford, President, Stanford Resource Management Inc.

Emma Fitzgerald

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Emma Fitzgerald was vice-president (VP) Downstream Strategy and Consultancy at Shell International Petroleum Company Ltd.

Since graduating from the program she has been appointed VP Global Retail Network at Shell International and a trustee of the Windsor Leadership Trust.

"The program has given me an opportunity to gain an independent perspective on my leadership style, and advice on how to present this authentically during a non-executive director search. My mentor's introductions have been a fantastic way to build an external network that has helped me develop new perspectives on business issues. He has been generous in sharing his own experiences (highs and lows) of NED roles. I've had some sound advice on the due diligence you must do before signing up as an NED and constant reinforcement that the key decision point must be whether the chemistry with the board is right and whether you believe you can learn something from them, as well as contributing yourself."

> Mentoring works! I've found that mentees can benefit, not only from broadening their contacts, but through discussions on leadership development.
>
> John M. Thompson, Chair, TD Bank Financial Group

> I am finding recruiting directors to be a challenging task. Half the population is female, under 15 percent are directors. This is wrong. I want to help prepare women for directorship responsibilities.
>
> Thomas C. O'Neill, FCA, Chair, BCE Inc.

Mentee quotes

> Having a wonderful mentor who is such a fantastic leader and role model has been tremendously helpful to me. I feel so fortunate and appreciative to have his support.
>
> Sharon Pel, Senior Vice President, Legal Affairs, TMX Group Inc.

> My mentor helped me to connect with other influential people, and strategize on how to position myself for Boards. He provided a great deal of wisdom about Boards in general.
>
> Sarah Raiss, Executive Vice President, Corporate Services, TransCanada Corporation

> I was very fortunate to have as a mentor Steve Snyder, CEO of TransAlta, who also sits on a number of boards. Steve shared his views in a very direct and honest way. So did I. The best lesson I retained is the communication side between management and their board and board members.
>
> François Guénette, Senior Vice President, Corporate and Legal Services and Secretary, Intact Financial Corporation

The Canadian case study suggests that the high-level cross-company mentoring model is eminently exportable, but it also shows that, as John Lennon said: "it ain't easy." Canada's size and industrial clustering created problems that would not be so challenging in a smaller country, or a country such as the UK with one metropolitan corporate center. Other problems, encountered and overcome by Thea Miller and her colleagues may be encountered in any country.

That the model works is indisputable, however, and there's a large and rapidly growing body of international experience in promoting, designing and managing programs of this kind, from which others in countries that still lack such programs can learn.

The cross-company diaspora

It is rapidly getting to the stage when a high-level cross-company mentoring program designed to help more women reach board level is a *sine qua non* of a modern, enlightened corporate sector.

Other programs elsewhere in the world either operating already, or at the planning stage, are summarized below.

Asia

In November 2010, diversity and inclusion consultants Brook Graham announced the launch of the *Cross-Company Mentoring Programme for Women in Asia*, to help to develop and prepare a pool of able Asian women for regional business leadership roles.

The program is supported by Community Business, a non-profit based in Hong Kong, which focuses on corporate social responsibility.

The three objectives of the new program are: to provide advice and guidance to high-potential women so they can manage their careers in ways that enable them to attain regional executive positions; to increase awareness among business leaders in Asia of the career challenges senior women face, so that they can use their authority and influence to drive change; and to create a mutually supportive network of potential female directors in the region, who can share ideas and learning across participating companies, and act as role models for other aspiring women in the region.

The program will be managed by Brook Graham, will run for one year initially and will start in April 2011. Each participating company will nominate a high-potential senior woman to be mentored by a senior executive from another participating company, and will provide, in turn, a mentor at the same level as the reciprocal mentor.

It is no coincidence that the program model closely resembles that of the *FTSE 100 Cross-Company Mentoring Programme*. Brook Graham's co-founder, Jacey Graham, was co-author with the author of the two previous books in this series and is an advisor to the *FTSE 100* program.

Elsewhere in Australasia the Women's Media Network (WMN) Mentoring Program (Asia) was launched in summer 2010. The WMN is a not-for-profit formed in 2010 to support women working in or interested in working in the media industry. Based in Hong Kong, it is sponsored by Disney, Turner and Thomson Reuters.

Australia

At the end of 2009, 8.3 percent of Board positions of ASX 200

(Australia's equivalent of the FTSE 100; "ASX" stands for Australian Securities Exchange*)* constituent companies were held by women.

To help boost this figure the *ASX 200 Chairman's Mentoring Program* was launched in May 2010, with an initial 53 mentors, all of whom were chairmen or senior directors of ASX 200 constituent companies, and 63 ASX 200 board-ready women mentees, all of whom already held directorships of one kind or another. The resources and approaches used by the *ASX* program were drawn from the *FTSE 100 Cross-Company Mentoring Programme*.

The launch functions held in Sydney, Melbourne, Brisbane and Perth were attended by mentors, mentees, politicians and dignitaries. The function in Sydney was addressed by the Federal Minister for Women and the Federal Sex Discrimination Commissioner. The program, run by Carole Field of Praesta Australia, incorporates "Coaching Circles," in which mentees come together to learn from each other every three months or so.

The program is designed to introduce mentees to chairmen and other senior directors. Its objectives are to improve mentee connections with influential business leaders; help mentees acquire the knowledge and skills they need to achieve board appointments, and develop their careers; increase the mentees' understanding of modern governance issues in listed companies and how listed company boards work; and provide mentees with insights, advice and guidance on the process of selecting and appointing new directors, including the way candidate searches are conducted, who gets recommended for nomination, and who is appointed.

The program is also designed to enhance the connections of mentors with experienced women who may be suitable for board roles.

It aims for six mentor/mentee meetings per year, but most pairs are meeting more frequently and use a range of communication media, including face-to-face, telephone, etc. Progress is checked through informal and formal feedback. Interviews were conducted in 2010 to assess progress and make recommendations for modifications to program design and execution.

Much of the preparatory work for the mentoring program was done by the Australian Institute of Company Directors. The main challenge was selecting mentees. Such was the demand for what one mentee on the UK program called this "precious gift" (see Chapter 3) that the 63 mentees had to be chosen from a much larger pool of applicants.

Between January and September 2010, 36 women were appointed to ASX 200 boards, compared with only ten for the whole of 2009. This meant 27 percent of board appointees during the nine months were women compared with just 5 percent in 2009 and 8 percent in 2007 and 2008. Not all of this sharp increase can be attributed to the program, but the program mentees accounted for a significant proportion of appointments.

Two mentees commented on the program and its benefits:

> My mentoring experience has been invaluable. Having a capable and well-respected NED operating successfully in male-dominated industries as my mentor is a real privilege. She has given me constructive feedback, quietly opened doors, and been accessible despite her busy schedule. In addition to the mentoring I've found the interactive sessions with other mentors and mentees enlightening, and the discussions insightful. Last, but not least, there's a certain unity of aspiration mentees seem to share, which I find comforting, given how hard the road to an NEDship can often feel.
>
> Caroline Waldron, General Counsel & Company Secretary, Finance, David Jones Ltd.

> The *ASX* chairmen's mentoring program has been very beneficial for me. I've had the opportunity to work with a chairman who has given me excellent insights into the characteristics of effective board members. The events with other program participants have also been inspiring – they have provided the chance to share experiences and aspirations.
>
> Bronwyn Evans, FIEAust, SVP Global Quality, Clinical and Regulatory, Cochlear Ltd.

France

Towards the end of 2009, a hundred or so members of the French parliament tabled an economic equality bill, which proposed quotas for women on executive and supervisory boards. The bill was passed by the lower house and, in what was seen by some as an attempt to pre-empt its enactment, the French Association of Private Companies (AFEP) and the Movement of French Companies (MEDEF) urged their members in April 2010 to appoint more women to their boards, and included a recommendation for voluntary quotas in their respective Codes of Corporate Governance (see Chapter 7).

The economic equality bill had already started to make itself felt before the vote on the law took place. Before 2010 the proportion of women appointed as directors to CAC 40 (France's equivalent of the FTSE 100) companies was less than 20 percent. In 2010 the proportion soared to 50 percent. This has helped to increase the percentage of female directors on CAC 40 boards from 11 percent in 2009 to 16 percent. More than a third of CAC 40 boards now include three or more women.

Following a presentation, by the author, about the *FTSE 100 Cross-Company Mentoring Programme*, the European Professional Women's

Forum worked with Diafora to develop a French version of the UK program, using the UK program's resources and approaches. At a meeting in Paris in 2007 hosted by Bertrand Collomb, the Président d'Honneur of Lafarge, leaders of six CAC 40 firms and large public enterprises agreed to establish BoardWomen Partners (BWP).

The aim of the BWP program is to develop a better gender diversity in the boardrooms of SBF 80 companies in France (the SBF 80 includes the companies in the SBF 120 not in the CAC 40). It started with ten mentoring dyads in 2008, reached 20 the following year, and was up to 26 by September 2010, by which time the program had involved 23 companies, 24 mentors and 34 mentees. The program was co-founded, and is now co-managed by Véronique Préaux-Cobti, Managing Director of Diafora, and Marie-Claude Peyrache.

The mentoring pairs meet two or three times a year. BWP organizes meetings of mentees twice a year, meetings of mentors once a year, and meetings including mentors and mentees on different themes two to four times a year.

As always it is impossible to prove causal relationships, but five mentees were invited to join boards in 2010; four accepted their invitations (one refused, because of a conflict of interests), and three mentees joined executive committees.

Commenting on the program Bertrand Collomb, Président d'Honneur of Lafarge said:

> L'expérience du programme confirme qu'on peut trouver d'excellentes candidates, et que le mentoring par des présidents ou anciens présidents les conduit rapidement à être prêtes pour un poste d'administrateur. Mais elle montre aussi le temps nécessaire pour que l'information diffuse et entraine des choix effectifs.
>
> Ce programme, non seulement contribuera à accroître la diversité des conseils d'administration, mais permettra aussi à des femmes cadres supérieures d'entreprise d'élargir leur expérience et leur visibilité, et ainsi d'avoir plus de chance pour être considérées, dans leur entreprise ou dans une autre pour des postes de direction générale.
>
> (From the experience of the program, it is clear that it is possible to find excellent women as candidates and that mentoring by chairmen or former chairmen quite quickly enables them to be ready for a board position. But the program has also demonstrated that time is needed for efforts to become known and to show visible success.
>
> This program will not only contribute to increasing diversity on boards but will also enable women who are senior managers to augment both their experience

and visibility, which in turn will give them additional opportunities to be considered for executive or CEO positions, within their own companies or elsewhere.)

Germany

The paucity of women in senior executive roles in Germany has been debated since the late 1980s, but despite a commitment by business and the government in 2001 to remove the so-called "glass ceiling" there has been little improvement. In 2010 a study by the German Institute for Economic Research (DIW) found that at Germany's 200 largest companies only 2.5 percent of board members were women, and the 30 DAX index constituents only had five women directors between them.

Part of the problem in Germany is the long-standing disapproval of the "rabenmutter" (raven mother) who "abandons her nest" to pursue a career. The prejudice is less evident in the former East Germany where, before re-unification, all mothers worked outside the home, but until recently this more relaxed attitude to working mothers had not spread to the former West Germany.

Against this background, therefore, it was an event of deep social as well as business significance when Deutsche Telekom announced, in March 2010, that it favored legally binding quotas for female managers, and was adopting a self-imposed target of 30 percent women in its management positions by the end of 2015, against a then current 12 percent.

Other German companies are also taking action. Deutsche Bank board members mentor their high-potential female staff, and at Daimler the board have committed themselves to increasing the percentage of women in top management positions to at least 20 percent by 2020.

In 2010 Germany's Corporate Governance Code was amended to include a recommendation, to companies, to increase the number of women in leadership positions. Klaus-Peter Mueller, head of the Corporate Governance Commission, warned that statutory quotas were likely if the shortage of women on boards was not corrected voluntarily.

Kristina Schröder, the Federal Minister for Family Affairs, warned in early 2010 that German companies might be called on to increase the number of women in leadership positions and to report publicly on actions taken and progress made. In June she recommended a goal of 20 percent women in these positions, and her ministry has begun work on a draft voluntary "code for good management."

In response to the revised code and Schröder's activities, justice ministers from Germany's 16 states announced the formation of a study group to examine the possibility of a much tougher approach, which would require a

Sally Jones-Evans

Before joining the *FTSE 100 Cross-Company Mentoring Programme,* Sally Jones-Evans was Managing Director, Telephone Banking, at Lloyds Banking Group plc (LBG).

After graduating from the program she was appointed HR Director, Group Operations at LBG, took on new responsibilities as a regional ambassador for the group, managing relationships with MPs and public sector organizations, became a trustee of a charity and joined the Business Development Board of another charity.

"Being mentored by a FTSE 100 chairman has been helpful and interesting. I have found his positive feedback about the value of my experience and leadership abilities refreshing and encouraging. His objective viewpoint and pertinent questions helped me work though some big career choices and gave me the confidence to make decisions that were right for me during major company and industry change. After playing large P&L and operational leadership roles for many years I have moved into a functional discipline as HR Director. This is a complete change of direction, gives me the opportunity to shape group strategy, gives me more board-level exposure, and is challenging and developmental, as well as enjoyable."

gradual increase of female board members and executives from 25 percent, to 40 percent over several years. This is consistent with European Union (EU) Justice Commissioner Viviane Reding's suggestion that there would be a legally enforceable 30 percent quota for women in management positions if the situation does not improve by the end of 2011. Whether the EU has the legal right to impose such a quota is doubtful, but mandatory disclosures of action taken and progress made could be enforced by the EU (see Chapter 7).

In 2005, the lobbying group Frauen in die Aufsichtsraete (Women on Boards – FidAR) was founded to promote a quota of 25 percent women on the supervisory boards of German companies. FidAR has actively pursued this agenda since then, and reported a sharp increase in membership in 2010.

At the time of writing (November 2010) no program comparable to the *FTSE 100 Cross-Company Mentoring Programme* had been launched in Germany, but the author's colleagues Martin Harder and Anne Sutthoff in Praesta Germany had just committed themselves to launching such a program, and had begun to approach potential participants.

Hungary

Interest in the issue of women on boards in Hungary is growing, and companies and institutions are identifying issues and considering what actions to take to address the current lack of gender diversity including the possible introduction of a Hungarian cross-company mentoring program.

At the time of writing (October 2010), Zoltán Ardai of Praesta Hungary and the Hungarian CEOs Conference were in discussions with the author about speaking on the subject of the *FTSE 100 Cross-Company Mentoring Programme* at the forthcoming CEO Summit in Budapest in March 2011, organized by the Central European Business Centre. The UK program had been mentioned at the previous CEO Summit in September 2010, during a round-table discussion about women business leaders. Further to this event, the Hungarian *Top Level Cross-Company Mentoring Programme* is being introduced to potential mentors, chairmen and CEOs of Hungarian market-leading international companies. Based on earlier feedback received from informal meetings, at least 10–15 are likely to join the programme during the coming months, in the first wave. The first mentor, József Hiezl, Deputy General Manager of EDF Hungary, has already confirmed his participation.

Ireland

An Irish version of the *FTSE 100 Cross-Company Mentoring Programme* was being actively promoted in 2010. A concept launch held on May 27 was attended by 12 chairmen and CEOs from both the private and public sectors.

By early October 2010, 14 mentors from Ireland's largest companies and organizations had confirmed their participation as mentors in the first wave of the *Top Level Cross-Company Mentoring Programme*, and several other chairmen and CEOs had indicated their interest in participating.

"Wave one" mentors included Sean Aylward, Secretary General of the Department of Justice, Equality & Law Reform; Colm Barrington, Chairman of Aer Lingus; Sean Dorgan, Chairman of Ulster Bank and Tesco Ireland; Liam Downey, former Chairman of the Health Service Executive; Bernie Gray, Chairman of EirGrid; Rose Hynes, Chairman of Bord Gáis Éireann; Jerry Liston, former Chief Executive of United Drug; Kieran McGowan, Chairman of CRH; Eugene McCague, Chairman of Arthur Cox; and Padraig McManus, Chief Executive of ESB.

The program is run by Caitriona Murphy of Praesta Ireland and is based on the well-tried *FTSE 100 Cross-Company Mentoring Programme* format. Chairmen and CEOs of leading Irish companies or organizations are invited to be mentors of women just below board or executive team level at other Irish organizations and to nominate mentees from their organizations. If the mentor has a non-executive role he or she will confer with his or her CEO before confirming the nomination. The main criteria for mentees are that they should be able, ambitious, and ready for the next step to executive team or board level.

As with all mentoring programs of this kind mentor/mentee matching is crucial. Conflicts of commercial interest must be avoided and a good mix of the mentor/mentee personalities must be confirmed in a preliminary "chemistry meeting."

Experience with the UK program has shown that at least four one-to-two hour meetings a year are needed for a successful pairing, with contact maintained by phone and/or email between meetings. In most other respects the relationships are crafted by agreements between mentors and mentees.

The Netherlands

In September 2010 only 39 of the 99 listed Dutch companies had one or more women on their executive and/or supervisory boards. Of the total of 749 directors, 61 were female (8.1 percent up from 7.7 percent in 2009). Only 3.4 percent of the executive directors were women, compared with 10.7 percent of non-executive directors.

Of the 61 female directors, 24 (39.3 percent) were not Dutch nationals, as opposed to 24.9 percent of the male directors, and five of the nine female executive directors were not Dutch nationals. The numbers of women on the boards of financial, telecommunications and consumer-facing firms were above average, and healthcare and technology firms were below average in terms of female representation on boards.

The Dutch second chamber agreed, in December 2009, to an amendment to the law requiring the executive and supervisory boards of large companies (250 employees, or more) to strike a balance, defined as at least 30 percent of each gender, between men and women.

The *Brightpartners Cross-Company Mentoring Programme* – modeled on the *FTSE 100 Cross-Company Mentoring Programme* – was launched in March 2010. It is a new concept for the Netherlands, but has been greeted with enthusiasm by most business leaders. Thanks partly to the economic downturn following the global 2007–08 financial crisis, progress has been relatively slow. By September 2010, two mentees were committed to the new program and had been matched with their mentors. There were five potential mentees in all and 15 potential mentors.

It's intended that each mentoring relationship should last for one year, and that the mentoring dyads should meet approximately every two months.

One of the mentor pioneers was particularly enthusiastic: "I never expected that being a mentor would be so inspiring." A mentee was equally positive: "It was such an eye opener to be told: 'What are you waiting for? Just do it!'"

"Career planning, taking opportunities, and thinking strategically are not always a natural for women," says Lis Leijser, the Managing Director of Brightpartners B.V. "We can give a lot of support and confidence though the Mentoring Programme."

South Africa

According to population estimates by Statistics South Africa, women accounted for 44.6 percent of South Africa's working population in 2009, but they account for only 19.3 percent of all executive managers and only 16.6 percent of all directors, according to the annual "South Africa Women in Leadership" census.

A South African cross-company mentoring program was launched by Odgers Berndtson in October 2009. The author advised Jamie Robertson, Managing Director of Odgers Berndtson South Africa, on the creation of the program and gave the keynote speech at the launch. The launch of the *Odgers Berndtson Cross-Mentoring Programme* was attended by the (then) CEO of the South African Institute of Directors, Lindie Engelbrecht, and by Professor Mervyn King, Chairman of the King Committee which has published the *King I, King II* and *King III* reports on Corporate Governance in South Africa. More than 20 chairmen and CEOs of companies quoted on the Johannesburg Stock Exchange attended the launch and agreed to participate as mentors in the program, which is aimed at black female mentees. By the end of 2010, 15 mentoring pairs were operating. Feedback has been very positive, and one mentee has been appointed to a board.

Mentors on the program include Simon Susman, CEO, Woolworths; Brand Pretorius, CEO, McCarthy; Lesley Maasdorp, President, BAML; Nicky Newton-King, Deputy CEO, JSE; Sello Moloko, Chairman, Alexander Forbes; and Sir Paul Judge, Chairman, Schroder Income Growth Fund plc, Director, ENRC plc; Standard Bank Group Ltd of Johannesburg, and Member of the Advisory Boards of Barclays Private Bank & Abraaj Capital of Dubai.

Commitment to the program, which is run by Martin Pike, Managing Partner, is for a minimum of 12 months. Mentees should ideally meet with their mentors no less than once a quarter for about one-and-a-half hours, and make contact by telephone and email when necessary.

Odgers Berndtson solicit feedback from both parties throughout the process to ensure the program is working and to offer guidance, should this be required. A review process is being planned to solicit feedback from participants. If appropriate, the lessons learned from the review process may be incorporated in the program.

Spain

A law was passed in Spain in 2007 obliging public companies and listed firms with more than 250 employees to apply a minimum 40 percent quota for each gender in the composition of their boards. Although the rule is only expected to become compulsory from 2015, it has already had an impact. Female representation on Spanish companies' boards doubled from 5 percent in 2006 to 10 percent in 2009.

In October 2010 the author spoke at the 23rd Annual Conference of the Family Enterprise Institute, whose membership accounts for approximately 28 percent of Spain's gross domestic product. Keynote speaker was the Spanish President, Jose Luis Rodriguez Zapatero. Previous speakers at the conference have include Al Gore and the Dean of INSEAD. The theme of the talk was twofold: the reasons for the growing pan-European interest in how to change the gender diversity of corporate boards, and the success in the UK of the *FTSE 100 Cross-Company Mentoring Programme* as a mechanism for promoting such change.

The audience, leaders of some of Spain's foremost companies, wanted to hear about how the UK program works and what its impact has been. Consideration is now being given to the creation of a *Spanish Cross-*

Company Mentoring Programme, and discussions are taking place between Susana Fernandez and Jane Upton of Praesta Spain, Carlos Mas Ivars, the Presidente, PwC Spain, and Telefónica. At the time of writing (November 2010) discussions were taking place with the Spanish Instituto de Empresa, one of the world's top business schools, as a potential academic partner for the program.

Turkey

Turkey currently has few high-profile women leaders in business or government. It ranks 24th out of 34 European countries in numbers of women on listed company boards, and it has the lowest number of female members of parliament in Europe. There are many talented female executives in Turkey, however, with the credentials and the experience to serve on company boards.

A cross-company mentoring program, modeled on the *FTSE 100 Cross-Company Mentoring Programme*, was scheduled for launch in 2011 by Praesta Turkey in partnership with *Forbes* magazine. Yildiz Holding Group, also known as Ulker Group – one of the major business groups in Turkey – is in discussions with a view to becoming the main sponsor of the program.

Cem Boyner, Chairman of Boyner Holding, will lead an advisory committee of interested business leaders in Turkey, including Ümran Beba, the Regional President of Pepsico Asia-Pacific; Tayfun Bayazıt, Chairman of Turkey's Corporate Governance Association and of Yapi Kredi Bank; Nilüfer Bulut, President of the Turkish Business Women's Association; and Müge Yalçın, the Founding Partner of MY Executive Search. As plans stand at present, Rose Marie Bravo, board member of Godiva (owned by Ulker Group) and Tiffany, and former CEO of Burberry, will be one of the first mentors on the program.

Praesta Partner, Hande Yasargil Atesagaoglu, and *Forbes* editor in Turkey, Burcak Güven, are the co-leaders of the new program, which is expected to launch with 20–25 mentoring pairs.

At the time of writing Guler Sabanci, Chairman of Sabanci Group, which is ranked third in the *Financial Times'* "Women at the top" listing of the top 50 women in world business (see page 67), was in discussions about her joining the program in some capacity.

Global network

We speculated in our first book – more in hope than in expectation – that a global network of cross-company mentoring programs based on the *FTSE*

100 Cross-Company Mentoring Programme designed to help women to become directors might emerge eventually and find ways to co-operate.

In view of the developments outlined above, such a network must be now seen as more of an expectation than a hope. It's early days and there are still some gaping holes in this emerging network, including the world's three largest economies: the US, China and Japan. But there can be no doubt that high-level, cross-company, cross-gender mentoring designed to increase the number of women on the boards, or their equivalents, of large organizations has become a global, rather than merely a national phenomenon.

How we extract synergies from the network and so make the value of the whole greater than the sum of its parts is a question to which the author will now be turning.

There may be synergies too in the spread of the high-level, cross-organization, cross-gender mentoring programs beyond the corporate sector, which is the subject of the next chapter.

Note

1. "Women at the top," *Financial Times,* November 17, 2010.

Chapter 5

A wider impact

When we launched the *FTSE 100 Cross-Company Mentoring Programme* in 2003, the landscape of activity dedicated to improving the gender diversity on boards and their equivalents outside the company sector was sparsely occupied. Professor Susan Vinnicombe and her team at Cranfield had begun to monitor the number of women on the boards of FTSE 100 companies in 1999, and Catalyst was producing similar reports and research in the US. A number of academic institutions had done and were doing research into the performance of companies with women on corporate boards (see Chapter 8 for brief summaries of this research). Relatively little was being done, however, to rectify the lack of gender diversity.

These days the previously empty landscape is teeming with activity of various kinds, in all sorts of areas as shown in Figure 5.1.

When we wrote *A Woman's Place is in the Boardroom* in 2004 (published in 2005) we were plowing a somewhat lonely furrow, and there were just a few organizations (of any type) active in the field. The terrain, now, is much more densely populated. Figure 5.1 maps this terrain for the first time, identifying some organizations making a significant contribution to getting more women appointed to UK boards. It is unlikely to be a comprehensive listing – there will undoubtedly be other organizations, and individuals, playing a part. What the diagram shows are those organizations which, to our personal knowledge, are actively seeking to accelerate the pace of change in the development, preparation and appointment of credible women candidates to UK boards.

We are frequently asked, as expert advisors in the field, to explain to chairmen, CEOs and other senior executives the role that the various organizations play and "how they all fit together." Our way of tackling this last point is to describe a supply chain of services and approaches, and the diagram reflects this. The chevron diagram is not exhaustive, not least since new organizations are springing up all the time – most recently, the 30% Club, focusing (with others) upon raising awareness, lobbying and high-level advocacy across the piece – but it indicates how the various niches in the female directors supply chain are filling up.

Looking at each segment of the supply chain in turn, and beginning from the right side of the chevron diagram, the role of search consultants

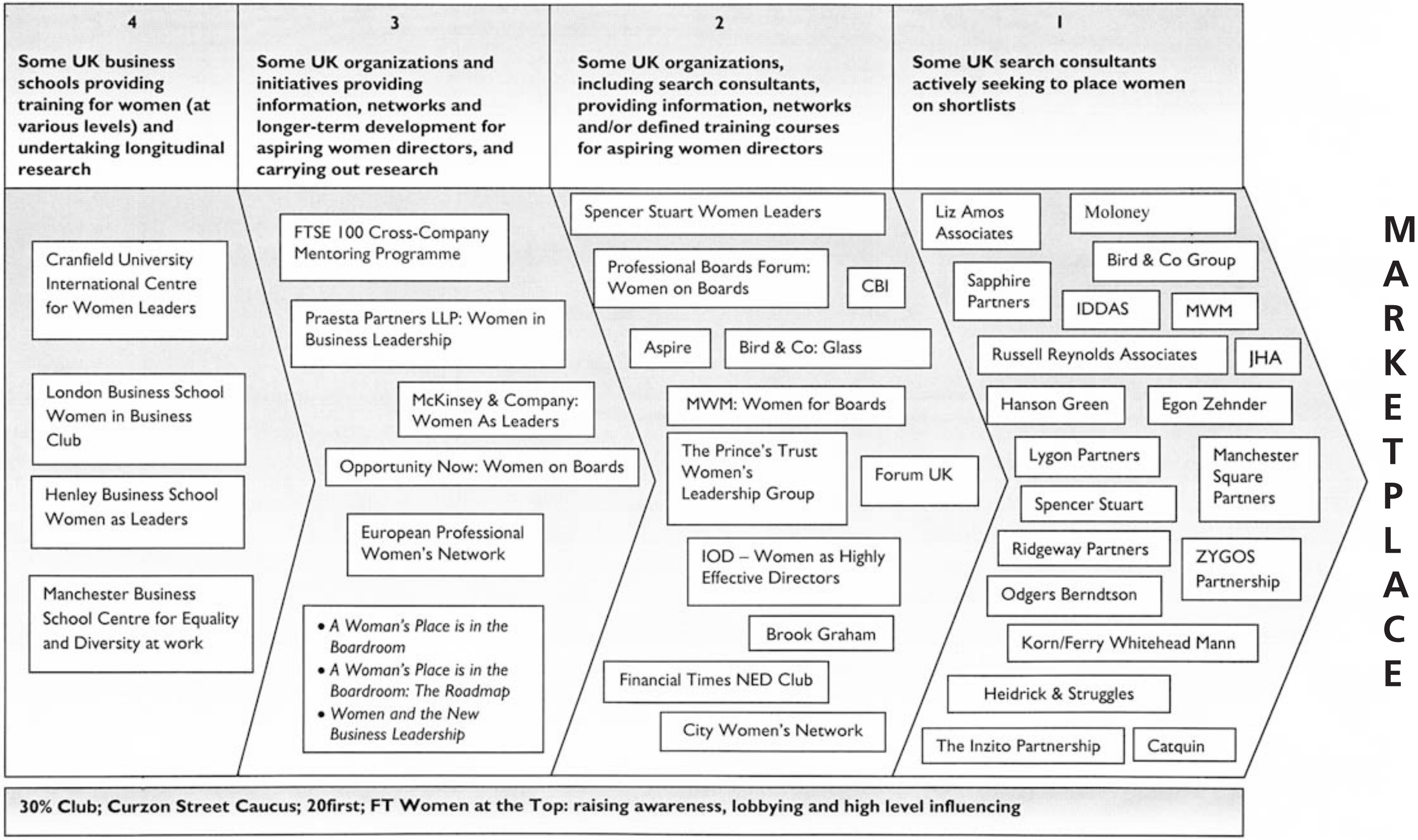

Figure 5.1 Mapping the terrain: the supply chain of organizations contributing to getting women appointed to UK boards

or headhunters is to put forward women for shortlists. They take a brief from chairmen, for non-executive directors, and from chief executives – or another senior ExCo member, for example, the HR director – for executive directors. They are closest to the marketplace, and have a crucial part to play in proposing individual senior women to decision-makers for their consideration.

A little further back from that interface, in the second segment of the supply chain, are the organizations which provide a defined mixture of elements – specific training courses or modules; events, networks or information – for aspiring women candidates. Some of these organizations are a type of hybrid as they are also search consultancies; some are not.

In the third segment of the supply chain are organizations that provide longer-term, more substantive development programs for existing and aspiring women directors. These organizations may also supply information, run networks, publish substantial research, and provide consultancy and advisory services. The author's own organization, Praesta Partners, falls into this category. Praesta advises company boards, executive teams and other senior professionals on "demand side issues" – identifying and removing overt or hidden blockages to the progression of senior women; advising senior leaders on the skills and approaches needed to create a climate that encourages women to optimize their contribution to the business, and on how to build a receptive organizational culture in which women can thrive. Praesta also supports companies in relation to the "supply side": the executive development of senior women with the potential to become board members or top executives. We collaborate with other blue-chip organizations that are active in this arena. We also publish authoritative books and articles based on 12 years of experience in the field; broadcast, and speak at conferences all over the world on topics associated with the executive development of senior women and how governments and companies can increase their representation on boards. The organizations in the third segment – Praesta, EPWN, Opportunity Now and McKinsey – differ from those in segment 2 mostly in terms of the depth and duration of both their research and their development programs.

The fourth segment of the supply chain diagram shows some UK Business Schools which provide training for women professionals (at various levels) and undertake longitudinal research. Cranfield International Centre for Women Leaders, which produces the annual *Female FTSE Report*, occupies pole position in this segment. The UK is alone in Europe (and possibly the world) in having a complete, unbroken run of data relating to women on FTSE 100 boards stretching back more than ten years and providing a foundation of trustworthy and authoritative data, both quantitative and qualitative, on which much subsequent work has been built.

As we saw in the previous chapter the cross-company mentoring idea is being emulated in countries all over the world, from Canada to Australia, and from South Africa to Turkey. And as we shall see in this chapter, it is generating numerous, comparable initiatives both alongside and outside the corporate sector.

We don't claim that the *FTSE 100 Cross-Company Mentoring Programme* was in every case the inspiration or catalyst – although in most cases it was – or that any of these initiatives wouldn't have occurred without it. It does seem to us, however, that the program was a relatively early manifestation of a global awakening to the squandering of talent, skill and ability represented by the under-representation of women at the top of our most important institutions, commercial and otherwise.

Crisis and recession have already emerged from Pandora's box. It's now time for hope to follow, and part of that hope for a better and more stable future lies in women.

The idea that high-level, cross-organization mentoring may be part of the solution to the difficulties women face in their efforts to reach the top echelons of leadership is also being taken seriously outside the large company sector.

The public sector

The author has been invited by a number of UK public sector bodies and organizations to talk about her ideas and books, and about the *FTSE 100 Cross-Company Mentoring Programme*. She spoke at a Royal Mail Women's Network event on the theme "A woman's place is in the boardroom," at the UK National Health Service on the theme "Women in the boardroom: mentoring for diversity," at the request of the Commissioner for Public Appointments on "Delivering diversity in public appointments" and the *FTSE* program, and at the Bank of England on "Developing and promoting senior women."

These and other approaches suggested a widespread feeling that the time for talk about the need to improve the gender diversity at the top of our organizations and institutions is over; that it is time for action, and that the high-level, cross-organization, cross-gender mentoring model pioneered by the *FTSE* program offers a promising way forward for all kinds of organization.

The approach from the Bank of England (BoE) led indirectly to the BoE's offer to host a Colloquium on the *FTSE 100 Cross-Company Mentoring Programme: Widening the circle* on 21 October 2010, in the room in which the Monetary Policy Committee (MPC) deliberates on economic data. The unique off-the-record event was attended by 28 chairmen and chief executives of FTSE 100 and 250 companies; past, present and prospective mentors and mentees, and other distinguished figures from finance, industry and the civil service, as well as several senior BoE executives, including Sir David Lees, Chairman of the Court at the Bank. Mervyn King, Governor of the Bank of England, addressed the meeting. He described the program as a "micro-economic initiative," and spoke of his wish to increase the number of women on the MPC and in senior positions at the bank.

The colloquium was judged a success by the BoE and is scheduled to be repeated in 2011. It exemplified a kind of "coming of age" for the FTSE program; an acknowledgment by one of the UK's most high-powered public sector institutions that the UK public sector has something to learn from this private sector initiative.

Commissioner for Public Appointments

The author's meeting at the Office of the Commissioner for Public Appointments (OCPA) also bore fruit, in the form of a pilot cross-sectoral mentoring scheme for women. The Commissioner, Dame Janet Gaymer DBE QC, oversees appointments, by ministers, to 700 or so positions at public bodies such as the BBC and NHS Trusts. As part of her diversity and talent strategy known as "Targeting Talent," the Commissioner has piloted a cross-sector mentoring scheme aimed at women.

The aims of the scheme have been to inform a pool of mentees about public appointments generally, to explain the public appointments process, to help the mentees understand the personal and career benefits of being a public appointee, and to encourage mentees to make applications for public appointments.

The scheme was launched in March 2010 and concluded the following November. Mentors were current public appointees, male and female. Applications to become mentees were received from various sectors and disciplines and a total of 11 mentoring relationships were established during the scheme.

The new Commissioner for Public Appointments, David Normington, who will take up the post in 2011 when Dame Janet retires, will decide whether or not to launch a new mentoring scheme building on the experience of the pilot. At the time of writing evaluation of the scheme had not yet been completed, but an issue identified by several mentees was the importance of feedback, which the scheme has encouraged mentees to seek.

META

The Minority Ethnic Talent Association (META) was launched in 2006 to address the lack of members of ethnic minorities among the UK's senior civil servants. As META's director Claudette Sutton pointed out, although the number of civil servants who identify themselves as being of ethnic minorities has increased sharply over the past decade to over 36,000 (9 percent of the total), only about 160 are senior civil servants (less than 4 percent of the total).

This book is about gender balance rather than "diversity," but the approach META has taken to its task reflects two key principles of the *FTSE 100 Cross-Company Mentoring Programme*: high-level mentors with enough influence to act as "sponsors," and cross-departmental mentoring dyads to avoid mentor/boss conflicts of interest.

META's "Growing Talent" mentoring program has the support of the Cabinet Secretary, and several top civil servants sit on the META board and are mentors. At the time of writing (December 2010) the Growing Talent advisory board is chaired by Dame Helen Ghosh, former Permanent Secretary of the Department for Environment Food and Rural Affairs (DEFRA) and now Permanent Secretary at the Home Office. Other META advisory board members and mentors are Paul Jenkins, Procurator General and Treasury Solicitor; Andrew Ramsay, Director General of Partnerships and Programmes at the Department for Culture, Media and Sport; Gill Rider, Head of the Civil Service Capability Group; Minouche Shafik, Permanent Secretary of the Department for International Development; and Jonathan Stephens, Permanent Secretary at the Department for Culture, Media and Sport.

Sutton says the progress of women in the civil service illustrates what is possible. "Within a generation, the position of women has been transformed to the point where they now make up 53 percent of the total staff ... and are represented at all levels of seniority up to and including permanent secretary." Among the explanations for the gender-balancing of the civil service, Sutton singles out "a rapid change in social attitudes, raised expectations and ambitions, the transforming effect of education and ... men came to understand that female talent needed to be recognised and used."

META's approach has been epitomized by a metaphor – "you can climb a mountain alone, you can climb as a team and you can be helped by someone who has already reached the top." It incorporates "high-level mentoring, to give breadth of vision and perception, network building and reinforcement of individual skills."

Sutton says that high-level mentoring has been at the heart of the program, "enabling candidates to gain a breadth of understanding of the civil service that would otherwise [have been] difficult to access." It seems likely that the META program has contributed to the increase to 9 percent of entrants to the civil service fast stream who class themselves as minority ethnic. By November, the 2010 mentoring program had already seen a promotion to the Senior Civil Service.

Can't get the staff – private sector

One of the problems faced by companies that recognize the need for more women on their boards is the alleged shortage of suitable and well-qualified female recruits. There is no problem on the "demand side" now, companies claim. The problem is on the supply side. You simply can't get the staff.

Whether this shortage is real or simply a reflection of out-dated or inappropriate candidate-selection processes and criteria is, in a sense, beside the point. If institutions believe that there is a genuine shortage, they have an answer ready to hand, when asked to explain why they have not complied with expectations or guidelines relating to gender-diverse boards.

In the capitalist system, one person's problem is another person's opportunity, and in recent years a number of initiatives have been taken to address a perceived shortage of qualified women for board and board-level positions.

Women For Boards

Women For Boards, founded in 2009, is an "international network of top business women ... focused on making a difference in the current environment," according to its brochure.

It's led by Anna Mann, a founder of MWM Consulting and previously a founder of the Whitehead Mann executive search firm; Anna Ford, a former journalist and BBC television presenter, and former Chancellor of Manchester University, who is currently a non-executive director (NED) of UK supermarket group, Sainsbury; Sally Bott, the Group HR Director of BP and a member of BP's group executive committee; and Victoire de Margerie, Professor at the Grenoble Graduate School of Business, NED of Outokumpu and Ciments Français, and Chairman of Rondol Technology.

Women For Boards has put together a database of high-powered women

Charlotte Lambkin

Image: www.robclayton.co.uk

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Charlotte Lambkin was Group Communications Director at BAE Systems plc. She has since been appointed a member of the Executive Committee (ExCo) of BAE Systems.

"Being a mentee in the program has had a definite impact on my progression within my field and company. The mentoring dialogue helped prepare me for my appointment to our Executive Committee and the programme continues to prepare me for future opportunities."

with the experience and ability to assume NED roles, which it will make available to clients wishing to appoint female NEDs.

This is an interesting initiative, because, in principle, it could finesse a complaint often voiced by chairmen and board nomination committees (NomCos); namely that the executive search firms rarely include women on NED candidate shortlists on the grounds that they cannot find women who match the NomCos' criteria. Women For Boards complements the *FTSE 100 Cross-Company Mentoring Programme* in that its aim is to increase the number of women on the boards of FTSE 250 and FTSE 350 companies. To the extent that it's successful, it will help to fill the pipeline of female FTSE 100 board candidates with board experience.

Bird & Co.

In another initiative to address the supply side, the executive search firm Bird & Co. launched its "Glass Ladder Programme" in 2009 to prepare senior executive women for their first board positions.

The ten-month program uses one-to-one mentoring, case-study-based group sessions and interactive learning sessions. Session leaders and mentors are drawn from a pool of active, senior NEDs with experience of chair, CEO, and CFO positions in public and private companies in regulated and unregulated industries. Bird & Co. will also recommend business school courses and conferences, networking and background reading relevant to each participant's needs.

Bird & Co. Board & Executive Mentoring invites organizations in the private and public sectors to "join us in our resolve to get more women 'board ready'." If an organization chooses to take part, it will be asked to select, and be prepared to sponsor, one or more female members of its senior management team who it believes would benefit from the program.

Professional Boards Forum

Elin Hurvenes founded The Professional Boards Forum in Norway a year before the Norwegian parliament passed legislation in November 2003 requiring the boards of listed companies to consist of at least 40 percent women, and at least 40 percent men (see Chapter 7).

Her idea was to address a perceived shortage of qualified women in Norway for meeting the new law's requirements by bringing together chief executives, chairmen, selection committees and experienced business women in "innovative and challenging settings." Through these encounter groups, Hurvenes has placed women directors on the boards of several companies listed on the Oslo Stock Exchange.

She decided to bring The Professional Boards Forum to the UK with her fellow London Business School alumna, Jane Scott. The UK Professional Boards Forum connects the chairmen and CEOs of leading UK companies with outstanding female board candidates, who have all been recommended by their peers.

At the time of writing there had been three events in the UK, the most recent of which was attended by 23 chairmen of FTSE 100 companies.

City Women's Network

The City Women's Network (CWN) was founded in 1978 by American and UK women, mostly bankers, accountants or lawyers, who were working in senior roles in the City of London. The original purpose was to establish a women's peer network "to combat the effects of the Old Boys' Networks that dictated the City culture" and help facilitate "the entry of women into previously male-dominated professions and business functions."

It arranges events each month, which range from social evenings to professional talks; offers networking opportunities with speakers and peers; provides opportunities for building business and social relationships; publishes a quarterly newsletter, *Connections*; and has close links with the European Professional Women's Network and the International Alliance for Women.

CWN's first patron is Janet Gaymer DBE QC, Commissioner for Public Appointments in the UK and a long-standing member of CWN (see page 90).

Professional services firms

A number of professional services firms are actively interested in the idea of gender-diverse boards and their equivalents, and have taken steps to ensure that more women achieve leadership positions in their own organizations.

McKinsey & Company

Leading strategy consultants McKinsey & Company have been active subscribers for several years to the idea that large organizations in the public and private sectors need more women in the top management echelons.

Dominic Casserley, the firm's former Managing Partner UK and Ireland, was among the earliest mentors on the *FTSE 100 Cross-Company Mentoring Programme* (he was succeeded as Managing Partner by Kevin Sneader in 2009; both are now mentors on the program) and McKinsey consultants have undertaken pioneering and much-quoted research into the link between company performance and women on boards (see Chapter 8).

Mary Meaney, mentee on the *FTSE 100 Cross-Company Mentoring Programme* and a partner at McKinsey & Company, is one of the leaders of McKinsey's "Women As Leaders" program. The initiative was launched in 2007 with a series of seminars bringing together senior professional women and top female students from Oxford and Cambridge universities. Participants came together once a year for a day of debate, networking and skill-building workshops.

The program developed a strong following among senior professional women and in early 2010 transformed itself into a more formal McKinsey Women As Leaders Network. The Network has over 400 members and draws together high-flying women both from within McKinsey and from across the private, public and non-profit sectors. Members are invited to a range of networking seminars and skill building events, many based on McKinsey's own thinking and training. In its first year, the Women As Leaders Network held six events, addressing topics such as "Managing high performing teams," "Managing your career strategically" and "The how and what of becoming a non-executive director." At each event, strong content is combined with inspirational speakers, ensuring active and lively debates.

PricewaterhouseCoopers

The UK practice of PricewaterhouseCoopers (PwC) – one of the "big four" accountancy firms – launched a Women's Leadership Programme in 2007, to help women reach the partnership level in the firm. A senior male sponsor is assigned to each of the participants, whose role is to coach, challenge and support the female protégée in her career development. PwC says this program has had the additional benefit of allowing the sponsors to see the organization through a woman's eyes.

Having been piloted in one of PwC's three service lines, the program has now been rolled out across the entire business. It is now in its fourth year with 19 participants; some 45 women have experienced the program and eight have already been admitted to partnership despite the difficult economic climate when admission numbers have been reduced. The program is now being considered as having further reach as PwC rolls out a new global Diversity & Inclusion strategy.

Ernst & Young

Ernst & Young – another "big four" firm – has developed a tool for "Improving the quality of decision making around people." The tool was designed to address the problems of unconscious bias, and the tendency to stereotype people on the basis of past experience. Internal focus groups revealed that there was confusion about how the firm assessed talent and what it took to succeed in the firm. The tool helps employees consider how their unconscious biases affect their decisions about who is developed and promoted, and offers guidance on how to overcome this.

We mention this E&Y initiative, because, although it is not related directly to the gender imbalance issue, we identified unconscious bias, manifest in so-called "micro inequities," in our first book, *A Woman's Place is in the Boardroom*,[1] as one of the main obstacles to the advancement of women in our large organizations.

Hogan Lovells

In autumn 2009 the international law firm Hogan Lovells, advised by the author and her colleague Mairi Eastwood, launched a pilot mentoring program through its Women's Network, with the objective of increasing the quality and quantity of female participation in the firm, and offering junior women access to role models who could guide their careers at an early stage. A number of partners, senior lawyers and senior support staff volunteered to act as mentors and, even though this was only a pilot, many employees applied to be mentees.

The pilot launched with 27 mentoring pairs.

The program was designed to be flexible, to meet the needs of each participant, and allow the pairs to decide what they wanted to get out of it. Pairs were carefully matched, to ensure each mentee had a mentor who was appropriate for her goals and outside her current practice area and direct line management.

Initial feedback was positive. One mentee said: "Having discussed it with friends in my team and intake I consider this scheme to be a vitally important demonstration of the firm's commitment to its talented young female lawyers." Another mentee said the program was "an excellent opportunity to explore, discuss and learn how to deal with challenges in a safe, confidential environment."

According to Marian Bloodworth, then co-chair of the firm's Women's Network and member of its Diversity Panel, the feedback "continues to be extremely positive ... [and] the pilot has proven to be just as beneficial to the mentors taking part, who have been reminded of what life is like for women in more junior positions."

The scheme has attracted wider interest within the profession, with articles in *The Lawyer*, *Equal Opportunities Review*, and the Glass Hammer website. The scheme is featured in the best practice guide, "Advancing and retaining women in the legal profession," and in the Equality and Human Rights Commission's good practice guide for inclusive workplaces.

At the time of writing the firm was planning to roll out the pilot program across the London office for all members of the firm.

20-first

Avivah Wittenberg-Cox, CEO of gender consultancy 20-first, is one of the leading advocates of gender diversity in organizations.

She works with CEOs, executive committees and managers to build what she calls "gender 'bilingual' organizations," with the help of 20-first's

Building Gender Balanced Businesses program, and a suite of online tools.

Wittenberg-Cox is the Founder and Honorary President of the European Professional Women's Network, co-author of *WHY Women Mean Business: Understanding the Emergence of Our Next Economic Revolution*[2] and author of *HOW Women Mean Business: A Step by Step Guide to Profiting from Gender Balanced Business*.[3] She writes and speaks regularly on leadership, marketing and talent management. Her www.20-first.com website is a mine of useful, up-to-date information about gender issues and developments.

Companies

For obvious reasons virtually all corporate mentoring programs are internal, but there are exceptions (see HSBC below). The Unilever program is a good example of a well-conceived internal program for women that recognizes the need for high-level mentors capable of acting as sponsors of their mentees/protégées (see Chapter 3).

Unilever

The consumer goods giant Unilever launched its Senior Leadership Mentoring Program in 2008, with 22 women at least 18 months to two years away from their next promotions. To create a baseline for progress, participants were asked to draft development plans, approved by their line managers, that outlined their paths to such positions.

Each woman was paired with a senior or executive vice-president or a director with enough experience to help her meet her milestones. "We very consciously said that we wanted this mentor program to be outcome-oriented," explained Helen Wyatt, senior vice-president, HR Category and Global Functions, and a mentee on the *FTSE 100 Cross-Company Mentoring Programme*. It is "designed to help these women focus on a development plan to move into the next role."

Ideally pairs meet monthly in person or via web conference. Before the first meeting, both are given a best practice guide for their relationship. Conversations cover the mentee's work performance, where she stands on her current plan and what she needs to do next to progress further. The goal is to help the mentee advance.

The seniority of the mentors (about half of Unilever's top leaders serve as mentors) gives these mentoring relationships something of that patron/protégée quality that is said to be so crucial, and so rare, for women (see Chapter 3). "For many of our male colleagues," says Wyatt, "these relationships have happened for years." The new scheme helps these women to "build knowledge of individuals they wouldn't ordinarily come across in the normal scheme of things. [They] are becoming better known to leaders who have influence and impact when we come together to make decisions."

When designing the scheme, Unilever asked the international business school INSEAD to conduct research. To establish a control group against which participants' progress could be measured, the INSEAD team surveyed men who were also 18 months out from promotion. They found men were more likely than women to say it was easy to adjust to top jobs, because they'd had sponsors, "senior people they had connected with very early on in their careers," as Wyatt described them. "Many of the women didn't feel they had that. They felt they were managing their own careers."

Unilever is also planning a Transitions Program to provide support for women after a successful mentoring relationship. "One of the ... challenges is that you can make these appointments, but the first six months in a new role [are] critical," Wyatt explains. "Any help and support we can give them as they move into ... [their new] roles is a real plus."

Wyatt says the initiatives grew out of a "straightforward business rationale" after analysis had revealed a breakdown in advancement and retention among female vice-presidents. "We don't want to see talent we've developed leave or not live up to its full potential," she said. The initiative is one aspect of Unilever's wider efforts to reduce the price of advancement, to make top jobs more attractive to women, to increase the flexibility of their career planning and to help them to develop networks.

At the time of writing (November 2010) Unilever, a founder member of the *FTSE 100 Cross-Company Mentoring Programme*, had offered to sponsor the *FTSE 100 Cross-Company Mentoring Programme* Mentee Network.

HSBC

Irene Dorner, one of the most distinguished alumnae of the *FTSE 100 Cross-Company Mentoring Programme*, has pioneered a new approach to corporate mentoring that we believe could become a model for other companies seeking new ways to help their female executives prepare themselves for high corporate office.

After graduating from the *FTSE* program Dorner was appointed CEO of HSBC's operations in Malaysia. She found the demand for mentoring from female executives in HSBC's Kuala Lumpur (KL) office exceeded the ability of the bank to satisfy it internally, so she approached other companies with which HSBC had friendly relationships in KL, including

Mary Meaney

Mary Meaney is a partner at strategy consultants McKinsey & Company.

Since graduating from the *FTSE 100 Cross-Company Mentoring Programme* she has been appointed to lead the firm's Transformational Change service line for Europe, the Middle East, and Africa within the organization practice, which is one of the firm's largest practices. She has also been appointed to the Global Organisation Council, the practice's most senior decision-making group. She has become a Trustee of TeachFirst, an advisor to Teach for All, and a member of the London Philharmonia Orchestra's Business Development Committee.

"Participating in the program has been hugely inspirational. I've benefited enormously from the perspectives and insights of my mentor and the opportunity to meet other senior women in the private and public sectors. This has been particularly valuable, because I have recently taken on my first board role for a non-profit organization, and joined the Business Development Committee for the Philharmonia."

BP and PwC, and asked their top executives if they were willing to be mentors of senior HSBC female executives.

The arrangement worked so well that, after Dorner's departure from Malaysia to become President and CEO of HSBC Bank USA, a second round of local, cross-company mentoring pairs was organized by her Malaysian former colleagues.

Dorner liked the idea so much that she has began to put together a similar cross-company mentoring program for her senior female executives in the US with the help of HSBC's corporate friends. It seems reasonable, given the origins of this innovative approach to cross-company mentoring, to see it as a derivative of the *FTSE 100* program. Although the focus is internal, her program incorporates the original program's two distinguishing features – cross-organization pairing, and high-level mentors with the ability and stature to act as sponsors (see Chapter 3).

In theory, the model could be adapted for use at all levels of the organization. At lower levels of the organization it could provide what Elisabeth Kelan calls "formative" assignments (see Chapter 7), which could help to fill the pipeline of women able and eager to reach the board.

SWIMM

In 2010 the author was invited by Senior Women in Media Mentoring (SWIMM) to conduct a workshop with mentees on the scheme and to discuss with them the *FTSE 100 Cross-Company Mentoring Programme*. SWIMM was launched in 2009 by Elisabeth Murdoch and Rebekah Brooks, following a meeting chaired by Sarah Brown, wife of Gordon Brown, the UK's then Prime Minister. It is aimed at encouraging senior women in business roles in the creative sector to reach their potential and achieve appointment to the boards of FTSE companies.

Eight companies involved in newspapers, television, marketing and publishing took part in the first year, and a board of chairmen, CEOs and female NEDs was convened to manage the scheme, advised by the training and coaching consultancy Creative People, and the HR director of Shine Group.

In an 18-month period, 44 women – 22 mentors and 22 mentees – took part. Care was taken not to pair participants from competing media companies. Creative People provided participants with professional mentoring training, and allocated two consultants to the scheme to provide confidential advice and support, particularly in the early stages of the mentoring relationships.

Three events, hosted in turn by participating companies, were held for mentors and mentees. They focused on the themes of "Work–life balance," "Leadership" and "Communication." The speakers included Sarah Brown, Elisabeth Murdoch, Gillian Sheldon and Kirsty Young.

After 18 months the scheme was evaluated with the help of feedback from mentors and mentees on pair matches, training and events, and ideas for improving the scheme were solicited.

The scheme has overwhelmingly exceeded expectations. Some pairings came to a natural end, but many others chose to continue. Several mentees have since been promoted, or have achieved the goals they had set. Some moved jobs or countries, and several added to their families.

The scheme continued in 2010 with some minor changes, but with the same seniority of participants.

The following are some quotes from the first year's evaluation, in answer to this question: "What was the best thing about being part of the scheme?"

> It has given me the appetite to do more mentoring in the future.

> Having worked at the same company for 20 years some of my working habits had become ingrained and comfortable, and not always in the most productive way. Discussing [them] ... with an objective expert from outside the industry has been incredibly helpful.

> Learning the challenges that other industries face, in terms of technology, content, etc. Mentoring is also a fabulous way to practice listening skills, and become totally focused on someone else's issues rather than one's own!

> Learning that there are many different ways that success can look like, and taking your own dreams/ambitions/wishes into account is just as valid as taking your company's into account, which is how most of us are conditioned to act.

> A freedom to talk about issues which are hard to discuss in the rest of life; a sense that I'd helped my mentee by being able to have a clearer view of the bigger picture going on in her career and having been through similar situations myself.

> Talking to her about her issues reminded me of some things which are important in my own working life that I sometimes forget.

> Allowed me to see my own career in a much more structured way. It has enhanced my confidence and I have matured a lot, both in terms of the ambitions I now believe I can achieve and my day-to-day work.

> I feel I'm less emotional, or rather calmer, and I'm now a better listener, less frustrated if I am not in control and more able to take praise without deflecting it.

> It helped me to put pressures in perspective and I got honest feedback from an outside and disinterested observer.

Goldman Sachs

In 2007 Goldman Sachs International (GSI) founded a City of London forum called "Network for Knowledge" (NFK), in the belief that the career development patterns of women in GSI's legal and compliance divisions were probably very similar to those of women in the same professions all over the City. It was felt that sharing knowledge about the career experiences of women in these fields should be of benefit to both the women and their firms.

The idea was well received in GSI, and the network was established in consultation with, and with the support of, GSI's International General Counsel and head of Human Capital Management.

To launch the forum an inaugural networking event was organized at the British Museum in November 2007. Similar annual events have been organized subsequently. The events have been attended by over 300 senior women from 14 law firms, and the legal and compliance departments of ten investment banks. Following the inaugural event and in response to the demand for similar events, an NFK committee was convened to maintain momentum and provide "thought leadership" for women in these fields. The committee, co-chaired by Caroline Carr and Seung Earm of GSI, co-founders of the NFK, consists of 25 managing director and partner members from banks and law firms.

Topics discussed at bi-monthly NFK committee meetings in the first year included recruitment and retention, mentoring, networking, role models and workplace flexibility. The meetings allow members to share knowledge and generate new ideas for tackling the various issues under discussion.

The NFK committee has helped members to set up women's networks at their own firms and re-energized existing networks. Recognizing the importance of looking beyond the legal and compliance areas to learn and identify best practices, the committee has invited women with commercial or academic experience on issues affecting women's development to round-table discussions with the group.

Encouraged by such dialogue, the NFK committee has run a series of programs for junior and senior women in the legal and compliance fields. Events for high-potential junior female professionals from law firms and banks have included a panel discussion with members of the NFK committee, to help them focus on taking charge of their careers at an early stage; an external coach to work with them on building their professional profiles; and a voice trainer to teach them to create presence and impact through vocal projection. A key element of each event is cross-firm networking. Attendees cite the opportunity to build relationships across firms at a peer level as a uniquely valuable experience.

Following discussions with the author in 2008, a mentoring program, modeled on the *FTSE 100 Cross-Company Mentoring Programme*, for female partners and senior employees at law firms and banks, was launched in September 2009. An NFK sub-committee was appointed to persuade the senior partners and general counsel/managing directors of law firms and banks to act as mentors and identify suitable candidates as the mentees. An important decision that has proved attractive to those approached was to ensure that each pair comprised someone from a bank, and someone from a law firm, rather than two from the same type of organization.

The detailed pairing process used questionnaires and insights from member firms on the kinds of support the mentee might need and the mentor was best able to provide. A total of 24 pairs were created, and a launch event was held to connect the participants, identify and provide guidance on challenges that can arise in an inter-firm relationship in advance, and answer any questions on the program.

The mentoring pairs were asked to meet at least four times during the one-year program. NFK committee representatives have obtained feedback from participants at regular intervals during the program to enable adjustments to pairings or guidance on interaction. The pairings have delivered benefits to both mentors and mentees. Many of the pairs intend to continue their relationships beyond the one-year program. The closing event for the mentoring program was held in November 2010. The author conducted a workshop at the event at which participants were reunited and lessons were learned for improving future programs.

Carr and Earm say the scheme has shown that mentoring can be a key factor in the development of the careers of women in the legal and compliance fields, particularly when the relationship is of a kind that develops naturally into a sponsor/protégée relationship (see Chapter 3). They say sponsorship relationships tend to form with someone more senior, and can provide mentees with opportunities in the form of introductions, contacts and new roles. They can also influence the career trajectories of mentees when the sponsor acts as an advocate through the promotion process.

When considering the NFK mentoring program the founders noted that in the absence of formal mentoring programs, women tend to develop fewer mentor-type relationships with their senior colleagues, male or female, than men. One reason for this was thought to be that it was more difficult for women with childcare responsibilities to attend the after-work networking or socializing when these relationships can develop informally. They also observed a confidence issue that might inhibit some women from instigating such relationships. Even when there was sufficient contact with senior colleagues to form mentoring relationships, woman were less likely than men to ask the senior colleagues if they would be willing to be their mentors.

The benefit of an inter-firm scheme, according to Carr and Earm, is that it gives NFK mentees access to entirely objective external perspectives on their careers and professional challenges, as well as introductions mentors might make that broaden mentees' networks in the legal and compliance community, or further afield.

Another, indirect benefit has been to bring the community of banks and law firms together and enable them collectively to address the common challenge of increasing the number of women in leadership positions across the industry. The mentors have spoken of benefits in terms of expanding and affirming their own understanding of the challenges women who are not their direct employees face in their careers, which should encourage them to re-double their efforts to address these challenges.

Carr and Earm regard the NFK inter-firm program as a complementary addition to, rather than as a substitute for, intra-firm mentoring, which they see as essential to provide mentees with guidance framed by a precise understanding of the culture and operations of a firm, and also as vital for increasing levels of retention and promotion of women in an organization.

A crowded landscape

The speed at which the *FTSE* program's model has spread, since it was launched in 2003, all over the world and beyond the corporate sector to the professions and the public sector (see above), and has even begun to inspire similar initiatives within the corporate sector at lower organizational levels (witness Irene Dorner's programs in New York and Kuala Lumpur) suggests that the approach has the quality of a virus that may have only just begun to replicate itself.

Or perhaps it is just the means by which the patron/protégé pairings that have effected transfers of power between generations of men are at last being extended to women for the benefit of all of us.

Notes

1. Palgrave Macmillan, 2005.
2. Wiley, 2008.
3. Wiley, 2010.

Chapter 6

The contribution of women

Oil giant Shell was a pioneer of scenario planning, but Shell UK Chairman James Smith, a *FTSE 100 Cross-Company Mentoring Programme* mentor (see page 45 for Smith's views on post-crisis leadership), has no illusions about the relationship between the scenarios that Shell examines and how things actually turn out.

> I have suggested somewhat mischievously that scenarios are simply sophisticated ways of saying that you have no idea what's going to happen in the future. But you do get a variety of pictures, which maybe helps you to prepare better for the future. At some point, however, you have to say "I think the world's heading this way and that's where I'm going to put my efforts."

Shell's team explored a scenario they called "open doors"; a world in which international trust was high, and regulation was minimal. Because consumer power was so great, companies knew that if they did not respond to, for instance, consumers' demands for improved environmental performance and reporting, they would be rejected in the marketplace. "So the consumers would vote with their wallets for companies that were doing well on corporate responsibility and against companies that didn't seem to want to play," said Smith.

In this "open doors" scenario companies were the subjects of their customers and there was little need for government regulation.

In another scenario called "low trust globalization" globalization was seen as beneficial, but there was less trust between the major economic blocs. "If the major trading blocs in the world do not open their markets to each other or cooperate in other ways ... it didn't work as well as it might have," said Smith. "Negotiations on climate change didn't go as well as they should. We talked about globalization, and we were trying to do it, but there were impediments." Nations competed for resources, inter-bloc relations were adversarial, and there was no recognition that "a more collaborative, more trusting world" would create more wealth that could be shared.

Smith infers from these two contrasting scenarios, that "it's very important ... that we build trust, because with trust we get better outcomes. If we can build trust, technology, money and people are more likely to flow to where the best opportunities lie. It's not a zero sum game. "The idea, for example, that you can get energy security through energy independence is a dangerously false trail," because you undermine collaboration. You don't get as much energy from the world and there is more squabbling over the energy that's available.

> If you don't have a world that is open-minded you run the risk of "group-think'," whether on the financial, or energy side of things. The right things aren't challenged. And I guess the other thing is realizing that, if you are going to be successful in all of this, talent is crucial – being open-minded about talent is crucial, and avoiding "groupthink" is crucial.

So Smith advocates and hopes for an "open" world in the sense that countries are open to the collaboration needed to maximize wealth creation or energy production, and companies are open to all kinds of people, value their different outlooks and hear their different voices.

Jacqueline O'Neill

At the time of writing Jacqueline O'Neill was Commercial Director of Tesco plc and was being actively mentored.

"The program has given me access to an incredible wealth of experience and advice. Each mentoring session is tailored around my own issues and needs. I leave each session with many solutions, suggestions and observations that I can then experiment with at my own discretion. Invaluable!"

Problems with gender diversity

There is nothing controversial about the idea that, in these times of lost faith in the resilience and self-governing quality of the capitalist system (or, at any rate, the financially-driven version of the capitalist system that flourished before the 2007–08 crash), a wider variety of eyes, ears and voices is needed in boardrooms. The vulnerability of the system to "groupthink" and herd behavior have become all too apparent; more diverse, which is to say, for the purposes of this book, more "gender-diverse," boards have come to be seen as a way to reduce that vulnerability.

Although more candid about the problem than most, Shell UK's James Smith is not the only western business leader to see more diverse corporate boards as a way to combat the baleful power of what the great English embryologist C.H. Waddington called COWDUNG, his imperfect but appropriate, especially after the crash, acronym for the "Conventional Wisdom of the Dominant Group."[1]

But appointing a woman to the board does not automatically produce the desired variety of thought and action. Research has shown that one woman on an otherwise all-male board tends to be marginalized and ignored by the men, and two may be seen as a pair of latter-day suffragettes. It is only when there are three or more women on a board that they are seen as ordinary, run-of-the-mill directors whose ideas and contributions to debates and discussions are taken at face value.

The key point here is that the efficacy of more women on the board as an antidote to "groupthink" will depend crucially on how they are perceived and treated by the incumbent males.

They may not be treated in a way that allows them to contribute as the theory – that diversity reduces "groupthink" – predicts.

Put yourself in the shoes of a male director who has been told the Nominations Committee (NomCo) wants to appoint a woman to the board to mitigate "groupthink." The clear implication is that the board, as constituted, has not been working as well as it should and that a woman director is needed to improve things. How is that director likely to react to the news, and to perceive the new director when she arrives for her first board meeting?

Incumbent directors' reactions to the appointment of new directors with backgrounds and outlooks very different from theirs have been investigated by Jean François Manzoni, Paul Strebel and Jean-Louis Barsoux of the European business school IMD Lausanne. "Diversity is something we prize," they said in an article in the *Wall Street Journal* in early 2010, "but ... people often feel baffled, threatened or even annoyed" by people whose views and backgrounds differ very markedly from theirs. When directors are selected because of their different views or backgrounds, said Manzoni, Strebel and Barsoux, "they are often isolated and ignored. ... Boards need to minimize the friction ... and learn to work with colleagues who were selected not because they fit in, but because they don't."[2]

Manzoni, Strebel and Barsoux say that, at the new female director's first board meeting, incumbent directors will take what she says and how she behaves as indications of her competence and personality. She could be instantly deemed a "typical" woman, politician, lawyer. If she asks too many questions she could be seen as "clueless," or "high maintenance," but if she says nothing, she is "insecure."

The new director can aggravate the problem by also getting signals crossed, being too sensitive, or projecting her own inclination to stereotype onto her new male colleagues when they were innocent of such prejudice.

None of these frictions and misunderstandings are inevitable. Very careful selection of a new director on the basis of compatibility with as well as difference from the incumbents is essential, and a courteous and socially adept chairman can do much, particularly in the newcomer's early meetings, to pre-empt stereotyping and allow differences in outlook and approach to be seen by the entire board as valuable and constructive, rather than annoying or disruptive.

The important point is that this tendency to stereotype people and the potential for misunderstanding must be recognized at the start and managed effectively if the value of a more gender-diverse board is to be realized.

The gender-diverse difference

Assuming more companies seek gender-diverse boards and that those who bring that quality, namely new women directors, are treated by the incumbent male directors as valuable because they are women, as well as because of who they are, what changes in board behavior and the nature of corporate leadership are likely to follow?

We asked mentees on the *FTSE 100 Cross-Company Mentoring Programme* to give us their thoughts, on a non-attributable basis if they so wished, on this question and to identify any obstacles they saw to achieving those changes.

Mentee A

> If we look at the BP situation, what I think was lacking, and I'm not sure it could only have been provided by women, was an empathy with the situation and an understanding of the softer elements. It wasn't actually about the bottom line –

> about capping the leak. It was actually about the oil spill: about understanding the audience and reading the temperature of the situation. Women can do this. I have seen it myself. It is an empathetic ability to look, listen, pick up the vibes and signals around them and put the argument: "I know we could be in a very difficult litigious situation, but what people are looking for is for us to show genuine humility, remorse and sadness." I'm sure BP people genuinely felt bad about what had happened and they wanted someone to express that publicly on their behalf. It wouldn't have had to be a woman, but having women there would have enabled a man to do it. In all-male environments there is pressure to play hard men, even on those who aren't comfortable doing that.
>
> All-male groups talk about football, and jockey around. It's less so now; less sexist. The dynamic is different when there's a woman there. A male colleague in my own company said that meetings were different when I was there. "I can't quite put my finger on it," he said. "It's just more thoughtful – less laddish. Whether they did it out of respect for you or whether it was just because you're a woman in the room, a different personality, I don't know." This was what he observed. He said that he regretted having to go back to an all-male team. I think BP lacked that different dynamic.

But not all women can provide the different dynamic. It emerges on a board, not from the empathy women possess, but from the way that the presence of a woman who has empathy, and refuses to adapt to the laddishness of the all-male group, makes it easier for men to express their own empathy. As mentee A put it: "the right woman will generally bring empathy out of the men around her."

It works the other way round, too – the presence of men in a group can make it easier for women to express qualities they would find it hard to express in an all-female group:

> When working with men, I can probably be more bullish than when I'm working in all-female groups. [All-female groups] tend to be too nurturing, too motherly and, frankly, too grown up. You need mix and balance.
>
> When you have all UK nationals in a room, you tend to be very UK-focused. But that's the worst thing you can do if you want to be a global company. We used to have only one American in the room when half our business was American. Did we spend half our time talking about the US – did we hell!

We asked Mentee A whether she thought, as some suggest, women were more risk averse than men.

> That is an interesting question, because I think we've been quite risk averse, as a business. Because we hit a recession, we became cautious and conservative. I

think we are in a situation now where we will have to take more risks, because we are containing and not growing our business. We need to take bolder actions and make bolder statements so that people realize we have a burning platform. Is there a difference between men and women on risk? I'm not sure that there is; not that I have seen. Some women seem ready to take more risk than men. I'm seen to be bold, and challenging. It's not always what people want, but that's how I'm seen.

Mentee B

Very few senior managers are female, in my organization. They are always outnumbered at meetings, and it is very obvious they have a very different style and approach from the male managers. So, when we are discussing problems or issues, there is a different thought process I think women bring.

It is a style or approach that comes from the fact that women are perhaps less status-conscious, and more focused on trying to get a solution that works rather than preserving appearances. I see this in myself. I'm confident enough to ask that basic question the men around the table won't. Simple questions like "Well why exactly do we have to do that?" Everyone might be thinking it, but it will be the female who articulates it.

It's probably a double-edged sword though, because there are some issues about self-esteem, and feeling you're the only woman in the room and don't have a peer group to support you. My organization's not overly macho, but there's some boys' chat. There is a certain style – a reluctance to admit weakness or display ignorance that I don't think women feel so acutely.

In my experience women tend to focus more on getting the job done than on preserving their status. They also improve communications. I find that men don't communicate, in case they raise expectations unduly or worry people, so there's usually a lack of information. Whereas for me, and for a number of my women colleagues, there's a natural tendency to explain all you can. If it's bad news, you may want to set the scene or explain the context. It's bringing people along as far as you can rather than presenting them with something right at the end. I don't know whether that's about having more respect for your colleagues, but I think the women executives have a much more flexible approach to communication.

A man will often say something even if it is stating the obvious, just for the sake of saying something. But a woman would think: "there's no point in saying that, because it's obvious, I need to think it through, and work out what it means and how we take this forward." I have been coaching an extremely able woman recently, who sees no point in speaking at meetings if she has nothing to say. I asked "What do you mean you haven't got anything to say?" She said "Well I'm not going to say something just for the sake of it." We talked about "playing the game," how comfortable she felt about that, how much she wanted promotion.

We discussed self-esteem issues and the importance of being "active": of coming into a meeting, listening actively and making some sort of contribution, rather than staying in the background.

Ceri Powell, Executive Vice President Exploration – International, Shell International b.v.

In the energy industry, we are seeing a new and fundamental trend emerging that is changing our business. We have managed technical risk for over a century – how much oil and gas is there and can you get it out of the ground safely? – and we still do, of course. What we're seeing now though, is that as important a measure of success is managing what we term "above ground risk"; how much impact you have on the surface within communities, whether they're in Alaska, Europe or China, and on the overall environment. So when we're looking for investments around the world, we're taking more and more account of the societal impact. I'm not talking about NGOs or governments here. I'm talking about people on the street. The average villager and the average community.

It's true of any industry that has a major footprint anywhere. At the moment we're building large-scale manufacturing infrastructure in developing countries. It's going to be very interesting to see how this societal trend evolves in those countries. The dilemma of needing and wanting energy infrastructure, and managing the above ground risk is very real and present for authorities in the developing world.

That's the macro societal trend. People care a lot more. And that relates not only to the recession, but more generally.

There's also the changing dynamic in the Middle East generated by opening up to China and to the West. How does that affect how they see leadership and perceive future risks? One of their challenges in the Middle East is that they have large female populations, but hardly any female leaders. There is a huge opportunity for female leaders in the Middle East. But the situation is changing far more quickly than is generally realized.

Raja Al-Gurg, for instance, is an amazing female leader. She runs a group of multi-billion-dollar companies from Dubai [the Eissa Al-Gurg Group of companies]. She's one of many children, but her father gave her the job of running the companies, rather than any of her brothers. She is one of the first generation of senior women leaders and yet she retains her values of Islamic motherhood.

There's a whole generation of women coming up through families in the Middle East to run major corporations. That's very interesting for Middle East society, and creates challenges for Westerners and Easterners about how to deal with the new women leaders within the Middle East.

Sheikha Lubna Al Qasimi is the United Arab Emirates' Minister for Economy

& Planning. She is hugely influential within the Emirates. So you are seeing this power base of women evolving, also in countries like Saudi Arabia. Last year I hosted a delegation of Saudi women business leaders. There were quite a few of them, and their influence within the country is growing. It will take its natural course in Saudi Arabia. Nothing will happen overnight. I totally understand that. But the influence of women, not only in Saudi, but in the whole of the Middle East, is growing more quickly than we think.

It's not just the financial and commercial sectors. There is this influential Kuwaiti leader, Sara Akbar. She's the CEO of Kuwait Energy, and a professional engineer by background. She has come up through the Kuwaiti system as an engineer with a new generation of Kuwaiti and Arabic women engineers. It is easy to see this always happening in areas like personnel or finance, but it's happening in technical areas too. It obliges companies such as ours to ensure that women, with the right cultural understanding, have the opportunity to rise to more senior management jobs so they can interact with these Middle Eastern women leaders, running major corporations or in high government office.

Ceri Powell then told a story that perfectly illustrated how a mentor can play the role of a sponsor (see Chapter 3).

I think that the only way to break the traditional paradigms is to take a few personal risks. I have a mentee myself who's an Omani. She's a geologist and engineer by background and a deep technical professional. We've taken a risk by taking her out of Oman in a relatively comfortable role in her own environment, and made her the general manager of our exploration operations in Jordan. She's the boss and, because she's leading what is at the moment a small company with a few hundred people, but which is growing fast, she has the opportunity to be tested as a senior Middle East female leader. And she is excellent. It sends a powerful signal of having young women coming through the company on the exactly same footing as men. Because we have just started the company in Jordan, its [culture] is not yet cast in stone, and she can [shape], and is shaping, the way in which the company views, promotes and supports women leaders.

For me this is very exciting. By getting the right woman leader, in the right place, at the right time when a company is a fledgling and still to be formed, we can achieve a disproportionate impact. Our new company in Jordan is actually a magnet for attracting other female professionals, because they see it as something new and innovative.

But there is a telling story about her appointment. Among the people who applied for the job, she was the only female Arabic person. I encouraged her to apply, but I wanted it to be a transparent process, so people couldn't say it was behind closed doors. Her technical and existing leadership skills were as good as all other candidates. We had a small review panel, headed by a more senior leader than myself and leaders from Personnel. We had a long and quite heated discussion. Usually when we start a brand new company we appoint a more experienced person as the leader, usually a Western male, so it was a risk. Let's be frank, she wasn't from the same mold as the last ten people who had been tasked with a company start-up.

The discussion went on for a number of meetings. I was personally very keen for her to be appointed, because I thought that we needed to challenge the dogmas and we had the opportunity, with these new companies with "green" DNA that were ready to be shaped. So I used my own female network, and formed an alliance with one of the most respected senior technical women leaders we have. In the end, I made a personal commitment. I said that, if it became apparent that it wasn't working after 12 months, I would give up my (more senior) job and go and do the Jordanian job instead – I would not let her fail.

The others were surprised. My idea was to make it clear to them it wasn't only about her, it was also about me. I had the backing of the more senior female technical leader. I was determined this would work, but in the end, you sometimes have to make a personal sacrifice. It's two and a half years later and my Omani mentee is doing a superb job. She is one of the most respected international business leaders in Jordan.

I think that the lesson is that there is taking a risk, and there's taking a calculated risk.

I wasn't taking that risk just for her. I work in the Middle East with female professionals from the Middle East and I felt if we do not stand up and transmit visible signals change will not happen through stealth – you need a trigger point. Now people can say: "Of course an Arabic woman can do such a demanding, technical and managerial job," because it's happening in Amman already.

But it's not as easy to take risks on females or other diverse leaders in a depressed global market. If a company is going through tough times they naturally want a "repeat personality type." I would maintain that in fact we need to be even more conscious of not reverting to the status quo ante at a time of rapid social change.

It's really a matter of underwriting risk. The *FTSE 100 Cross-Company Mentoring Programme* is a case in point. A board member has to underwrite the risk of a woman mentee. Without underwriting, it is going to be difficult – even more difficult than it was before. You have to be careful, of course, because people might say "she's only there because he said she had to be" and that doesn't help either.

People talk about the "glass ceiling," but it is also about glass walls. About peer to peer. People don't talk about the glass wall. It always seems to be the

Joanna Place

At the time of writing Joanna Place was Head of the Customer Banking Division at the Bank of England and was being actively mentored.

"I have joined the program relatively recently. My conversations with my mentor so far have proved to be very thought-provoking – they have allowed me to be open about career aspirations with a senior person outside my immediate organization and to be challenged on my career assumptions and plans. They have made me look outside the 'obvious' career enhancements and, importantly, to focus on developing as a person and not just as a leader."

boss's problem, the NED, the CEO or the Chairman. In my experience how your peers react helps to determine whether you are even comfortable putting a female leader forward for a more senior position; if they are not it can feel a Sisyphean task, with the downside of undermining your own current status and peer relationships.

We tend to look upwards and place the responsibility on the folks at the top, but that is over-simplistic. The risks aren't taken only by the person who is sponsoring the candidate or indeed accepting them into the more senior role. They are also taken, emotionally, by that person's peer group. No one acts alone. If some of the peer group have issues, the boss is much less likely to underwrite the risk. During periods of retrenchment they will be under even more pressure and may be less likely to overcome the peer-to-peer glass wall effect than when the world is looking rather rosy.

Other voices

Other mentees, who didn't want to be named, also had strong views on the contributions women make to boards.

One suggested that although there are no innate differences in the integrity and morality of men and women, differences in the routes men and women take to the board select more strongly for integrity and morality in women than in men. She argued that women who reach senior executive positions are typically a little older than their male peers, have spent longer in the business and have become more isolated, because at each rung on the ladder there are fewer women climbing alongside them. Because the political activity men engage in to achieve promotions is less accessible to them, women tend to rely more, for their promotion, on their reputations for integrity and morality – as well as for competence – and try harder to enhance them. They therefore tend to arrive at board level with fewer political commitments.

"The first time I served on a very senior board there was only one other woman, the General Counsel," one recalled. "She was under no P&L pressure. Her power lay in her ability, and duty, to comment on the legality of proposals. If anyone suggested something slightly off-color, one look from her was enough [to persuade the board to reject the proposal]."

Another mentee suggested that women who reach senior positions are often confident and feel good about themselves, because they have had more obstacles to overcome than their male peers. Their self-confidence manifests itself in a willingness, not only to see the other point of view in a debate, but also to express it. They like to debate so they describe what the debate is about. "Some men see this as politically naïve; why help the other side?" she said. But women aren't political in that way. They are confident about their own positions, and want to be fair to those with different views.

A similar point was made by another mentee. "Women tend to want to get everything on the table, because they believe it is only when all the sometimes painful facts are on the table that the truth of the matter can emerge," she said. She suggested this was more of an issue for women than for men.

> Discussing all the pros and cons of a proposal, and having a proper debate is sometimes more important than the decision for women. It's not because they don't think they have anything to contribute. It's because they are busy making sure all the issues are fully debated, and everyone understands what the board is doing. They want full disclosure and clarity.

This desire of women for open debates is often associated with the belief that the right decision emerges automatically from full and fair discussion, which is not always the case.

> You don't see it at junior levels, because junior women are driving hard to get to the top. But if women have too much drive they may fall off the ladder. So women who get to the top tend to be conciliators. They need to rekindle their earlier drive and realize that it's the decision that matters.

Another mentee made a similar point:

> When women are leading their own teams, they are just as decisive as men. They do all the right things. As you get further up an organization, you use more experts and you need to know what you need to make good decisions. Women are good at using experts, at listening, and at gathering and sorting information. When they're the boss, there's no problem. But they find "being on a board" and "being a leader of a team" at the same time more difficult. They're good at pre-meeting etiquette – making sure everyone's happy and had a good holiday – but they're not so good at selling their ideas when the business starts.
>
> When you're running a department you listen to all the evidence and everyone else's views, and say, "well, from my experience this thing never works. I think we need to do x." You say what should happen and validate it with your own experience. But you let others do the hard work. Women must take that kind of behavior with them to the boardroom, because they're appointed to boards for their opinions and experience.

It was also suggested by one mentee that having a clear conscience is very important to women. "When the Chairman asks whether anyone has a conflict of interest in a debate women tend to over-declare, and come up with the most trivial of conflicts. In one case, when the directors of a building society were asked to declare personal interests, a female director felt obliged to declare a post office savings account."

Another mentee thought female directors were particularly valuable in a crisis, because their greater empathy make it easier for them to shift roles, put the politics aside, and do what is necessary.

> When the world changes dramatically, the model changes, and until we have experience of the new model, the old rules of thumb don't work. Organizations tend to go by the book and rules of thumb. You may find that people who are very good at making decisions when it is "business as usual" aren't so good when you're in crisis.

She suggested women are good at "re-calibrating their brains" when the environment changes dramatically.

> During a crisis it's sometimes impossible for board meetings to be held at a particular place, because directors can't or don't have time to get there. The meetings have to be held on the phone. Some people will be fire-fighting in their particular areas, and distracted. Others will be unavoidably absent. But decisions still have to be made.
>
> You have people on the line with various levels of attention, and you often don't know who is speaking. It changes things quite a lot if you don't know who is speaking. Women on the board add a lot of value during crises, because they have this ability to sense parts of conversations, and play roles that are necessary, but not being played, because those who usually play them either aren't there, or have been shocked out of their roles by the crisis. Women often fill these gaps.

Wisdoms of women

The above interviews with *FTSE 100 Cross-Company Programme* mentees illustrate and amplify many issues referred to in other chapters. As far as the potential contribution of female directors to the general improvement of corporate governance is concerned, it seems to us that the main messages of the interviews are as follows.

More gender-diverse boards have more empathy than all-male boards and are more sensitive to the "softer elements" – the group dynamics. One mentee, who had no connection with BP, speculated that if there had been more women on BP's board during the 2010 Gulf of Mexico oil spill disaster, for instance, the company might have read the situation and understood its various audiences better, and might have been able to express the humility, remorse and sadness BP people wanted the board to express on their behalf.

As articulated above this argument is more subtle than it seems at first sight. It does not rest on the assertion that women are more sensitive and have more empathy than men and that, therefore, more women will endow a board with more of those qualities. It suggests a gender-diverse board provides a more normal behavioral context, in which the empathy and sensitivity of both genders is more likely to be expressed than in an all-male context. Different contexts invoke the expressions of different qualities. The presence of women makes it easier for men to express their own empathy.

By the same token *the presence of men can make it easier for women to express qualities that they might find it hard to express in an all-female group*. This is why we say that companies will be better run by men *and* women than by men *or* women.

It's also suggested, in the interviews, that female directors tend to have more integrity than male directors and to be more open and honest. Here, too, the argument is more subtle than the simple claim that women in general have more integrity than men, and are more open and honest. It's in the nurture, rather than the nature. Because they dislike the politics and tend to be excluded from the networks men use to advance their careers, *women who make it to the board may have acquired a strong moral sense on their way up, and are more likely to be non-aligned politically when they reach the board.*

A consequence of the non-alignment of women directors is that they tend to play the conciliator in board debates and to put the other side of the argument when taking a position. Men see this as naïve – why help the opposition? – but women are not political in that way. They want to be fair to those with different views, because they know that it is only when all facts and arguments are on the table that the truth can emerge.

Another mentee suggested *that women tend to focus more than men on getting the job done, rather than enhancing their own status, and that they improve board communications*. In situations in which men are reluctant to be open, in case they raise expectations or worry people unduly, women have a natural tendency to explain as much as they can, and take people with them rather than present them with decisions or conclusions at the end of the debate.

A conversation caretaker is also valuable during crises, according to one of the mentees we talked to, because she will try to ensure that discussions and debates are as full as circumstances permit, even if that requires her to play unfamiliar roles, either because those who usually play them can't get to the meeting, or have been shocked out of their roles by the crisis.

A problem associated with the even-handed conciliatory approach of women directors is that they may invest too much time and effort in ensuring debates are fair and well-informed, and too little ensuring that the right decision is made.

This may well be true, but it is hard to overestimate the value to a board of a director who sees it as her role to ensure debates cover all the issues, take into account all the facts, and examine all the options and angles. A director who tries to ensure a full and fair debate is a natural enemy of "groupthink."

Women shouldn't be content with this role, however, and retreat into silence once they feel they have ensured a full and open debate. More bad decisions are made because people who should speak say nothing than because people who should keep their peace say too much.

This was shown in a study by Cameron Anderson, associate professor of organizational behavior and industrial relations at UC Berkeley, and doctoral candidate Gavin Kilduff.[3]

They divided 68 graduate students into four-person teams and asked each team to organize an imaginary non-profit organization. The group that did best would win a $400 prize. The work sessions were videotaped. The members of each group were then asked to rate each other on their influence on the team and their competence. Anderson and Kilduff and a group of independent observers did the same. All three sets of judges reached the same conclusions. The people who spoke most were rated highest for desirable qualities, such as "general intelligence," and "dependable and self-disciplined." The people who didn't speak very much scored higher for less desirable traits, such as "conventional and uncreative."

"More dominant individuals," Anderson and Kilduff deduced, "achieved influence in their groups in part because they were seen as more competent by fellow group members." Maybe they were. To test this, Anderson and Kilduff ran a second study with other volunteers, also divided into teams and competing for a $400 prize. The task, this time, was to answer math questions from the Graduate Management Aptitude Test (GMAT), the standard business-school entrance test. All the volunteers had taken the GMAT, and had told the researchers – but not their fellow team members – their scores on the math section. Once again, those who spoke up more were more likely to be seen by their peers as leaders, and more likely to be rated as competent.

But the putative "leaders" didn't provide the most correct answers and hadn't achieved the highest GMAT scores. "Dominant individuals behaved in ways that made them appear competent," said Anderson and Kilduff, "above and beyond their actual competence." But charisma is sufficient unto itself, it seems. In 94 percent of cases other team members accepted the first answer proposed.

Board chairmen should be aware of this human tendency to mistake quantity of words uttered for quality of contribution. They should insist all directors speak, even if that requires strict turn-taking, and the conversation caretaker should also speak herself.

A particular quality of board conversations that some women appear to have difficulty with is that they are conversations between peers. Unlike in the sub-board meetings new directors are used to, there is no hierarchy in board meetings. The Chairman has a special role as the mediator, but all the other directors are officially equal and have the same legal responsibilities. There is no pecking order or protocol ranking, no convention about who should speak first or whose words carry the most weight. This unusual quality of board conversation may help to explain why new directors, male as well as female, do not initially perform as well as their performance below the board might have led one to expect.

A mentor on the *FTSE 100 Cross-Company Mentoring Programme* told us he was surprised when a woman he rated very highly before she was appointed to his board did not initially contribute to board discussions as much as he had expected. One possible explanation is that, having joined a conversation between peers, she had assumed, perhaps unwittingly, an aspect of the vital "caretaker of the conversation" role exercised by the Chairman, and reduced her focus upon the decision-maker role.

Organizations clearly have much to learn about how best to capture the synergies offered by gender diversity on boards and their equivalents outside the corporate sector. But that there are such synergies waiting to be captured, and that they have the potential significantly to improve the governance of our large organizations, this chapter can leave few people in any doubt.

This is why the pressure on companies and other organizations to stop talking about gender diversity on boards and to start acting is becoming so intense.

Notes

1. *Tools for Thought,* Paladin, 1977
2. "Why diversity can backfire on company boards," *Wall Street Journal*, 25 January 2010.
3. "Why do dominant personalities attain influence in face-to-face groups? The competence-signalling effects of trait dominance," *Journal of Personality and Social Psychology,* 2009, **96**(2).

Chapter 7

Act, or else

Companies must be sensitive to their environment; to the hunger of their employees for fair pay and self-respect; and to the demands of those who shape the legal and regulatory frameworks within which they operate for openness (or "transparency," as current usage has it), decency, social and environmental responsibility, and for "good" corporate governance. Whether or not their leaders believe these demands are reasonable or sensible, companies ignore them at their peril.

The idea that rational agents will comply with the expectations of the external constituencies that shape their environments, whether or not they believe those expectations are reasonable or sensible, is deeply embedded in the western liberal tradition and has led to the belief that self-regulation is the best kind of regulation. It is in the interests of rational agents who wish to preserve their freedom to act within the laws and regulations of today to comply with, and so pre-empt, laws and regulations that could be enacted tomorrow.

Compliance with society's expectations, irrational and nonsensical though they may be, is the price that rational agents must pay for their freedoms.

Until quite recently society's expectations have been expressed in two ways: mandatory laws and regulations, and exhortations in the form of guidelines and codes of practice issued by self-regulation bodies such as the Financial Reporting Council (FRC), the leading self-regulatory institution for the UK company sector (see Chapter 1).

Some modern liberal governments have recently become interested in a third way, known as "behavioral economics," which uses taxes and rules to motivate people to behave in ways that are desirable for themselves and the community at large. Tax relief on contributions to pension funds, for instance, encourages people to save more for their retirement than they might otherwise do. Similarly, relief from congestion charges in London for low-emission cars encourages more Londoners to buy these otherwise often unappealing vehicles.

The policy is known as "nudging," after the title of the book by US professors Richard Thaler and Cass Sunstein that popularized the idea.[1] The coalition government in the UK has set up a "nudge unit" to explore ways in which people can be induced, rather than obliged by law, to change their behavior in ways deemed to be desirable. The unit's initial focus is on health issues such as obesity, alcohol abuse and organ donation, but there is no reason why the same principle should not be used to nudge companies to adopt what are deemed more desirable corporate governance systems, or work towards what is becoming the modern symbol of improved governance: the gender-diverse board.

What kind of nudges might induce companies to make serious efforts to improve the gender diversity on their boards?

Some have suggested that companies should be encouraged to publish gender-related figures in or with their annual reports.

Elisabeth Kelan, assistant professor at King's College London, has studied the gender variables organizations measure and set targets for. She found that almost three-quarters measure the proportions of women at key job levels, about two-thirds measure differentials in male/female pay, and about 60 percent measure turnover of female employees.

Gender-related target-setting was less common in the organizations Dr Kelan studied, but she found that a little over a quarter were beginning to set targets for women in senior executive roles, less than a quarter were setting targets for the proportion of women on boards and executive committees, and less than a fifth had targets for female graduate recruits.

Kelan distinguishes between measurements and targets, and what she calls "outcome" and "formative" variables. She suggests that there is little point in measuring without setting targets for variables measured, and little point in setting targets for outcomes such as the number of women in high-level jobs without setting targets for "formative" variables known to be predictors of promotion to high-level jobs. She found that only 2–3 percent of the organizations she studied were setting targets for "formative" variables such as the proportions of women on "business critical" projects, overseas assignments and external training programs.

The Curzon Street Caucus, a group of women working at senior level in companies, professional firms and not-for-profits, to which Dr Kelan has presented her findings, suggests the following measures for gender-equality reporting:

- the average pay of the top five men and top five women in the organization;
- the percentage of women in the senior leadership group (the executive committee or the CEO's direct reports, for example);
- the percentage of women at each level in the organization;

- the average pay of men and women at each level;
- the average time in job for men and women (it was accepted that this might be difficult to measure);
- the percentages of women in operational and staff roles.

In its submission to the Davies inquiry (see below) the Caucus has recommended that companies should be obliged to report metrics of this kind. In a letter to the *Financial Times* (20 November 2010) eight members of the Curzon Street Caucus, including the author, said that "transparent public reporting of women's representation at all ranks inside UK companies is a crucial factor in driving change," and that a "commentary to explain initiatives to improve gender diversity would enable investors, customers, employees and prospective employees to see which companies are serious about gender balance."

In theory the requirement to report on gender equality could change the environment for companies in such a way that they come to see it as in their interests to achieve "good scores" in the variables measured.

Once the figures were in the public domain, academics and the press would use them in commentaries, analyses and league tables, just as they do with other information in annual reports. Where a company ranks in such league tables would become an aspect of its persona and reputation, which could attract or repulse customers and prospective employees. Insofar as companies actively pursued higher ranks, they would have been "nudged."

The "nudging" could be done by the FRC on the basis of "comply or explain" (follow the reporting code, or explain why you have not). If that didn't work, companies could be obliged by law to comply with the specified reporting requirements.

The Curzon Street Caucus stops short of recommending legislation to oblige companies to comply, but if self-regulatory nudging fails, legislation making gender reporting compulsory would increase the amount and improve the quality of the reported information, and so facilitate comparisons.

If compulsory reporting does not stimulate change at the formative and outcome stages, the government of the day may decide companies are unnudgeable in this area, and propose legislation that obliges them by law to appoint more women to their boards.

This is the clear and present danger. If companies are not seen to be trying hard to increase the number of women on their boards the government will make it easy for them by enacting law that obliges them to do so. It would not be the first European government to go down this road.

The Norwegian approach

We are not persuaded by the arguments for statutory minima for the number, or proportion of women on company boards, but we recognize their strength, and acknowledge the progress towards gender parity they have inspired in Norway.

Under the "Gender Equality Act" Norway has had a minimum quota for women on publicly appointed boards and committees since 1988. All Norway's political parties, except the Progress Party, have rules requiring electoral candidate lists to consist of at least 40–50 percent of each gender, and all of Norway's political parties, except the Progress Party, supported the application of a 40 percent quota to public listed companies (plcs).

The initial step was taken by the minority "Bondevik I" government when the Christian Democrat Minister for Gender Equality, Valgerd Svarstad Haugland, proposed the quota at a hearing in 1999. Expert legal opinion at the time was that such a change in the law should be part of company, rather than gender equality, legislation, and so the proposal became a proposed amendment to the Companies Act.

Haugland's successor, Laila Dåvøy, maintained the pressure, but it was the Conservative Trade and Industry Minister Ansgar Gabrielsen who tipped the hitherto balanced debate when he said, during an interview with Norway's largest-circulation newspaper *Verdens Gang* (February 22, 2002) just before the final debate, that he was "sick and tired" of the male dominance of business life. An amendment to the Companies Act incorporating the quota rule was presented to Parliament by the "Bondevik II" coalition in 2003 and passed later that year with support from the Labor and Socialist parties. Only the Progress Party voted against the reform.

The debate preceding passage of the legislation was heated. It had three main strands: social justice, skills and democracy.

Supporters said the legislation was necessary, to correct manifest injustice, and opponents argued that regulating the gender composition of boards would unjustly discriminate against men. Supporters argued that, since the talent of a population is distributed evenly between men and women, all-male boards deny themselves access to women's skills and differences in attitudes, experiences and interests that offer new perspectives and new ways of solving problems.

Opponents said quotas would lead to less competent women replacing more competent men. Because there weren't enough women who had the necessary experience, recruitment of qualified women would have to start earlier, and further down the organization, to create a pool of well-qualified women. It was also claimed that owners were best qualified to choose the

Julie Scattergood

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Julie Scattergood was Director, Supply Chain Operations – Defence at Rolls-Royce plc (R-R).

After graduating from the program she was appointed Director, Supply Chain Planning and Control, Defence Operations UK at R-R, and at the time of writing (autumn 2010) had just been shortlisted and interviewed for a role on Bristol University Council.

"I see the program as an important part of my personal development. Being able to share experiences and insights with a FTSE 100 chairman, in a relaxed, informal environment, is a tremendous opportunity and one that is having a positive impact. There is also a healthy interest from within my own company on my progress and how the program is developing."

best board members, and that to constrain their ability to select the best candidates would deter foreigners from investing in Norwegian firms.

Proponents argued that more gender-equal participation in economic decision-making was crucial for Norwegian democracy, particularly on the boards of large companies where the state was a significant shareholder. Opponents said a quota would infringe the democratic right of owners to hire candidates of their choice, and interfere with the election process at shareholders' meetings. Owners who invest at their own risk should have the right to decide who their directors are, opponents argued.

According to Aagoth Storvik and Mari Teigen, Norway's quota law has become unremarkable, and has receded into the background since it was implemented.[2] A survey of newspaper articles revealed that the debate reached a peak in 2002, the year before the vote, and increased again in 2005, the year before the law became effective, but faded away thereafter. Employers' associations, which were all opposed to the law, report no difficulties, and companies and CEOs have had no problems finding suitable female board members.

Suggestions that Norwegian companies have only managed to meet the quota requirements by spreading a paucity of suitably qualified female directors more thinly across large companies than elsewhere are not supported by the evidence.

The study by Storvik and Teigen shows that in general female board members don't hold more plc board memberships than men. More women than men hold four or more board positions, but the average male director sits on more boards than the average female director. An Egon Zehnder International study of the 340 largest companies in 17 European countries included six Norwegian companies. Less than 5 percent of their directors sat on more than one board in 2009. Figures for other countries ranged from 2 percent for the Republic of Ireland to 21 percent for the Netherlands. The average for all 17 countries was just under 14 percent.[3]

Storvik and Teigen point out that, although the gender composition of Norwegian plc boards has changed dramatically as a consequence of the quota, men still hold the top positions. Only 5 percent of chairmen, 2 percent of CEOs and 10 percent of executive committee members were women. This is partly explained by the large influx of relatively young female directors since the quota became law. Storvik and Teigen found 29 percent of male directors but only 6 percent of female directors were over 60 in 2009. Female directors were better educated, however. Over a third had had a university education lasting six years or more, compared with only 22 percent of male directors. It seems likely, therefore, that in due course more women will move into the top jobs.

A study by Amy Dittmar, associate professor of finance at the Ross School of Business at the University of Michigan in the US, and her colleague Kenneth Ahern, assistant professor of finance, found the stock price of the average Norwegian plc fell by 2.6 percent in the three days following the first announcement in February 2002 of the new law, and that the stock price of firms with no female directors at the time of the announcement fell by 5 percent.

Dittmar and Ahern used "Tobin's Q" (the firm's market value divided by replacement value of assets) to measure subsequent performance. They found that at firms where the proportion of women directors increased by at least 10 percentage points, Tobin's Q fell by 18 percent and that the companies required to appoint the most women to their boards suffered the largest falls in Tobin's Q.

But Dittmar and Ahern say the loss in firm value was caused not by the gender of the new directors, but by their relative youth and lack of experience. The gender effect isn't significant when these other differences are discounted.[4]

Storvik and Teigen are in no doubt that legal sanction was the key to the quota's success. No new sanctions were introduced, because they weren't needed; the Companies Act applies identical sanctions for any breach of its stipulations, including the ultimate sanction of forced dissolution if, after several warnings, a company fails to establish a board in accordance with the law. The Registrar can also refuse to register a company board if its composition doesn't meet the statutory requirements.

The Ministry of Trade and Industry may decide a forced dissolution is against the public interest and impose fines for non-compliance instead. Since the dissolution sanction became part of company law in 1977, however, companies issued with warnings have fallen into line promptly. In January 2008, 77 plcs in breach of the new quota rule received letters from the Registrar giving them four weeks to comply. On 22 February the Registrar announced that 12 companies would be subject to a second four-week notice period. By April it was clear that none would be dissolved; but some companies changed their legal status, from public limited company to private limited company, to avoid the new law.

Norway's followers

On 20 January 2010 the French National Assembly adopted a law that when enacted will impose quotas for the representation of women on the boards of French listed companies and public enterprises among others.

The law will double the proportion of women on the boards of France's 650 listed companies from 10.5 percent for the CAC 40 constituents and 8 percent for the top 500 listed firms, to 20 percent within three years of the law's adoption, and to 40 percent after six years. Companies with no female directors will be obliged to elect at least one woman within six months of enactment or as soon as there is a board opening, whichever comes first. Companies that fail to meet the 40 percent quota will eventually be sanctioned by having male nominations to the boards annulled.

The law applies to the boards of directors, and supervisory boards of French quoted companies (see Chapter 8) and to government-owned companies.

This "Sword of Damocles," as Deputy Marie-Jo Zimmermann, a sponsor of the proposed law, described it, led to an announcement in April 2010 by the Association Française des Entreprises Privées (AFEP), which represents France's largest firms, that it would recommend a voluntary quota. When unveiling the pre-emptive move Maurice Levy, AFEP Chairman, invited Laurence Parisot, his counterpart at MEDEF (Mouvement des Entreprises de France), the predominant union in France's largest companies, to support his initiative, and harmonize the two rule books accordingly. She agreed.

The new AFEP/MEDEF code recommends that boards consist of at least 20 percent women within three years and 40 percent within six years.

The key difference between "La loi Copé–Zimmermann" (co-authored by Jean-François Copé) and the AFEP/MEDEF code is that the latter has no obligations or sanctions for non-compliance. It is a "comply or explain" rule. When asked for her views on the AFEP/MEDEF move by *Le Figaro*, Zimmermann said she was happy companies had demonstrated their willingness to move on this issue, but she wanted her law to "follow its course. We needed [the law] ... to get things moving. We will see in two or three years if we can remove it"[5]

At the time of writing it seemed very likely that the bill will become law at a final vote in January 2011. The law was passed by the Assemblée Nationale in January 2010, and by the Sénat on October 27, 2010, on first reading. It will be brought into force (promulgated) with the signature of the President on a decree that gives effect to the law.

Christine Lagarde, France's finance minister, who was initially opposed to the bill, said at the *Financial Times* "Women at the Top" conference in London in mid-November 2010 that "I have now changed my mind about quotas ... however offensive" they may seem to their detractors.[6]

In March 2007, Spain's Congress of Deputies passed a law obliging Spain's largest firms to have 40 percent female boards by 2015. Despite a lack of sanctions in the new law, the percentage of the 21 Spanish companies included in the Egon Zehnder survey with at least one woman on their boards had risen from less than 48 percent in 2006 to 86 percent in 2010, and the percentage of board seats held by women had risen from less than 5 percent to over 10 percent. The female-friendly policies of Spain's prime minister, Jose Luis Rodriguez Zapatero, reflected in a cabinet with more female than male ministers, were said to be in tune with Spain's national mood and further progress towards the 40 percent quota seems likely as the 2015 deadline approaches.

In March 2010 Iceland enacted a similar quota law covering listed and privately-owned companies. The Netherlands has passed a quota law in its lower house, which would require 30 percent of board seats and 30 percent of executive positions to be held by women. A new quota law is being considered in Belgium. Denmark, Ireland, Finland and Iceland have quotas for female directors on the boards of government-owned companies; and although Germany has no federal quota law, as yet, the cities of Berlin and Nuremberg already have minimum quotas, of 50 percent and 40 percent respectively, for female directors on the boards of companies the municipalities control, or in which they have equity interests.

At the time of writing the European Commission (EC) was thought to be poised to launch a "green paper" on corporate governance which would include proposals on board diversity. Michel Barnier, the Commissioner for Internal Markets, and Viviane Reding, the Justice Commissioner, are both thought to favor European Union (EU) action in this area after Commissioner Reding's launch in September 2010 of a new five-year strategy for gender equality.

In her foreword to the EC paper *More Women in Senior Positions: Key to Economic Stability and Growth* (January 2010) Commissioner Reding argued that "If Europe is to achieve its goal of becoming a dynamic and competitive knowledge-based economy in a globalized world then we have to make better use of women's talents and skills."[7]

The paper did not advocate mandatory quotas, but it did question the argument against them: that "they inevitably interfere, at least during the adaptive phase, with the normal selection processes." The paper suggested:

> this line of reasoning is based on the presumption that some of the board positions will be taken by women who do not have the requisite skills or experience. If steps are taken before the application of the quota to ensure an adequate pool of suitably qualified women candidates, then the argument becomes untenable.

Among the steps that have already been taken within the European Union, the paper mentioned the *FTSE 100 Cross-Company Mentoring Programme*, and said: "Women ... [who] have been through the programme have found it hugely beneficial and several have succeeded in moving on to board level positions, in the UK and elsewhere."

The EC is not thought to have the power to oblige EU member states to enact quota laws for women on company boards, but Commissioner

Barnier could demand that member states make the disclosure of policies and performance in this area mandatory.

Pressure, pressure everywhere

Statutory quotas for women on company boards are not the only form of pressure companies come under, to improve the gender diversity of their boards. Even without legislation or a legislative proposal, there can come a time when the idea that a more gender-diverse board is a necessary if not a sufficient condition for much-needed corporate governance reform takes root in the national psyche, and everyone, including those with power to legislate, is converted to the cause.

This is happening in the UK.

As we have seen Sir David Walker's report advocates more diversity on company boards; the latest version of the Financial Reporting Council's Combined Code urges companies to recognize the value of boardroom diversity; and the UK's House of Commons Treasury Select Committee during the previous parliament warned companies that, if they didn't voluntarily improve the gender diversity on their boards "then the pressure for compulsory measures is likely to grow" (see Chapter 1).

The coalition government in the UK seems equally interested in the issue. In August 2010 Business Minister Edward Davey, and Lynne Featherstone, Minister for Equalities, announced that former *FTSE 100 Cross-Company Mentoring Programme* mentor Lord Davies had been asked to devise a strategy for increasing the number of women on the boards of listed companies in the UK. At the same time, the government announced a new aspiration: that by the end of the then Parliament (May 2015 at the latest), women would account for half of all new appointees to the boards of public bodies.

Lord (Mervyn) Davies, a former Chairman of Standard Chartered Bank, and former government minister, was asked to build on the conclusions of the 2003 report of Professor Laura Tyson, former Dean of London Business School, by identifying the obstacles women face in becoming directors of listed companies, and by recommending actions UK business and the government should take to improve the situation.

"Diversity on boards is a very important issue, and something that the Coalition Government is very committed to," said Edward Davey. "We want to work with business leaders to remove the obstacles to UK plc benefiting from the skills and experience of women. This is not just about gender equality, [it's] about improving performance and ultimately productivity too."

Lynne Featherstone said equality was:

> as good for businesses as it is for women. ... It is essential that we don't miss out on the talent and skills of half our population, if Britain is going to compete in a fast-moving global economy. We need to do more to identify and tear down the barriers that prevent women rising to the top in business. ... I look forward to working with Lord Davies to make this happen.

Lord Davies said:

> While it is essential that the boards of UK companies are meritocratic, the fact that there are only 131 female directors in FTSE 100 companies means that we cannot be using all [our] skills and talent. … I am looking forward to leading this work, and hearing the views of those with an interest in this area.

The government's "aspiration" that at least half the appointees to Britain's 1100 or so so-called "Quangos" (quasi autonomous non-governmental organizations), executive agencies, National Health Service bodies and government departments should be women by the end of the parliament (2015), is clear evidence of the seriousness with which UK ministers, including Home Secretary and Minister for Women and Equality Theresa May, and Vince Cable, President of the Board of Trade and Secretary of State for Business, Innovation and Skills, to whom Lord Davies will report, are taking the issue.

A common view among observers of the women on boards debate in the UK at the end of 2010 was that Lord Davies's appointment was part of one final attempt by government to put pressure on companies to put their own houses in order, and that if this fails, legislative proposals could soon follow.

Sir Philip Hampton, Chairman of Royal Bank of Scotland plc and a founder *FTSE 100 Cross-Company Mentoring Programme* mentor, warned in November 2010 at an event organized by the Professional Boards Forum (see page 94) that "we are probably drinking in the last chance saloon" and that, unless companies act soon, the European Commission could take action.

Among those attending the event were Sir Win Bischoff, Chairman of Lloyds Banking Group (LBG); Jamie Dundas, Chairman of Jupiter Fund Management; Ken Hanna, Chairman of Inchcape; Sir David Michels, Deputy Chairman of Marks & Spencer; Steve Marshall, Chairman of Balfour Beatty; and Glen Moreno, Chairman of Pearson. "This is an important issue, and we are simply not making the progress that we should be" said Sir Philip.[8]

This is also the view of the "30% Club," a new lobbying group that was launched on November 15, 2010, led by Sir Roger Carr, Chairman of Centrica, and a founder *FTSE 100 Cross-Company Mentoring Programme* mentor, and LBG's Sir Win Bischoff, who agreed to become a *FTSE 100 Cross-Company Mentoring Programme* mentor in mid-November 2010.

As its name implies, the "30% Club" is urging companies to aim for at

Helen Webb

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Helen Webb was Retail Human Resources (HR) Director at J Sainsbury plc.

Since graduating from the program she has been appointed Retail & Logistics HR Director at J Sainsbury, and a company-appointed director on the board of trustees for the company pension scheme. At the time of writing (autumn 2010) she was in the process of being awarded a visiting fellowship at a UK University Business School.

"Since starting on the program I have gained additional accountabilities and broadened my portfolio, including additional external academic interests. My mentor and I discussed and debated long-term career aspirations and these debates helped me to make the decisions I've faced in the past two years. Through the discussions I have explored the important factors in job satisfaction, and feel I have made different decisions from those I would have previously made. This is because of a new sense of confidence."

least 30 percent female representation on their boards by 2015. But it is not calling for mandatory quotas. Sir Roger told the *Financial Times* that the UK "should not rely on legislation. What we are doing should allow natural momentum to evolve, by creating a focus and an ambition." One of the Club's founders, Helena Morrissey, the CEO of Newton Investment Management, said that "all of us would prefer to achieve the 30 percent and beyond without a quota."[9]

The Club's launch-day press release identified Theresa May, the UK Home Secretary and the Minister for Women and Equality, and Angela Knight, CEO of the British Bankers' Association, as "supporters" of the initiative. Founder chairmen, in addition to Sir Win and Sir Roger, are Lord Sharman of Aviva and David Tyler of J. Sainsbury plc, and the chairmen of the UK practices of two of the "big four" accountancy and professional services firms: John Griffith-Jones, of KPMG; and David Cruickshank, of Deloitte.

But despite the widespread distaste for mandatory quotas, they may be on the cards, whatever the outcome of the Davies Review.

Lord Davies himself, a former mentor on the *FTSE 100 Cross-Company Mentoring Programme*, is in no doubt about the need for change. He told the *Daily Telegraph* in August 2010, at a time when the ability of the private sector to offset the job losses expected in public sector as a consequence of the government's spending cuts was being hotly debated, that the UK would have 750,000 more small firms if women were fully engaged in the business world. "We need more female entrepreneurs," he said "… A quarter of the large FTSE companies don't have women on their boards. We should change that. It is ... about providing role models. We need to showcase women who have done great things."[10]

The terms of reference of the Davies review – "to consider options for promoting gender equality" on listed company boards, examine the obstacles to women becoming directors of listed companies, and to look at "recent developments in international practice" – seem to oblige Lord Davies to consider mandatory quotas.

It seemed that developments in France outlined above – passage of a quota law in the lower house that prompts the AFEP and MEDEF employers bodies to adopt voluntary quotas – could conceivably be replayed in the UK following the appointment of Helen Alexander, former CEO of The Economist Group, as the first woman President of the Confederation of British Industry (CBI).

Alexander was well known for her exasperation at the lack of women in top positions in British business, as indicated in Table 7.1 on page 136, which summarizes Cranfield University Business School's *Female FTSE Report* results from 2000–2010.

At the time of writing (November 2010), the CBI "Task and Finish" group was finalizing its submission to the Davies Review.

Discussions were still in progress, but the thinking at that stage was that the CBI's members were unlikely to favor regulation in this area. A commitment to encourage voluntary reporting on gender diversity, however, was more likely. President Alexander said that "the business case for gender diversity is increasingly seen as compelling in terms of the supply of talent, demand from female customers, and the performance of diverse teams. Turning that aspiration into reality is the next step."

Nudge or shove

At the time of writing (November 2010) Lord Davies had yet to report, and the "will there, won't there be quotas?" question was still hanging in the air. Quota opponents had just received a modicum of comfort from Cranfield University Business School's new 2010 *Female FTSE Report*, but only a modicum.

The report showed the percentage of FTSE 100 directorships held by women had risen slightly from 12.2 percent to 12.5 percent, there was one more female executive director than in 2009, and the number of FTSE 100 constituent companies with no female directors had dropped from 25 to 21 (see Table 7.1).

This was certainly movement in the right direction, but in view of the intensity of the debate about the issue during the previous year or so, and the amount of activity related to it (see Chapter 5), it was scarcely cause for much celebration, let alone a reason for the advocates of change to pack up their bags and go home.

Commenting on the new report at its launch in London, Dr Ruth Sealy said the numbers in both the UK the US were "flatlining." They were also described as "plateaued." Marcus Agius, Chairman of Barclays, which hosted the launch, said it was "not a wholly positive report," and that although "senior management are now taking this subject seriously," they were "not sending out significantly strong signals that it is important."

At a presentation hosted by UBS in London in November 2010 to herald her *Harvard Business Review Research Report* on sponsorship (see Chapter 3) to be published in January 2011, Sylvia Ann Hewlett said progress towards gender diversity on boards had stalled in both the USA and the UK.

But the "plateauing" and "flatlining" has not weakened the anti-quota argument appreciably.

TABLE 7.1 Slow progress in increasing the number of women on FTSE 100 boards

Female FTSE 100	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
Female-held directorships	135 (12.5%)	131 (12.2%)	131 (11.7%)	123 (11%)	117 (10.35%)	121 (10.5%)	110 (9.7%)	101 (8.6%)	84 (7.2%)	75 (6.4%)	69 (5.8%)
Female executive directorships	18 (5.5%)	17 (5.2%)	17 (4.8%)	13 (3.6%)	15 (3.8%)	14 (3.4%)	17 (4.1%)	17 (3.7%)	15 (3.0%)	10 (2.0%)	11 (2.0%)
Female NEDs	117 (15.6%)	114 (15.2%)	114 (14.9%)	110 (14.2%)	102 (13.7%)	107 (14.5%)	93 (13.06%)	84 (11.8%)	69 (10.0%)	65 (9.6%)	60 (9.1%)
Women holding FTSE directorships	116	113	113	100	97	99	96	88	75	68	60
Companies with female executive directors	16	15	16	11	13	11	13	13	12	8	10
Companies with at least one female director	79	75	78	76	77	78	69	68	61	57	58
Companies with multiple female directors	39	37	39	35	29	30	29	22	17	15	12
Companies with no female directors	21	25	22	24	23	22	31	32	39	43	42

Note: There are 1080 FTSE 100 directors, of whom 135 (12.5 percent) are women. There are 327 FTSE 100 executive directors, of whom 18 (5.5 percent) are women. There are 753 FTSE 100 NEDs, of whom 117 (15.6 percent) are women.

Source: *Female FTSE Reports*, Cranfield School of Management.

It was well put by Patience Wheatcroft in her Viewpoint column in *The Times* in November 2010, where she wrote:

> Effective boards need a mix of experience, expertise and personalities. … Above all, in this most competitive of business environments, they need the best possible person for the role. That candidate may come in the shape of a woman or a man, but for a woman to be appointed because of her gender and not her capabilities does a disservice to the company, its investors, other women keen to make their way in business and the individual herself."
>
> Despite the increasing calls for quotas ... I firmly believe such a move would be a mistake.[11]

As we saw in Chapter 2, Sir John Parker and other business leaders in the UK have also set themselves firmly against quotas.

Helena Morrissey, a founder of the "30% Club" (see above), is of the same mind. "Some of us feel that having a quota is somewhat demeaning to women and raises a question of whether they have got there on merit," she told the *Financial Times* at the Club's launch.[12]

Quotas, in other words, undermine the "meritocratic principle" and deny companies the right to appoint the best person for the job. This argument, which was also made by some of the chairmen/mentors we spoke to (see Chapter 2) and by *The Economist* (see page 21), sees mandatory quotas as heavy-handed interventions in the market that are sure to inhibit the movement of directorial talent to its highest value deployment.

The business argument for mandatory quotas recognizes the value of this "meritocratic principle," but is less sanguine than the anti-quota argument about the efficiency of the market in directorial talent. Those in favor of quotas acknowledge that quotas would reduce market efficiency, but argue that the inefficiency thus introduced is a price worth paying to correct what they believe to be the far greater inefficiency of the gross under-representation of women on boards.

The argument, therefore, boils down to the respective costs of two different kinds of market inefficiency. Both sides recognize both kinds of inefficiency. The anti-quota lobby, many of whom, as we have seen throughout this book, decry the under-representation of women on boards, believe the inefficiency introduced by mandatory quotas will prove more costly, in terms of company performance and risk management, than the failure of the directorial talent market to generate gender-diverse boards. Those in favor of quotas take the opposite view.

There is a time component in the argument, too. The anti-quota argument is that markets abhor their inefficiencies and are motivated to correct them, without interventions. As evidence of this tendency, they may refer to the Cranfield figures (see Table 7.1), and point out that the proportion of female FTSE 100 directors has risen from 5.8 percent to 12.5 percent since 2000 and that the number of FTSE 100 companies with no female directors has halved from 42 in 2000 to 21 in 2010.

The pro-quota lobbyists acknowledge this self-correcting quality of markets, but claim it takes too long. They may also refer to the Cranfield figures, and point out that the proportion of female FTSE 100 executive directors has only risen from 2 percent to 5.5 percent since 2000. If companies with gender-diverse boards perform better than those without, and if they subject their shareholders and society at large to less business and systemic risk, then each year gender diversity is delayed represents a year of lost performance and a year of additional, and potentially catastrophic, risk. Better to take the inefficiency hit (revealed by Amy Dittmar and Kenneth Ahern at the University of Michigan in their study of the Norwegian quota – see above) now, and achieve gender diversity sooner rather than later.

People on both sides of the quota argument should acknowledge that neither has an open-and-shut case. The debate is finely balanced. We are in the anti-quota camp because we believe there's a strong lobby within the corporate sector, exemplified by the mentors on the *FTSE 100 Cross-Company Mentoring Programme*, who are determined to address the lack of gender diversity on boards with interventions that go beyond mere exhortation, such as published aspirations, targets and even self-imposed quotas.

The strength of this lobby is growing. Two recent additions to the program's list of illustrious mentors at the time of writing were Sir Win Bischoff, Chairman of Lloyds Banking Group (see above), and Sir Peter Gershon, Chairman of Tate & Lyle and Premier Farnell.

Sir Win explained his reasons for agreeing to become a mentor as follows:

> I believe that having a diverse board is hugely valuable. Reflecting the make-up of your employees and customers clearly makes sense when you are making decisions that will impact on different groups of people. Beyond that, having diversity on your board ensures that proposals are discussed and challenged from different perspectives. This leads to better decision-making. We still have some way to go before our boards are truly diverse and if we want to have women on our boards, then we must be explicit about that when we are looking to recruit NEDs. It is not enough to hope that we may see a woman on the shortlist.

Sir Peter's motivation for joining the program was very similar:

> I absolutely support the principle that you should appoint the best people you can to the board, and that women need to be fully represented in the talent pool, so that they are available for selection either as non-executive, or executive directors. We have to try to work hard to develop females who have the greatest potential to get to the top. I think this is a complex issue: there isn't a single thing that you can do that suddenly transforms the situation. I have at various points in my career tried to help women who I think have got potential [wearing his hat as Chairman of Premier Farnell, Sir Peter was instrumental in effecting the appointment of Dr Harriet Green as the CEO of Premier Farnell] and I'm pleased, at the end of my career, to have an opportunity to do so again.

But those who oppose quotas must also acknowledge that they are losing public and political support; that time and the international mood (particularly in Europe) are against them; that they are "drinking in the last chance saloon" as Sir Philip Hampton so aptly put it; that if UK companies prove, over the next year or so, to be immune to non-legislative pressure, nudge will come to shove.

As we said right at the beginning of this chapter, compliance with society's expectations, debatable though they may be, is the price that rational agents must pay for their freedoms.

Notes

1. *Nudge: Improving Decisions About Health, Wealth, and Happiness*, Yale University Press, 2008.
2. Women on Board, The Norwegian Experience, International Policy Analysis, Friedrich-Ebert-Stiftung, June 2010, Berlin.
3. European board diversity analysis 2010, Global Board Index™, Egon Zehnder International.
4. "The changing of the boards: The value effect of a massive exogenous shock," University of Michigan, 2009.
5. "French bosses recommend boardroom quotas for women," *Le Figaro,* 20 April 2010.
6. "Lagarde welcomes board quotas," *Financial Times*, 17 November 2010.
7. *More Women in Senior Positions: Key to Economic Stability and Growth*, Directorate-General for Employment, Social Affairs and Equal Opportunities Unit, European Commission, March 2010.
8. "What do boards want? A bloke in his mid-50s and a navy suit," *The Times*, 18 November 2010.
9. "Club seeks more women in boardroom," *Financial Times*, 16 November 2010.
10. "Peer believes Britain would have 750,000 more small firms if women were fully engaged with the business world," *Daily Telegraph*, 3 August 2010.

11. "Merit, not gender, should be the decider," *The Times*, 18 November 2010.
12. "Leading chairmen back push to put more women in boardrooms," *Financial Times,* 16 November 2010.

Chapter 8

Action this day

We have argued, in this book, that the most urgent challenge faced by our largest companies at the beginning of the second decade of the 21st century is to find new ways to govern themselves that will reduce the chances of a recurrence of what Marcus Agius, Group Chairman of Barclays, called the "near death experience" of the world banking system in 2007–08 (see Chapter 2).

There are two possible approaches to this reform challenge: change the system of governance in such a way that prudential and ethical governance are separated from operational governance, or retain the existing governance system and try to make it work better.

Changing the system

It is sometimes argued by advocates of the status quo in corporate governance that although, as the global financial crisis showed, the current system is a bad way of running a company, it is better than all the other systems that have been tried from time to time.

Notwithstanding this neat, Churchillian combination of deprecation and assertion of superiority, this argument is flawed. It assumes that the current system is the product of an evolutionary process: that it has emerged as the standard Anglo-Saxon company governance model, because it has bested other models over a prolonged period.

It hasn't.

There are other systems that resolve the tensions between the duty of boards to help CEOs and their executive teams discharge their duties to maximize shareholder value (operational governance) and, at the same time, restrain their executive teams if they seem set on courses of action that appear, to the board, to be reckless or ethically dubious (prudential governance).

The conflicts of interest inherent in this dual role have led to a convention, not always observed even now, that the chairman should be non-executive and that he or she, with the other non-executive directors, should play the leading role in protecting the company from the executive directors' intentional or inadvertent failures to abide by appropriate standards of ethics and prudence.

As Annex 4 of the Walker review pointed out (see Chapter 1) boards may become afflicted by various psychological and behavioral flaws (e.g. "passive free riding," "groupthink," "denial," "splitting" or "projection"), the consequential risks of which are reduced, but not eliminated, by the convention that requires the chairman always to be non-executive.

The "unitary board" system, which combines executive with ethical and prudential leadership in one group of people, has emerged, not from inexorable business logic honed by evolution but from social convention. These two kinds of leadership, inevitably combined in start-ups and small firms, could have been separated as the scale of the enterprise increased, as they were at the employee-owned UK retailer the John Lewis Partnership, and as they're obliged to be in the two-tier board systems in the Netherlands and Germany.

Executives and critics

In his book *Partnership for All*, John Spedan Lewis, founder of the John Lewis Partnership (JLP) explained the distinction between JLP's Executive Side, "who do things," and its Critical Side, "who watch the doing and play the part of the bystander who is ... apt to see most of the game."[1]

The then five heads of JLP's Critical Side – the General Inspector, the Chief Registrar, the Internal Auditor, the Financial Adviser, and the Partners' Counsellor – formed the partnership's, and particularly the Chairman's, eyes and ears, memory and judgment.

While the roles have evolved over time, the great value of the Critical Side, according to Lewis, was that it gave JLP a separate line of authority, focused on prudence and carefulness. He realized that, in normal circumstances, it was hard to challenge qualified executives with rare skills, who knew the business, were performing well, and would be hard to replace. But a separate line of management with no executive responsibility would have no such inhibitions and could insist that "inadvertence or improper reticence cannot be tolerated."

The most distinctive component of the "Critical Side" is the Partners' Counsellor's Department. It provided each shop with a Registrar, who has two main functions: to provide anyone who requires it with information and advice on the spirit and letter of JLP's rules and regulations, and to keep branch managers aware of these same rules and regulations. Nowadays, each Registrar typically has two shops under his or her wing.

Lewis saw the Registrars' role as preventive rather than detective and expected them to be seen, by managers, as valued counsellors, rather than head office spooks. "Such counselling functions are, I think, a specially good field of work for women." Venturing into a field now known as evolutionary psychology, he suggested that part of the difference between masculine and feminine abilities was the "outcome of the need for millions of years that the female should be alert for danger and bent on avoiding it, while the male should be upon occasion ready to fight."

Laura Whyte, a former Divisional Registrar and now JLP's Personnel Director, explained how the Registrar system works today:

> The heads of branches are appointed by and report to the Retail Director. Registrars are appointed by the Divisional Registrar, and don't report to anyone in the branch or to the head of branch's boss. Thus independence comes through the two separate reporting lines.

Whyte described a tension between the Registrar's roles similar to the tension experienced by non-executive directors in conventional companies:

> The main challenge for the Registrar role is semi-detachment. The system of governance excludes you from line management, but if you stand too far apart, you won't be part of the Head of the Branch's senior team. You have to integrate; you have to get close enough to understand what is going on, to advise and listen, while still being far enough away to challenge, and be objective. It is a role that has influence, but no executive authority.

JLP's governance system both reflects, and is required by, its ownership:

> You start with the structure. That is the difference; the holding in trust for the benefit of workers. It's good management practice anyway, because it encourages employee engagement, but we do it because every time we engage in the democracy, we're accounting to the shareholders. We have annual general meetings, like any "blue chip". The difference is the shareholders here are the 26,000 John Lewis Partners.

An agent deploying influence rather than power needs to be subtle and to learn the arts of diplomacy:

> The Registrar will aim not to get into a situation where he or she has to say something explicitly. It is important to leave dignity intact. If the Head of Branch begins to act in a way the Registrar disapproves of, they will have several conversations about it, but the Head of Branch knows that if these conversations don't resolve the situation, the Registrar has a route all the way up the chain, and before the Registrar follows that route, he or she's likely to go to Head of Branch's boss, and nobody wants that. The structure has been built in such a way that there is a route through it. The knowledge that the Registrar has the ear or a series of ears open to him or her all the way to the top is itself influential.

Although Lewis himself thought the Registrar's role was peculiarly suited to women (see above), there was no stipulation either in the JLP Constitution or the appointment policies that it should be reserved exclusively for women:

> "When I became a Registrar in the early 1990s, there were two men doing what was traditionally a female job" said Whyte. "Now, of course, around half of our heads of branches are women, and the mix among Registrars is broadly similar."

Whyte thinks the effectiveness of the Registrar system lies partly in its mere existence:

> The Registrar's role is not about doing. Sometimes it is enough simply to exist. Sometimes your presence in a meeting can focus people on how they want to express their own positions. It's not a job for someone with a ravenous appetite for a lot of activity either. It's more a contemplative role, although you have to be ready to act when the need arises.

This idea that the prudential and ethical components of governance are more to do with being, than with doing was explored by Srikant Datar, David Garvin, and Patrick Cullen of Harvard Business School in their 2010 book *Rethinking the MBA: Business Education at a Crossroads*.[2]

They argued that the challenge of modern management should be seen as consisting of three components: knowing, doing and being.

Managers need to *know* the facts, frameworks and theories that make up the "core understanding" of the management profession. Examples include the forces determining industry structure, the meaning and measurement of return on capital and so on, and the "4 Ps" of marketing (product, price, place, promotion).

To *do*, managers need the skills, capabilities, and techniques that lie at the heart of the practice of effective management. Examples include executing tasks as a team member, implementing a project, conducting performance reviews, delivering a presentation, selling a product, and innovating.

The *being* component consists of values, attitudes and beliefs that comprise the manager's world view and professional identity. These include behavior exemplifying integrity, honesty and fairness, an awareness of his or her strengths and weaknesses, the treatment of others, and the purposes and goals of the organization.

Datar, Garvin and Cullen say that without "doing" skills "knowing" is of little value, but "doing" skills will be ineffective and lack direction without the self-awareness and reflection on values and beliefs that come from developing "being."

Two-tier boards

The Registrar system at JLP embeds the "being" component in an unconventional corporate governance system consisting of two lines of authority operating in parallel, from the business units to the board.

The board, itself, however, is unitary. The two lines of authority are united in the person of the chairman.

Another way to invigorate the "being" element, on which prudential and ethical corporate governance largely depends, is to separate managerial from prudential and ethical supervision at board level by operating a two-tier board system.

British corporate governance reformer Sir Richard Greenbury, whose CBI-sponsored 1995 report focused on directors' remuneration, told Patrick Hosking of *The Times* in March 2009 of his conversion to a two-tier board system.[3]

Lynne Weedall

At the time of writing (autumn 2010) Lynne Weedall was Group Human Resources Director of The Carphone Warehouse Group plc, and was being actively mentored.

Since starting the program she has been appointed to the board of Opportunity Now, a not-for-profit committed to creating an inclusive workplace for women.

"This mentoring program has really helped me lift my head out of the 'day job' and look beyond the here and now into the future. I've been blown away by people's generosity in terms of time, energy and wisdom."

His experience as a non-executive director of the Dutch electrical group Philips convinced him of the merits of the two-tier board. Sir Richard, a former Marks & Spencer CEO and Chairman, had been a supporter of unitary boards, with strong non-executive directors to keep a tight rein on executives. His dramatic conversion on the road to Eindhoven followed the 2007–08 banking crisis: "People are seriously questioning capitalism," he said. "That is the staggering consequence of what has happened."

He said the various UK governance guidelines and codes of practice that have emerged following Sir Adrian Cadbury's pioneering report in 1991, his own review in 1995 and the subsequent Higgs review in 2003 were all based on a flawed unitary board model. "Since Higgs, we've decided this is the perfect system and I don't think it is. The system now taken as sacrosanct has let us down – badly in the case of the banking system in the last few months, and let us down in the case of GEC [re-named Marconi, which failed in 2001]."

Sir Richard said two-tier boards should be seen as the best way to run large, complex companies, and that there was "a good chance" the Royal Bank of Scotland (RBS) would not have collapsed if it had had a "supervisory board" consisting entirely of non-executive directors, to which a separate executive board reported.

After 11 years on the supervisory board of Philips, Sir Richard is "converted to the Dutch system." He said that at Philips, "we have private sessions with just the chief executive," and he was entirely confident that a supervisory board would have more authority to deal with any chief executive getting out of control, and hold him or her to account. In the unitary board system "the non-execs and the executives become quite close to each other, and it's probably easier for a very strong chief executive to run the board."

Sir Richard's is not the conventional view in the UK and there has been no concerted attempt, since the crisis, to press the case for switching to a two-tier board system in the UK or in the US. Peter Montagnon, the former Director of Investment Affairs for the UK's Association of British Insurers (ABI), and now a senior advisor at the Financial Reporting Council (FRC), told *The Times* that, in the ABI's view, a unitary board in which all members are "collectively responsible for every decision remains the best approach in the UK." The two-tier board was not mentioned as an alternative to the unitary board system in either Sir David Walker's report or the FRC's latest revision of the *Combined Code* (see Chapter 1).

When given the choice companies do not favor it. In France, where the supervisory board (*conseil de surveillance*) is optional, less than 1 percent of public limited companies have chosen it. There is no evidence, however, that companies with two-tier boards – such as German companies, which are obliged by law to have dual boards – perform any less well than those with unitary boards, and it's not inconceivable that, if UK companies aren't seen to be doing enough to reform their prudential governance, the idea of two-tier boards will re-emerge at a later date.

Although we do not advocate the formal "separation of powers" that is achieved by the JLP registrar system and two-tier boards, these arrangements have both proved to be effective ways to address one of the central challenges of corporate governance reform: the need to resolve "being" conflicts between operational governance on the one hand and prudential and ethical governance on the other.

Changing behavior

Structural arrangements such as JLP's registrar system and dual boards in Europe's most successful major economy cast doubt on the widespread assumption that the unitary board system is the best of all possible corporate governance arrangements.

But structural arrangements only contribute so much to the quality of corporate governance. The quality of a company's governance is manifest ultimately in its behavior, and that depends as much as on the board's composition and social dynamics as on the arrangements and frameworks, statutory or otherwise, within which it operates.

The ultimate objective in corporate governance reform is to change the behavior not of individuals but of organizations.

There are two approaches to changing the behavior of our companies in ways that will reduce the likelihood of a recurrence of what Marcus Agius described as a "near death experience": change the behavior of boards as constituted today with exhortation, group coaching and training in psychodynamics, and/or change the composition of boards and, more specifically, appoint more female directors. Although the former is desirable in its own right, we believe the latter may be an effective approach to the reform challenge.

Corporate behavior emerges from the interactions between a board's directors, and the more "normal" behavioral context, which is to say the more gender-diverse the board, the more likely it is that board behavior will be of a high standard.

But it is one thing for company leaders to be willing, and in some cases eager, to appoint more women to their boards (see Chapter 2) and quite another for their organizations to share that eagerness and be prepared for, and open to, female directors on the one hand, and on the other hand for enough women to achieve gender diversity to be willing, able and qualified to join boards.

Action is needed "this day" by three interested parties: governments that wish, for whatever reason, for more gender-diverse boards in the private sector; companies that want a better gender diversity on their own boards (the demand-side); and ambitious women who aspire to board positions (the supply-side).

Government action

Without resorting to the heavy guns of legislation in the form of mandatory quotas for women on boards, government can "nudge" the private sector towards more gender-diverse boards by providing a favorable context and expressing clearly and, if necessary, firmly and frequently, its wish for companies to act.

Such "nudging" can take various forms, such as the UK government's decision to launch Lord Davies's review on gender diversity in the boardroom, and can be accompanied, as in this case, by the veiled threat of subsequent legislation, if insufficient progress is made without it.

For government and self-regulatory bodies, such as the CBI and the FRC in the UK (with their principles-based code guidelines and the "comply, or explain" requirement) it is a matter of increasing the difficulty and risk for companies of doing nothing.

Demand-side action

Barclays Chairman, Marcus Agius, believes that one reason why more progress has not been made towards gender-diverse boards is that the top management of large companies have not been transmitting a strong enough signal that gender diversity on boards is important.

There are some notable exceptions of course, not least the mentors on the *FTSE 100 Cross-Company Mentoring Programme*, but there is still a body of opinion at the top of some large companies that sees the whole topic of diversifying the voices on the board as an unnecessary distraction.

The *FTSE* program mentors and the other company leaders pushing for change are convinced that by doing so they will help to make their organizations more creative, more innovative, more resilient, more flexible, and more attuned to a rapidly changing environment. They are taking action on the following fronts.

Commitment at the top

In many cases, gender and diversity issues are the business, not of the CEO or even a top executive reporting directly to the CEO, but of the HR department. The organization as a whole will not become committed to change, however, unless the leadership itself is and is seen to be committed to change.

This point came out very clearly in McKinsey's survey results (see below). McKinsey found the variable that had the most impact on the gender diversity outcome was the interest shown by the CEO and top management in the progress of gender diversity programs.

Agius realized the power of a strong signal from the leadership at the 2010 "Barclays Woman of the Year Award" ceremony.

> We were going through a management succession. John Varley was in the process of stepping down [as CEO] and Bob Diamond was going to replace him. Bob saw the "Woman of the Year Award" ceremony on the list of events coming up. He could have passed it to someone else, but said he would accept responsibility for it. It is usually held at the head office in London, but in 2010 it was held in New York and coincided with a board meeting in New York. So, of the group board members, I was there, Bob was there as a new sponsor [of the award] and John [Varley] was there. And eight of the 11 members of the Executive Committee, which runs things, were at the ceremony.
>
> It was an absolutely unambiguous message, it said: "This stuff is important!" The news went round the group like wildfire.

As we have seen, the belief that companies need to take deliberate steps to improve the gender diversity in their senior management and on boards is not universal. Some say that investing time and other resources to bring more women onto a board or executive committee (ExCo) distorts the market in directorial or executive talent, and discriminates against men. Some members of the board or the ExCo may be among these people. In other words, there may be opposition within top management to gender-diversity policies. If so, it will have to be confronted in one way or another.

Bringing the senior team together to discuss the issue, preferably with the guidance of an external non-aligned facilitator, can help to clarify areas of disagreement and oblige opponents or skeptics, whether individuals or coalitions of individuals, to defend their positions and listen to the case for gender-diversity policies.

Such policies are unlikely to be effective without the support of senior management who are of one mind on the issue, and ambitious women will find it hard take advantage of the commitment to gender diversity without senior executives ready and willing to devote their time and reputations to mentoring and sponsoring them (see Chapter 3).

Transparent targets

The essential first step in preparing a company for and opening it up to a more gender-diverse board is to obtain a clear picture of the current situation by answering such questions as:

- What data does the company collect on the recruitment, retention and development of women?
- What percentage of the totals do women account for at graduate entry, junior management, senior management, the executive committee and the board?
- What obstacles, if any, are currently blocking the progression of women in the organization?
- What light on these obstacles, if any, is shed by exit interviews with women leavers?
- What aspects of the climate and culture of the organization might be affecting the progression of women?
- What is the attitude of the senior leadership to the development of women in the organization?
- Given that progression for both genders is closely associated with the quality and seniority of their "sponsors" (see Chapter 3), what differences, if any, are there between the sponsorship of men and women in the organization?

Investing time and resources in finding answers to these questions is worthwhile for two reasons: first, the answers will help to frame the challenge for companies wishing to prepare themselves for, and open themselves to, more gender-diverse leadership, and second, the reporting of information of this kind could soon become mandatory in the UK, and elsewhere. As noted in the previous chapter, many of the 2600 or so submissions to the Davies review propose statutory gender-related reporting and, at the time of writing (November 2010), the European Commission was widely expected to propose similar gender reporting requirements in a forthcoming Green Paper.

The exit interviews can be particularly illuminating. Why do women leave? Where do they go? What might have persuaded them to stay? Similar insights can be gained from interviewing maternity leave returners. How was communication handled before, during and after maternity leave? How well did women rate the maternity provisions? What made women feel positive or negative about returning to work, and how did their careers progress after they returned?

The results of these analyses can be published and used as a basis for published targets, aspirations or a "Board Diversity Maturity Matrix" (see page 40) from which can be derived a set of key performance indicators for each level of the organization.

Having a roadmap

Since the publication of *A Woman's Place is in the Boardroom* six years ago, companies have asked us to discuss with them ideas, a strategy, or particular interventions designed to address a variety of issues connected with their senior women. Some are concerned at high levels of attrition among women at senior levels; others want to discover the reason for a high rate of failure in "on-ramping" senior women returning to work after maternity leave. Other companies want to understand the reasons for a reluctance among their senior women to put themselves forward for top-level promotions, including to ExCo; and one company is very concerned by disproportionately high levels of serious illness among its senior female employees. Other issues on which we've been consulted include advising on networks, identifying and encouraging female role models, and facilitating discussion sessions for senior groups, up to and including ExCo, on issues of organizational culture.

In many cases, companies had already launched initiatives to try to deal with the issues described above – setting up women's networks, returners' clubs, a "buddying" system – or had commissioned in-house teams to investigate the issues they were most concerned about. Although many of these initiatives were well designed and executed, they were often not part of an integrated process – there was no roadmap. Our experience is that, while each individual initiative had some beneficial impact, that impact was somewhat muted because it was not connected to an overall strategy designed to address the underlying causes of the problem. There is a risk, in such cases, that the company expends time and energy applying a sticking-plaster and dealing with the manifestations of a problem rather than with the cause.

The single most important principle, if a company genuinely wishes to achieve significant, lasting beneficial change in relation to the executive development, retention and progression of its senior women, is to think of the whole system. Isolated initiatives risk having only piecemeal beneficial impacts, if they have impact at all, and any success risks being shallow-rooted. There needs to be a roadmap, based on an awareness of the company as a whole system and having connectivity between initiatives. There is little point in expecting the creation of a women's network, for example, or the establishment of upward mentoring or the identification of senior female role models to make a material difference to the retention, motivation or aspiration of senior women if the ground work to establish the root cause(s) of the presenting problem has not been done. The "reason behind" the presenting issue needs to be identified, properly understood and accepted at leadership level before any initiatives are put in place; and the impact and interdependencies of initiatives need to be mapped and understood. As we said in our last book – there needs to be a roadmap.

Searching and finding

Boards need to widen their search for female directors by briefing search firms appropriately and insisting on gender-diverse shortlists of candidates.

In Cranfield School of Management's Female *FTSE Board Report 2010*, sub-titled *Opening up the Appointment Process*, authors Professor Susan Vinnicombe OBE, Dr Ruth Sealy, Jacey Graham and Elena Doldor report the suggestion by chairmen they spoke to that "if each FTSE 100 and FTSE 250 chairman was to ask search consultants to include women on the [board candidate] lists, efforts to seek out female candidates amongst the head-hunting community would intensify overnight."

Several chairmen to whom Vinnicombe and her colleagues spoke felt "CEOs could set meaningful targets in the context of their business sector ... to drive towards improvement (20 percent was cited as a 'soft target' that most companies should be able to attain for female representation at executive level)." One chairman said that in his company the CEO had stipulated "that there must be one woman on every shortlist for senior appointments."

The culture of the company, and the influence or lack of influence women exert on it, also needs to be examined critically. Does the argot or local language of the organization – how it expresses the company's culture, and conveys its values – pose any problems that are specific to women?

Nurturing

Once identified, women with "board potential" need to be supported actively with sponsoring/mentoring (see Chapter 3), international assignments, additional responsibilities, membership of high-level committees, high-powered, board-milieu networks, coaching, and whatever else is usually considered suitable for people heading for a board.

Companies also need to cultivate home-grown talent by removing any obstacles to the promotion of women that lie hidden in performance assessment, pay policies and promotion criteria that may favor men in subtle ways which may not be immediately apparent.

Attention also needs to be paid to what Dr Elisabeth Kelan called "formative" as opposed to "outcome" variables (see Chapter 7). Dr Kelan suggested there was no point in measuring variables, without setting targets for them, and no point in targeting outcomes, such as the number of women on the board, without setting targets for "formative" variables known to be predictors of promotion to board positions.

Feeling at home

The work on the demand side is not done when women begin to arrive on boards and ExCos. As Manzoni, Strebel and Barsoux explain, at a new director's first board meeting incumbent directors will take what she says and how she behaves as indications of her competence and personality. If she asks too many questions, she could be seen as "clueless," or "high maintenance," but if she says nothing, she is "insecure" (see Chapter 6).

It's not enough to welcome women to boards and ExCos; the chairman and the other incumbents must also make sure they feel comfortable and at home there, that their contributions and perspectives are valued and are exerting real influence on decision-making. Nothing is more damaging for a board gender-diversity initiative than the marginalization or rejection of its first successes in the persons of the first female directors and ExCo members.

Box-ticking and tokenism have no place in a genuine search for the value of gender diversity in corporate leadership (See the McKinsey & Company survey results summary on pages 159–60).

Supply-side action

We have argued that the roles of government are to exert pressure, set the context and supply the framework, and that the roles of companies (the demand side) are to welcome women to boards and ExCos, and make them feel at home. Terry Leahy, outgoing CEO of Tesco, put the now typical demand-side view well, when he said that he wanted Tesco to be a place where women could progress to the limits of their abilities and aspirations. The acceptance of these roles by government and companies means that at no time has the environment for the appointment of more women to boards and ExCos been more favorable. Not all women and not all men want to become senior executives or sit on boards, and no one should be pressured into feeling that she "ought" to aspire to such a role. But the choice is there, and no artificial barriers are being deliberately placed in the path of women who have the ability and the desire to advance to higher levels. Women (the supply side) need to take full advantage of this new window of opportunity and prepare themselves for such positions.

Coaching

Women often benefit from coaching as they approach board or ExCo positions because, although their employers see them as having the potential for such roles, they may not see themselves as "good enough." They may feel they are not entitled to a senior role ("it's only little me") or they may experience the "impostor syndrome" and believe deep down that they are not up to the job, and it is only a matter of time before they are "found out."

Coaching can help a woman become more aware of her ability, manage self-deprecatory belief patterns that may be preventing her from being objective about her own strengths, help her develop her own, authentic leadership style, increase her personal authority and impact, and extend her influence.

Authenticity

One issue that often confronts a senior woman in her search for an effective modus operandi in what we call the "board milieu" is how to develop a way to communicate and exert influence that is both effective and authentic to her, and yet compatible with the culture of the business. This may require some adjustments to her normal style. Any adjustments will vary between individuals: for some it may mean being more factual in presentations or more succinct in argument, or articulating points in discussion in a manner that is more authoritative. The style must suit the circumstances. It's not a matter of "inventing" a new leadership style. It's a matter of finding the blend of latent qualities that will maximize effectiveness in the board milieu.

Objectivity

Some women feel like outsiders in their organizations – that they don't really belong. The reasons for this are usually intangible and subtle, but are often to do with the fact that the culture in which they are working has historically been shaped by men. Women newly appointed to boards will need to find an opportunity to stand back from the culture, regard it objectively, identify its unwritten rules and its ways of doing things, and understand whether, and if so why, their own behavior may be clashing with it.

They will then have a choice: change their behavior so that they blend into the existing culture entirely, or find a style of their own that allows them to "nudge" the culture in what seem to them to be desirable directions. From the interviews with company chairmen (Chapter 2) it is clear that, in some companies at least, there is a commitment – and a strong wish – for women to bring their own, authentic leadership style to work.

Fitting in

Stakeholder and relationship mapping can help a new female director see how she fits into the organization – what her relationships are like with people who have power and influence, with whom she naturally forms good relationships, and how she can re-configure the way she spends her time and focuses her efforts in order to make the optimum contribution.

Research has shown that the female leader pays more attention than the male leader to orchestration, empathy, and relationships – the so-called "transformational" leadership style (see page 14). When they arrive on a board or ExCo, some women are tempted to adopt a directing or commanding style – the "transactional" leadership style – that may be favored by their male co-directors or fellow ExCo members. They may benefit from assistance or advice as they develop the confidence to persist with their own styles, thus improving the flexibility and adaptability of the whole leadership team; and the chairman of the board has an important part to play in providing that support, especially in the early stages.

Self-promotion

A significant body of research has shown that women tend to focus on the job at hand and may pay too little attention to the development of their careers. They rarely promote themselves, and their skills and achievements, as actively as ambitious men. Women who want to become directors (executive or non-executive) will need to make themselves visible in and outside work, and contribute more in meetings and forums not directly related to their work.

Clear goals

Once a woman has developed a greater sense of self confidence, she may realize that she lacks a clear picture of how far she could go, what it would take, and how she can "be the best she can be." Developing her own personal leadership "roadmap," as we outlined in our second book, will clarify her goals and help her to develop a sense of leadership, identity and purpose, which will sharpen her vision and enable her to spot and seize opportunities that previously passed unnoticed.

It's a matter of exploring and becoming comfortable in board space, and taking advantage of the proliferating opportunities, services, networks and other support systems now available to women with their sights set on board positions (see Chapter 5).

We examined these supply-side issues and strategies in more detail in our earlier books.[4]

The evidence is in

A combination of words and actions is required to bring about the transformation of the average board from an all-male council prone to "groupthink" into a more diverse group whose deliberations are enriched by feminine perspectives and outlooks.

The words, in the form of reports, studies and rankings, can leave all but the most incorrigible skeptic in little doubt that there is a strong, positive correlation between corporate performance and the number of women on company boards.

Roy Adler, professor at Pepperdine University in Malibu, conducted a 19-year study of 215 *Fortune 500* companies between 1980 and 1998 (*Women in the Executive Suite Correlate to High Profits*). He found the 25 companies with the best record of promoting women to senior positions were 18–69 percent more profitable than the median companies in their industries.

A Conference Board of Canada study of 141 Canadian companies found clear links between women on boards and financial performance and the quality of corporate governance.[5]

The analysis by Cristian Dezsõ, of the University of Maryland, and David Ross, of Columbia University Business School, of Standard & Poor's ExecuComp data on the largest 1500 US companies from 1992 to 2006, found a relationship between firm quality, as measured by Tobin's 'Q' (market value divided by replacement value of assets) and female participation in senior management.[6]

A study by Catalyst, the US non-profit, found that *Fortune 500* companies with more women on their boards outperformed companies with fewer female directors.[7] Companies with the highest representation of women outperformed those with the lowest on the three key measures of return on equity, return on sales and return on capital by 53 percent, 42 percent and 66 percent respectively.

McKinsey & Company, the leading strategy consultants, surveyed 101 large companies in Europe, America and Asia.[8] They found companies with three or more women in senior management positions outperformed those

Denise Wilson

Before joining the *FTSE 100 Cross-Company Mentoring Programme* Denise Wilson was Global Transformation Director at National Grid plc.

Since graduating from the program she has been appointed Director of Customer Services at National Grid and a Director on the Friends' Board of the Royal Academy of Arts. At the time of writing she had just been appointed to a non-executive director role on the board of a UK insurance company.

"The program has provided a truly unique and invaluable opportunity to learn at first hand from the experience of a *FTSE 100* chairman. My mentor has also provided useful introductions to his own network of contacts, but perhaps of even greater value, he has challenged me to assess both my professional and personal aspirations in life, and given me some tools and the confidence to pursue those aspirations. For all of these, I am extremely grateful."

with none on nine criteria, and that performance improved significantly when 30 percent or more of management committee members were women. In a follow-up study with Amazone Euro Fund of the 89 listed European firms with the highest gender diversity in top management, McKinsey found these companies outperformed their sector peers on return on equity (11.4 percent against a 10.3 percent sector average), earnings before interest and tax (11.1 percent, against 5.8 percent) and stock price growth (64 percent against 47 percent between 2005 and 2007).[9]

A report by Ernst & Young, one of the "big four" accountancy firms, summarized this research, and several other studies revealing the vast, still largely untapped, potential for business represented by the under-representation of women at all levels.[10]

The report's authors concluded: "At a time when our global economy is facing its greatest challenge in decades, we have to capitalize on the contributions women can make. ... The learning that comes from a crisis is a terrible thing to waste."

Not all the research into the company performance effects of women on boards is positive. As we noted in Chapter 1, Professor Alex Haslam and his team at the University of Exeter found that firms with one or more women on their boards fared worse on the stock market, and share prices responded negatively to news of appointments of women to boards. But this was a market failure. The University of Exeter team also found that companies with one or more female directors performed better those with all-male boards on return on assets and return on equity, and were much better investments in the long run.

Amy Dittmar and Kenneth Ahern at the University of Michigan's Ross School of Business found the stock price of the average Norwegian plc fell 2.6 percent in the three days after the announcement of Norway's quota law in February 2002, and the stock prices of companies with no female directors at the time of the announcement fell 5 percent (see page 127). But the loss in firm value was caused not by the gender of the new directors, but by their youth and lack of experience.

The "odd one out" was a 2009 study by Renée Adams of the UQ Business School at the University of Queensland and Daniel Ferreira of the London School of Economics, published in the *Journal of Financial Economics*. Using a dataset very similar to that used by Dezsõ and Ross (see above), Adams and Ferreira came to different conclusions in "Women in the boardroom and their impact on governance."[11]

They found that, although at first sight the correlations between gender diversity, and firm value and operating performance seem to be positive, the correlations become very slightly negative, after adjusting for "omitted variables and reverse causality."

Their conjectures about the reason for this are intriguing.

They found women are more likely to attend board meetings than men and that the larger the proportion of women on a board, the better the attendance of the male directors. Female directors are also more likely than their male co-directors to sit on monitoring-type committees, such as the audit, nomination and corporate governance committees, but less likely to sit on compensation committees.

Adams and Ferreira found women have a significant influence on how boards discharge their governance role. More gender-diverse boards are more likely to hold their CEOs to account for poor stock price performance; at companies with relatively more women on their boards, CEOs are more likely to be fired because of poor stock price performance.

Overall, more gender-diverse boards are tougher monitors than less gender-diverse boards and other studies (including a 2007 study by Adams and Ferreira themselves) have shown that too much monitoring can decrease shareholder value.

"It is possible," Adams and Ferreira suggest, "that gender diversity only increases [firm] value when additional board monitoring would enhance firm value … [and therefore] mandating gender quotas in the boardroom could harm well-governed firms."

So although this Adams and Ferreira study does not corroborate the positive correlations other studies found between gender diversity and firm performance, measured by return on assets and Tobin's Q in this case, when it's good corporate governance you seek, appointing more women to boards is a step in the right direction.

The usual health warnings apply when interpreting this research. A correlation between women on the board and outperformance does not necessarily mean the former is the cause of the latter. The more studies that find statistically significant correlations, however, the less likely it is that they are spurious. So it is hard to see what more mere words can do. There will, no doubt, be more studies of the link between corporate performance and women on boards, but they are unlikely to produce substantially different results. It seems fair to say that insofar as the business case for appointing more women to boards is provable, it is proven.

The evidence is in. Words have done their job. The CEOs, the other C-level (CEO, CFO, COO, etc.) executives, and the representatives of the owners (savers and pension fund beneficiaries) of our large companies have reason to believe now that there is value, in the form of performance and better corporate governance, to be had in appointing more women to company boards. They have a clear duty to their shareholders and fund beneficiaries to insist that action is taken to capture that value.

So why is so little being done?

A global survey by McKinsey & Company, conducted between August 31 and September 10 2010, found that the percentage of executives who believed gender diversity in leadership links to better financial performance had risen from 60 percent in 2009 to 72 percent in 2010, despite the still turbulent economic conditions.[12]

The survey also found that companies are still doing little to act on that belief. At most companies surveyed, gender diversity wasn't a high priority, and gender-diversity policies varied widely. But these priorities and policies work. At respondent companies where gender diversity is a relatively high priority, and where policies promoting gender diversity are relatively numerous, executives say that company leadership is more diverse. Between respondents who said gender diversity was among the top-three agenda items and all respondents, there was a 32 percentage-point difference between the proportion who reported that women filled more than 15 percent of the C-level positions.

Supportive CEOs and other top managers also affect the performance on diversity, but the survey found that few top management teams monitor gender-diversity programs. The three programs most often cited by respondents were flexible working conditions, support for reconciling work and family life, and programs to encourage female networking. The most effective policies among companies with more than 15 percent of women at C-level were program-monitoring by the CEO, skill-building programs designed specifically for women, and encouraging or requiring the company's senior executives to become mentors of junior women.

The survey found that the variable that had the most impact on the gender diversity outcome was the interest shown by the CEO and top management in the progress of gender diversity programs. Only 18 percent of respondents said their companies' CEOs and top executive teams were seen to be monitoring gender-diversity programs, despite the fact that nearly half (more than for any other tactical variable) thought that visible C-level monitoring was the most effective way to increase gender diversity in general.

Twice as many women as men said a low level of C-level commitment was one of the key barriers to achieving gender diversity, but the single most frequently cited barrier was a lack of awareness of or concern about gender diversity as an important issue. Only 7 percent of respondents said their companies had had difficulty implementing a top-management monitoring policy. Of respondents whose companies had implemented such monitoring in the past five years, 65 percent (the highest percentage for any executive measure) said the measure had had a positive impact on gender diversity.

As we noted above, box-ticking isn't enough. The visible commitment to gender diversity of the top executive team is needed to achieve a significant improvement.

Most C-level executives are well aware of this. Almost half of the survey's C-level male respondents and 60 percent of the C-level female respondents acknowledged that visible monitoring by top executives had the most impact on increasing gender diversity.

There's a puzzle here. Most C-level executives accept that gender diversity improves financial performance, and recognize that they are more likely to achieve such an improvement in gender diversity if they themselves pay close attention to the matter, and make it very clear to the organization as a whole that such an improvement is a high strategic priority. And yet few of them do either.

Perhaps it's because gender diversity, although very important, is not urgent, and so, as is often the case with such important, but non-urgent issues, it gets pushed into the "back seat," and the competitive advantage it offers is squandered.

Your move

One question that the institutional investors in the 60 or so FTSE 100 constituent companies not currently participating in the *FTSE 100 Cross-Company Mentoring Programme* might ask is: "Why not?" The program was launched in 2003. Apart from the valuable advice and guidance provided by any well-run mentoring program, mentors and mentees acknowledge the vital contribution this program has made and continues to make to bridging the wide social, institutional and cognitive gaps between the demand and supply sides of today's market for female directors.

This non-profit program, which pairs able and ambitious women working at senior levels for large UK companies and organizations (the supply side) with the chairmen and CEOs, or their equivalents, of other large UK organizations in different sectors (the demand side), is a thread that runs throughout this book. Much of what the author has learned and believes about the interface between the demand and supply sides of the market for female directors has been shaped by her experience running the program and her conversations with its participants.

Although it is now just one among numerous initiatives and schemes designed to improve the gender diversity on boards, running it has been and remains a great privilege and has provided a unique vantage point from which to survey the landscape, assess opinions on both sides of the market, and generally keep in touch with developments and see which way the winds are blowing.

The program addresses one of the key obstacles women face when seeking board appointments: their relative lack of networking connections. Being known and respected by people who are already on boards can be a decisive advantage. The *FTSE 100 Cross-Company Mentoring Programme* ensures that its mentees are closer to the NED candidate pool than would otherwise be possible.

TABLE 8.1 *FTSE 100 Cross-Company Mentoring Programme* mentors, 2009/10

Marcus Agius	Group Chairman	Barclays Bank plc
Michael Biggs	Chairman	Resolution Ltd
Sir Win Bischoff	Chairman	Lloyds Banking Group plc
Clement Booth	Member of the Board of Management	Allianz SE
Patrick Burgess	Chairman	Capital Shopping Centres plc
Sir Roger Carr	Chairman	Centrica plc
Dominic Casserley	Director	McKinsey & Company
Spencer Dale	Executive Director, Chief Economist	The Bank of England
Chris Dedicoat	President, European Markets	Cisco International Ltd
Peter Erskine	Chairman	Ladbrokes plc
Sir Richard Evans	Former Chairman	United Utilities plc
Iain Ferguson CBE	Former Chief Executive Chairman	Tate & Lyle plc Wilton Park
Niall FitzGerald KBE	Deputy Chairman	Thomson Reuters
Sir Peter Gershon	Chairman	Tate & Lyle plc and Premier Farnell plc
John Gildersleeve	Chairman	The Carphone Warehouse Group plc
Sir Philip Hampton	Chairman	Royal Bank of Scotland plc
Anthony Hobson	Chairman	The Sage Group plc and Northern Foods plc
Ken Hanna	Chairman	Inchcape plc
Baroness Sarah Hogg	Chairman	Financial Reporting Council
Dennis Holt	Deputy Governor Chairman	Bank of Ireland Liverpool Victoria
Philip Jansen	Group Chief Executive Officer	Brakes Group plc
Paul Jenkins	HM Procurator General and Treasury Solicitor	Treasury Solicitor's Department

David Kappler	Deputy Chairman	Shire plc
Irwin Lee	Vice President UK & Ireland	Procter & Gamble
Sir Rob Margetts FrEng	Chairman	Ordnance Survey Ensus Ltd
Roger Matthews	Chairman	MITIE Group plc
Charles Miller Smith	Chairman	ScottishPower Advisory Board
Sir Mark Moody-Stuart KCMG	Chairman	UN Global Compact Foundation
Dick Olver	Chairman	BAE Systems plc
Mark Otty	Managing Partner, EMEIA	Ernst & Young LLP
Sir John Parker	Chairman	Anglo American plc and National Grid plc
Sir Michael Rake	Chairman	BT Group plc
John Peace	Chairman	Standard Chartered plc
David Reid	Chairman	Tesco plc
Don Robert	Global Chief Executive	Experian plc
Sir Simon Robertson	Chairman	Rolls-Royce plc
Sir John Sawers	Chief	SIS
Sir Stuart Rose	Former Chairman	Marks & Spencer plc
Paul Skinner	Chairman	Infrastructure UK, HM Treasury
James Smith, CBE	Chairman	Shell UK Ltd
Kevin Sneader	Managing Partner, UK & Ireland	McKinsey & Company
John Stewart	Chairman	Legal & General Group plc
Michael Treschow	Chairman	Unilever plc
David Tyler	Chairman	J Sainsbury plc

Although initially confined to FTSE 100 constituent companies, the program has widened its scope since its launch in 2003. As can be seen in the list of mentors at the time of writing (November 2010) on page 162 and this page, its mentors now include senior UK civil servants and government officials, members of professional services firms and chairmen of the UK subsidiaries of large foreign firms.

The next step in this program's development is a further extension of its scope to FTSE 250 constituent companies, designed to widen the pipeline of board-ready women in the UK.

At the time of writing, the author (the program's director) was in discussions with four chairmen of FTSE 250 companies and with the chairmen of two FTSE 100 companies, about becoming mentors on the program.

To help to consolidate the program's achievements and keep its graduates in touch, the consumer goods giant, Unilever, had just agreed to sponsor a network of the program's mentees, past and present.

History in the making

As we were preparing to send this book to the publishers there was a sense of something momentous in the air.

The deadline for submissions to Lord Davies's review was days away and, in recognition of this approaching milestone, the *Financial Times* expressed its view on the debate about mandatory quotas – it was against them – in an editorial. Cranfield's latest *Female FTSE Report* was about to be published, and would show a slight increase in the most closely watched numbers (see page 136). France's quota law was weeks away from promulgation. A European Commission (EC) Green Paper on women on boards was in the offing and, although the EC was thought to lack the power to require member states to make quotas mandatory, it was thought quite likely that the Green Paper would propose mandatory gender-related reporting.

There was a sense that a critical stage in the hitherto slow climb of women to the top of companies and institutions had been reached and it was time for those who welcome this development, but have yet to say so, to stand up and be counted.

Are they going to be followers as the world moves into the new age when men and women will share power in business and elsewhere on equal terms? Or are they, like the almost 50 mentors on the *FTSE 100 Cross-Company Mentoring Programme*, to whom we and the women to whom they've given the gifts of their wisdom, experience and time owe a great debt of gratitude, going to lead the change?

As Sir Philip Hampton said, the UK's large companies are "drinking in the last chance saloon." If the specter of mandatory quotas for women on boards is to remain a specter, more than is already being done must be done, because what is already being done isn't enough.

Notes

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2. Harvard Business Press, 2010.

3. "Sir Richard Greenbury calls time on own boardroom rules," Patrick Hosking, *The Times*, 27 March 2009.
4. *A Woman's Place is in the Boardroom*, Palgrave Macmillan, 2005; *A Woman's Place is in the Boardroom: The Roadmap*, Palgrave Macmillan, 2008.
5. *Not Just the Right Thing ... But the Bright Thing*, 2002.
6. *Girl Power: Female Participation in Top Management and Firm Quality,* 2008.
7. *The Bottom Line: Corporate Performance and Women's Representation on Boards*, 2007.
8. *Women Matter: Gender Diversity: A Corporate Performance Driver,* 2007.
9. *Women Matter 2: Female Leadership: A Competitive Edge for the Future*, 2008.
10. *Groundbreakers: Using the Strength of Women to Rebuild the World Economy*, Ernst & Young, 2009.
11. *Women in the Boardroom and their Impact on Governance and Performance*, 2009.
12. *McKinsey Global Survey results: Moving Women to the Top,* 2010.

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