

## The diversity challenge for boards

My 17 year old daughter, studying “A” level business asked me recently, “why don’t we see more woman in the top jobs in companies”?

I immediately challenged the observation by listing (to the best of my ability) a list of women in prominent positions mainly politicians or financial leaders in Europe and the leader of the IMF. She didn’t look impressed with my answer but luckily I was busy and she didn’t bring it up again.

However it did get the “little grey cells” thinking and reminded me of an FCA sponsored paper issued in November 2019: *Gender diversity in UK financial services*, which concluded that the trend for woman to gain senior management positions is upward but slow and starts from a very low base. Not the case for female non-executive director’s (NED’s) by the way, a sector where woman seem to be better represented.

With the FCA register showing 17% of approved persons are women, a figure almost stagnant since 2005 and which may take a dip as standard NED’s are removed from the register as a result of SM&CR, it is apparent there is a significant and questionable gap between the genders.

However, if you track the figure to businesses across the EU in all sectors, the percentage is almost identical, i.e. 17.6% of firms have woman executives of which 6.9% are the CEO. So maybe my daughter has a point.

So why is this, does it really matter, and what can the financial services (FS) sector do about it?

The FCA suggests that male dominated boards are more likely to take risk and have potential governance issues. So does this mean that creating a better “mix” at the top will temper the enthusiasm of what is perceived to be a mainly white old boys network?

The fact is, FS companies especially the large, established businesses across all sectors e.g. banking, insurance etc. are institutions, so institutionalised.

The institutional culture has, in a lot of cases, evolved over a couple of hundred years of seeing things and doing things in a certain way, which was dominated by males, e.g. banks having almost military structures. Look no further than the London insurance market and Lloyd's as a case study based on recent reporting.

A balanced career man, versus career woman workplace scenario is a relatively new phenomenon and that statement is not confined to financial services. The deep-seated prejudice towards female achievement is still prevalent in society today, subject to regional and social/economic factors.

In simple terms, society can drive down the potential of women or more to the current point, young women and girls to succeed. So the current imbalance in the board ratio is more likely a case of supply and demand, i.e. men are dominant in numbers and cultural acceptance and more woman need to put their hat in the ring to compete and change perceptions. It is and will remain unlikely that anyone is simply going to open the door and say "ladies first, after you". Women should feel confident that they can compete and business leaders need to create a positive open door environment, not in a mission statement but in observable and measurable actions.

A recent study showed that women are 20% less likely to apply for job vacancies than their male counterparts. However the study went on to say that women are 18% more likely to be hired or promoted than a man into a senior role.

But as mentioned earlier does the diversity balance matter? Well frankly, yes it does.

What boards really need is a balance of perspective, experience, commerciality, empathy etc. I learnt a long time ago that if you have an Ex Co. with 7 members who agree with the CEO constantly, you have 6 too many people at the table.

A mix in the team and I'm not talking professional mix e.g. accountancy, law, marketing etc. I mean people mix, reaps huge rewards if the leader is open and collaborative.

So what can we as an industry do? I have already shared the view that this is primarily society's issue, the way boys and girls are influenced in the home from an early age, the way the education system develops thinking and confidence in genders etc.

These factors and many more steer young people to seeing the world in a particular way and more importantly to this topic where they see themselves in that world.

Recruiting and nurturing talent early is critical. Major opportunities the financial services industry can embrace are apprenticeships. These schemes can take young men and woman and define careers. They can be instrumental in identifying and harnessing talent to build the leaders of tomorrow. Building a career, not just having a job, should be the motto.

The friction between the FCA and the regulated sectors around diversity is growing because the sectors are a) not appearing to be making appointments to balance the board and change the status quo and b) possibly more importantly, the lack of innovation and strategy to show how change will come.

No one wants positive discrimination, the industry want the best candidates for senior roles to deliver their strategy and those candidates will only come if firms begin to "home grow" talent early and throughout the life cycle of the staff member.

Firms need to think hard and produce a plan that will identify talent based on competencies and aptitude not just what degree a candidate may have. This thinking doesn't just apply to recruitment. Identifying talent across the organisation by ensuring meaningful development appraisals are in place for all staff, building individual career plans, supporting staff through in house or external development courses, including apprenticeships for longer serving team members, will demonstrate commitment to bringing diversity through succession planning.

So next time my daughter asks me about women in business and the apparent lack of women in senior roles, I will agree it's a situation that needs to change but business more than ever needs to be a meritocracy. So I will ask her "what are you going to do to be a part of future for woman in business and drive change"? I hope the opportunities are there if she takes the challenge, but that's up to the industry to sign post the path for a first step.

*Written by guest author Stuart Smith.*

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