



Gender diversity on boards

Submission to the Financial Reporting Council

Chartered Institute of Personnel and Development (CIPD)

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Background

1. The CIPD's primary purpose is to improve the standard of people management and development across the economy and help our individual members do a better job for themselves and their organisations. The Public Policy team at CIPD promotes an agenda for productive workplaces to boost economic performance and improve the quality of working life.
2. As Europe's leading professional body for those involved in the management and development of people, we are ideally placed to contribute to the development of public policy across the spectrum of workplace and employment issues.
3. We are able to draw on the experience and knowledge of our 135,000 members and our wide range of research to provide a pragmatic stance on public policy that is based on solid evidence and the real world.
4. Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

General comments

5. The CIPD is pleased to contribute views about proposed changes to the UK Corporate Governance Code. We support efforts to improve the diversity of talent at board level and urge the recommendations made in Lord Davies' report to be met in a timely way.
6. In our view the Code, appropriately further amended, could be highly influential in triggering faster change to the stubborn challenge of boardroom gender equality that persists in many highly developed economies across the globe.

7. We strongly agree with the FRC's concerns about the impact of low percentages of women directors on board effectiveness. CIPD research attests to the difficulties that have persisted around gender equality in the workplace, even in organisations that appear committed to addressing this issue. There is no 'quick-fix' solution, due to the number and complexity of factors that affect the issue. However, there are steps that organisations and the Government *can* take, and indeed that many *are* taking, to improve gender parity at all levels.
8. We particularly agree with the assertion that a distinct lack of gender diversity in the higher echelons of organisations displays a failure to make use of their full talent pool – specifically, a lack of effective talent development strategies. CIPD supports the use of mentoring and in-house coaching that supports talented women and helps them to realize their potential.
9. We do not support the imposition of quotas and would like to see boardroom gender equality developed through a voluntary approach rather than law. We support Lord Davies' recommendations and the proposed emendations to the UK Governance Code, and believe they will be a step in the right direction towards encouraging employers to improve their stance on diversity throughout their organisations.
10. CIPD research also indicates that a large number of women in senior positions report a lack of flexibility in working culture, to the extent that many choose to opt out of senior positions because they are incompatible with their lifestyles, particularly if they have caring responsibilities. CIPD supports the extension of the right to request flexible working to all employees to enable people to manage their work and home lives more effectively and productively.
11. We draw attention to our response to the Lord Davies review (attached), which includes references to various research evidencing our position on diversity and talent. Recent CIPD research shows that despite the impact of difficult financial times on training budgets, organisations are still eager to recruit new talent and develop their existing employees. The 'war for talent' is a continuing priority for businesses, and it is especially important

during challenging times that talent development strategies reflect the diverse range of people and skills available.

12. We run a quarterly network of senior managers from across all sectors and organisation sizes: our Senior Diversity Network meetings provide opportunities for information sharing and discussion of items on the diversity agenda. Our most recent meeting focused on the Lord Davies review and featured comprehensive discussion of the likely employer resistance factors to increasing diversity in their organisations, as well as what Government can do to support employer efforts. We would be happy to share more details with the Financial Reporting Council, or indeed have them represented at our next meeting.

Possible changes to the UK Corporate Governance Code

13. We broadly welcome and support the proposed amendments outlined in the consultation document at Appendix B. These embrace practical and relevant changes to speed up the achievement of a better gender balance at the top levels in business. If followed expeditiously they should help to demonstrate how progress can be made to gain traction *without* the imposition of quotas - which is a threatened EU intervention for member states if significant improvement is not otherwise achieved. The CIPD does not support quotas as a remedy, largely as this tends to attract skepticism and accusations of 'tokenism', which is a damaging perception to foster.
14. Regarding changes to Section 2 of the Code B2.4, we draw attention to a number of developments which will have a bearing on the proposed amendment. The CIPD is an active member of the steering group working on the new Voluntary Gender Equality Reporting approach, *Think, Act Report*. The new guidance, to be launched in September, will support voluntary and private sector organisations in tackling their gender pay gap and reporting on gender equality. We have also contributed views to associated Acas start-up guidance spearheaded by the Government Equalities Office. This voluntary initiative involves a range of stakeholders

including the CIPD, CBI, TUC and Acas, and covers gender pay and equality issues which are systemic to the progress of female talent.

15. We think the development of the proposed 'Headhunters' Code', a code of practice for headhunters working in the recruitment industry recommended by Lord Davies in his report, will help to inform activity in board-level appointments. Increased activity in addressing gender issues regarding the appointment of Non-Executive Directors will also have a positive impact on the supply of board-ready talent. It is important to recognise that improving board room diversity is dependent on activity beyond immediate board level appointments.
16. Regarding the proposed amendment to the supporting principles in Section 6, this change could help to focus attention on very important issues relating to the retention of board level talent. Attrition at this level is high and CIPD research on women in the boardroom explores the reasons for this. Our report *Women in the boardroom: A bird's eye view* found that many talented women leave corporate life because the requirements of a senior role are incompatible with their lifestyles – particularly if juggling work and caring responsibilities. Even at interviews for senior-level roles, women reported that their personal achievements were under-appreciated due to an over-arching focus on internal politics, which tended to favour male colleagues.
17. Furthermore, those who stay in their position often experience a distinct lack of flexibility, a 'glass cliff' (whereby they find they lack sufficient support after being promoted) or a lack of recognition for the way they add value in difficult circumstances. More curiosity about how board members work together will make for significantly improved understanding about the importance of inclusive personal behaviours.
18. The right personal behaviours at top organisational levels are crucial not only to effective top team performance but also to organisational performance as a whole. Top-level behaviours set the tone about the way things are done in organisations. Inclusive behavior at the top stimulates the development of inclusive cultures where all talent can flourish and add value.

19. Overall, we feel the proposed amendments to the Code will have an important impact on the way attention is given to the achievement of top team diversity. It will move rhetoric into action - action that will help organisations to achieve sustainable rather than fragile change and in ways that support business needs. It is clear that a change in attitudes and expectations of 'board level talent' needs to take place within some organisations, in addition to amends to the Corporate Governance Code, if there is to be any real progression in this area.
20. Finally, the CIPD believes there needs to be a greater push for more effective Human Capital Management reporting among FTSE 350 businesses and among other organisations. In the CIPD's view there is scope to further amend the code to encourage more meaningful public reporting of management information which can provide important data on issues such as diversity and inclusion, employee engagement and wellbeing and holistic risk management.

The timing of changes to the Code

21. Whilst the current uncertain landscape begs the question of when and how the FRC should act to take these forward, we strongly recommend against delay and in favour of implementation as soon as reasonably possible.
22. The Code should be made fit for purpose to address both immediate and longer term issues. In our view this can be done by making the Code embrace an expectation that organisations will be able to show they have researched and aimed to follow prevailing good practice in order to improve the gender balance of boards. Following relevant, up-to-date good practice is better than simply complying with basic legal expectations. Good practice evolves and updates, whereas legal obligations take longer to change. Employers should be encouraged to go beyond legal requirements, rather than regarding promoting diversity as a tick-box exercise.

23. Evidence shows that it is both sensible and desirable for organisations to progress diversity for good business reasons - as indeed alluded to in the revised version of the Code introduced last year. Our pragmatic approach to revising the Code will not only improve its shelf-life but also give organisations the flexibility to respond to this agenda in ways that are both transparent and contextually appropriate.
24. It makes no sense to hesitate or stagger changes to the Code to reflect anticipated regulatory provisions. Following good practice will put organisations 'ahead of the game' and arguably give them a competitive advantage over those who drag their feet. In today's 'war for talent', failing to act is fool-hardy. Such good practice activity will also help the UK Government to show how alternative public policy interventions can be designed to deliver desirable outcomes through voluntarism rather than law.

We hope these views are helpful and will be happy to discuss them further.