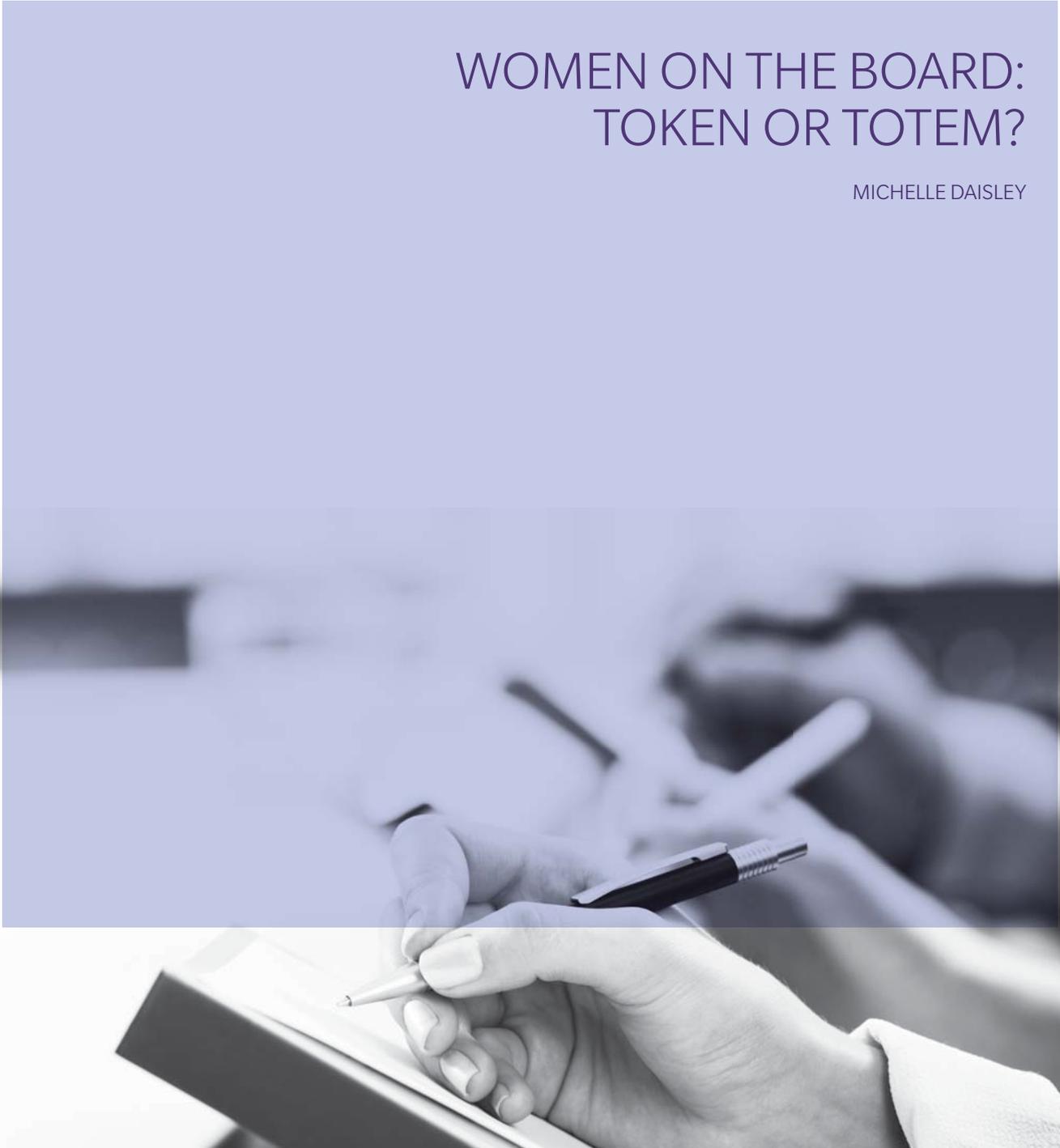


WOMEN IN FINANCIAL SERVICES

WOMEN ON THE BOARD: TOKEN OR TOTEM?

MICHELLE DAISLEY



The gender balance of Boards¹ has received much attention over recent years. Whether or not you agree with having quotas or targets for female Board members (and the jury is still out), they have clearly had an impact at major companies, including financial institutions. Our analysis of the Boards of over 150 of the world's leading financial services firms reveals that, on average, FS Boards were 20% female in 2013. This compares to 15% in 2008 and 12% in 2003. Only 14% of these Boards were entirely male in 2013, compared to 20% in 2008 and 29% in 2003.

"We've opened the lid on the cosy club"

Helena Morrissey, CEO Newton Asset Management and Founder of the 30% Club

To achieve this (and to avoid "tokenism"), corporations have needed to conduct more thorough and creative searches for credible female candidates. This has also had the benefit of increasing diversity in other respects – such as experience, skills and temperament – among male board members too.

This increased diversity has been particularly valuable for financial services, an industry where recent mistakes have been attributed to "groupthink", insufficient challenging of senior managers' ideas, and losing touch with customers.

"Companies are having to look further afield for competent female Board member candidates. These women, originally from non-FS industries, offer observations from different angles in the decision-making process, which can be really valuable"

Dame Clara Furse, Board member, Nomura Holdings, Member the Bank of England's Financial Policy Committee and former CEO of the LSE

However, as those efforts continue, the drive for diversity needs to be extended. We make four suggestions.

BROADEN THE IDEA OF DIVERSITY

Boards must continue to search for strong and diverse candidates. But diversity should not be understood simply as a matter of gender or race. Boards should be looking for candidates who have been successful in different fields and in different ways, going beyond those with the kind of corporate experience who now dominate boards. For example, they should look at entrepreneurs and at people who have held senior positions in the charity sector, trades unions or consumer associations.

"It's a question of looking at some of the non-typical paths to the Board, especially women and people with different backgrounds than the current norm for a board member. Boards should look at other professions such as the public and legal sectors, etc. where they could find more women"

Jane Fraser, CEO of Citi's U.S. Consumer and Commercial Banking and CitiMortgage

¹ The Board of Directors under unitary-board structures; Supervisory Boards under dual-board structures

2 EQUIP CHAIRS AND BOARDS TO MANAGE DIVERSE GROUPS

Board Chairs need to be aware of the changed dynamics. Studies have shown that diverse groups can be more effective but can also be more difficult to participate in and to manage. What is more, diverse groups are not automatically immune from the uniform responses and unconstructive interactions that can dog homogeneous Boards. A skilled Chair can allow even a traditional, all male group to interact constructively with minimal posturing or groupthink, while a diverse group will not rescue a poor Chair.

“Diversity is less comfortable for everybody. It’s more difficult, and that is one reason why it doesn’t “just happen”. You have to do things differently, and show a bit of empathy and imagination in dealing with other people. You cannot take things for granted in a mixed group, you have to work harder.”

Rachel Lomax, Board Member, HSBC and former Deputy Governor of the Bank of England

3 PUSH DIVERSITY INTO MANAGEMENT ROLES

The recent uptick in female non-executives at financial firms has not been mirrored at the executive level. In fact, our analysis of major global FS firms revealed no correlation between gender diversity in the Board and in the Executive Committee (or Managing Board), even when taking into account a 10 year time-lag. Female Non-Executive Directors can, and do, invest time and energy in improving gender diversity among the management of their institutions, mentoring and sponsoring high-potential women and acting as role models (or “totems²”). However it is difficult for them to significantly increase the “pipeline” of senior women executives on their own. Board members are unavoidably remote from day-to-day operations and from most employees. To drive diversity into their organization they must press senior executives to meet their targets.

² “Totems” are objects that are believed to have spiritual significance and that are adopted by groups as emblems. Here we use the term to refer to the way that female Board members are often emblematic role models for female employees

“At our Board, [the female Board Members] meet women in each office. They go around the world and these sessions are always packed. There is a real hunger for role models”

Jane Fraser, CEO of Citi’s U.S. Consumer and Commercial Banking and CitiMortgage

“Gender diversity needs to be incorporated across all levels and whilst the current emphasis at Board level is great news I’m slightly concerned that the momentum won’t extend further down the pipeline. Boosting awareness and participation at the top end would ideally have a knock on effect through the executive and management levels, but unfortunately we don’t see much evidence of this at the moment “

Helen Crofts, The-Women’s-Insurance-Net-Work (TWIN)

4 MEASURE AND PRESSURE

The success of the “Women on Boards” campaigns has been impressive, providing two valuable lessons for those tackling gender diversity lower down in the pyramid. It has demonstrated the merits of having clear and measurable goals, independent of any debate about quotas. And it has shown that scrutiny and pressure from investors and the media can galvanize effort. Given the increasing supply of talented and qualified women, a failure to increase the numbers of women in executive positions should be treated like any other kind of underperformance.

Women have been part of the work force in Western countries since World War II. But until the 1990s, women were typically expected to work only until they had children and hence to occupy only junior roles. These expectations are well and truly gone, yet women are still badly under-represented on the uppermost rungs of the corporate ladder. Campaigners and committed senior management need to keep pressing to achieve the diversity that (almost) everyone claims to seek.