

# Women and Equalities Committee

Oral evidence: [Women in executive management](#),  
HC 595

Wednesday 29 November 2017

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Members present: Mrs Maria Miller (Chair); Tonia Antoniazzi; Philip Davies; Kirstene Hair; Eddie Hughes; Mr Gavin Shuker; Tulip Siddiq.

Questions 1–47

## Witnesses

[I](#): Professor Ruth Sealy, University of Exeter Business School; Professor Sue Vinnicombe CBE, Cranfield School of Management; Denise Wilson OBE, Chief Executive Officer, Hampton-Alexander Review.

## Examination of witnesses

Witnesses: Professor Ruth Sealy, Professor Sue Vinnicombe CBE and Denise Wilson OBE.

**Q1 Chair:** Can I start by thanking you for joining us this morning for this one-off evidence session? Before I ask you to say your name and the organisation you are representing, I just wanted to remind people that this follows on from some work that our predecessor Committee was doing before the general election, following the important work of increased female representation in management, and particularly non-executive positions in the UK. We felt it was important to do a one-off session today following the publication of the up-to-date data from the Hampton-Alexander review. We are seeing this as a one-off session today but it may be that we want to do some further follow-up afterwards, so we are enormously grateful to you for coming in and sharing your expertise with us. We know that, if we want to know about these issues, we have the three best people in front of us to tell us. Could you just say your name and the organisation you represent?

**Professor Sealy:** I am Professor Ruth Sealy. I am at the University of Exeter Business School.

**Professor Vinnicombe:** I am Professor Susan Vinnicombe, professor of women in leadership at Cranfield University.

**Denise Wilson:** I am Denise Wilson, chief executive of the Hampton-Alexander review.

**Chair:** Thank you very much. You know the usual form; we will ask a series of questions. We are starting off with Eddie.

**Q2 Eddie Hughes:** Thank you and good morning. Do we have evidence of the effect on businesses of having more women in the boardroom and in executive management positions?

**Professor Vinnicombe:** If I may kick off, it is an interesting question. It is interesting in itself that there is a request for evidence for how women contribute. It is like men are the norm and we have to actually find the business case for women or ethnic minorities. That aside, there has been a huge stream of research on this, mainly correlational studies looking at the presence of women on corporate boards with financial performance, in terms of short-term return on investment, profits, longer-term investments, innovations—all sorts of different studies. It would be true to say, Ruth, that the results have been somewhat mixed, not very surprisingly, as many chairmen would say, because there are a zillion variables between women on the board and those kinds of outcomes.

This summer, though, Ruth and I led a study interviewing consultants who carry out board evaluations in the hope of getting a much more



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up-close look at the contributions that women make. Ruth, do you want to comment on that?

**Professor Sealy:** Going back to the academic evidence on the business case, as Sue said, there is a lot out there. It is very variable in quality. It is mainly correlational. There was, last year, a large meta-analysis to look at all of the academic literature in this field. It quite conclusively shows that there are links between diversity on boards and accounting returns, particularly also looking at the positive relation between the two primary responsibilities of the board, which are monitoring and strategy. These relations are stronger in countries where we have stronger shareholder representation and where we look at the knowledge and experience of each of those individuals. That was such a massive study, published in what is globally considered to be the best management journal, that we as academics feel that that has been put to bed now.

In terms of the study that Susan was referring to, we conducted interviews with the board evaluators, who were in a privileged position to spend a lot of time with chairs and directors, and observe boards. Some of those we were interviewing were very focused on the dynamics of boards and how they change when you have a more diverse group. They were really clear about the evidence of better discussions, better decision-making and better debate in groups where there was a critical mass of diversity.

Q3 **Eddie Hughes:** Sue, going back to your point that it seems to be the assumption that men on boards is fine and we have to prove that there is something, even if the impact was neutral, do you think it would still be appropriate to take that action? The case that we should be making is that we do not have to prove that it is better; if it is the same, it is still worth promoting women into those positions.

**Professor Sealy:** Yes, and it is important to remember that there is no counterpoint argument. There is no evidence that says that having an excess of men on boards is better.

**Denise Wilson:** It is about using the whole of the workforce as well. Perhaps to your point, there are very capable, talented women out there who are deserving of sitting on boards and in senior executive positions and who right now are not being picked. I would just add to the debate that, since 2011, there are an additional 600 women sitting on FTSE 350 boards who, without the initiatives and all the work that has gone on in the last few years, would still be waiting in the wings for their rightful place at the table. The role those women are now playing at that top table is starting to sell itself, and I spend a lot of time out with businesses and I do not hear so much anymore: "What is the business case?" or, "Why should we do this?"; what I hear now is, "How?". What businesses are struggling with is: "How do I do this and how do I make that change?", which is progress in itself.

Q4 **Eddie Hughes:** The BEIS Committee suggested that there is greater



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cognitive diversity in boards that have greater representation. Is that a fair point? Is that something that you would agree with?

**Professor Vinnicombe:** Yes, that is broadly right. The basic argument of having gender diversity on boards is that women bring very different experiences to the marketplace. When Denise and I worked with Lord Davies on the Davies review, it was very interesting that his review was published at the same time as Mothercare results came out, which were very poor that year. Mothercare, as the brand suggests, is absolutely intimately caught up with the women's marketplace and yet there were no women on the board. How can you run a company that does not represent the marketplace that it sells to?

**Denise Wilson:** You need to be slightly careful of making direct causal links. There is a correlation but there are a whole series of other very persuasive arguments, some of which we ran, about reflecting the employee base, the customer base, the competitive position of UK business and how it looks on the global scale in attracting global talent. There are many other persuasive arguments that you would put into that, as we as some really quite compelling evidence now around improved performance in terms of share price, safety and operational metrics from diverse teams in business as opposed to homogenous teams.

Q5 **Eddie Hughes:** Let us focus on the share price as an example, then. Do you think that that sort of evidence would mean that there would be a change in the culture in the boardroom that would welcome women into it because there is a change in behaviour, or do you think it is the fact that women manage to get in the room but then are expected to accept the male approach to doing business?

**Professor Sealy:** That comes down entirely to the chair of the board and how he—because it is 94% “he”—manages that. That is one of the arguments for critical mass: when you have only one or two different individuals, it is much harder for their voices to be heard.

Q6 **Eddie Hughes:** Is there resistance to a proactive approach to having women in the boardroom?

**Professor Vinnicombe:** It varies a lot. Denise is probably in the best position to speak to that. While we have made enormous progress over the past few years, and Denise has given you the numbers on the number of women who have joined FTSE boards, you should also know there is a massive variance across the FTSE boards. You have some of the best FTSE boards up at around about 50% women on their boards, but at the other end you have only a single woman or none.

**Eddie Hughes:** It seems crazy in this day and age that we could have six or seven with none.

**Denise Wilson:** If we put that quite simply and try to look for one reason, all our findings show that the leader matters, in terms of the will and attitude of the leader, and whether they get and understand this



topic and have the appetite to make change. On boards, that would typically be the chair but also obviously the nom-com and others who sit on that board. In an organisation, the voice and the support of the CEO and the senior leadership team matter hugely. Organisations tend to fall in behind the leader on these things, so putting some onus back on the senior leaders to make this change is pretty important.

**Q7** **Eddie Hughes:** I am a civil engineer by degree and worked in construction for a long time. I can understand that some construction companies might be late adopters but there are some other names in there of companies where I think, "Come on, it is the bloody 21st century".

**Denise Wilson:** Sector has proven, on boards and in the executive piece, not to matter hugely and not as much as people would think. We have sterling performers; we have leaders and laggards in every sector.

**Eddie Hughes:** We need to draw attention to those laggards.

**Q8** **Chair:** Where is the evidence that there has been a culture change rather than simply businesses playing the system? I do not know whether businesses would play the system. Some will not. Some really need female representation because of their markets. Is there clear evidence of a culture change, Sue?

**Professor Vinnicombe:** That is a very good question and it is quite a challenging one to answer. I am concerned that, in the UK, we chose to go down the business voluntary targets route, because we did not want to just increase the number of women on boards as other countries have done with quotas; we wanted to fundamentally change the culture. It is very timely now to ask ourselves how successful we have been at that. We know that we have very few women still moving into executive directorships—under 10% on the FTSE 100—so that has not been very successful.

Even among the NEDs, in our 10-year analysis this year, we shone a spotlight on the fact that even there the women are getting onto boards in NED positions but they are not getting the senior positions as senior independent director or as chair. Back in 2007, when only 15% of the NEDs on the FTSE 100 were women, 6% of those women held those two senior positions. Fast-forward to this year: 33% of NEDs on the FTSE 100 are now women—a fantastic increase—but only 8% have those senior positions. We have to ask ourselves why we are not making more progress and whether we have really changed the culture. Denise has much more contact with the chairs and the CEOs than Ruth and myself, and she will say that it varies.

**Denise Wilson:** It does vary. Going back to 2011, we had 152 all-male boards in the FTSE 350, and today we have 10. If you imagine the cultural change that has gone on in those boardrooms and how the debate, the dynamic and the behaviours would have been in those 140 that have turned over, we will have seen an enormous cultural shift



there. I sit on a board where I was the first woman in 250 years to sit on the insurance company board, and it certainly felt like that when I got there, and now there are four women on the board. If I look back over those seven years and the changing nature of the debate, the rigour, the detail and the challenge that comes, it is significantly different from the board that I joined in 2011. Several of the members are still on that same board.

**Professor Sealy:** One of the pieces of evidence around a shifting culture is that we forget that, seven years ago, discussions around targets were really quite taboo and not acceptable in organisations. Now, most of our large organisations have publicly declared diversity targets at various levels throughout their organisation. That is a significant change and that will affect the culture of an organisation, as well as other uses of new technology that innovative companies are bringing in: just little things like technology around who is speaking at meetings and who interrupts meetings, so that it is transparent for the board or the executive team to see. There are pieces of work done that mean, when performance reviews are done, a manager can see the gender breakdown of that. All of these little things that may not necessarily be visible to the public are culture shifts that just would not have been possible seven years ago. It is changing slowly, perhaps not as quickly as we would like, but it is changing.

**Denise Wilson:** It is not changing as quickly as any of us would like in this room. However, we need to be mindful that, if you are looking to change the demographic at the top of British business—and we are significantly changing it—it takes some time. If you ask a big organisation how long it takes them to put a new system in and embed it, they will say it takes six or seven years. This is about changing people, behaviours, the way they think and the way they interact and perform. We need to make sure we are on the right track but we need to give it a little more time.

Q9 **Tonia Antoniazzi:** Good morning. Has the adoption by the Hampton-Alexander review of “executive committee plus one” to represent senior management in FTSE 350 companies helped to clarify the definition of a senior leader more widely?

**Denise Wilson:** It has massively helped to clarify that. We have had a situation where the senior manager definition, which was a requirement in the statutory report of listed companies, was very open to interpretation. Whereas most companies would have made some public comment on that, it was up to each company to decide how to define that. Some would be talking about main board executives—maybe three or four people—and others would be talking about their wider senior manager population, going down to what we might call middle managers of several thousands. Apples and apples, being able to compare with one another, was almost impossible from those public disclosures.



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As of last year, we have clearly said, "This is the population we want to manage". Almost all, other than investment trusts, have executive committees. Almost all FTSE 350 companies have that structure or something very similar, with maybe a slightly different name, and the direct reports to that structure are obvious. When we sent out our request for data this year, we sent a seven-page clarification Q&A of how that population should be defined, who should be in and who should not, for example excluding temporary project managers, executive assistants or PAs, all of which crept unhelpfully into last year's data. This year, we have a much more robust, very clearly defined population. I am pretty confident about the reporting against that, which is important going forward because we have a solid base and foundation on which to measure.

**Q10 Tonia Antoniazzi:** Do you find that organisations are still coalescing around this definition or are a range of definitions being used?

**Denise Wilson:** As long as it hangs out there and is part of the statutory reporting requirements, I guess, to some extent, they will. That is not the data that we have received through the online portal; it is very much to the descriptor of "exec committee" and "direct reports". One of the opportunities that the FRC and the BEIS Department have is to clarify what is required by "senior manager", and either remove that term or state that the intention was for it to mean the exec committee and direct reports, which would be very helpful. Then we are all talking the same language with the same population.

**Q11 Tonia Antoniazzi:** What effect does the inclusion of data on the make-up of executive committees and direct reports in reporting for the Hampton-Alexander review have?

**Denise Wilson:** What is the progress?

**Tonia Antoniazzi:** Yes.

**Denise Wilson:** Progress year on year has been slow, to be fair. It has been very slow, but it has been a year of foundation-building and cleansing that data. For the first time ever, we now have gender data on arguably some of the most senior listed company private sector roles in British business. We have never had that before. We had to ask for that and it came voluntarily. All but 10 of the FTSE 350 provided us with that data, which is an astonishing return because it was a voluntary ask unlike the data that we have on women on boards, which is clearly publicly available data. That in itself is really good news.

In the UK, through the voluntary approach, we have gone further than any other country in the world in terms of scope—350 companies—and in terms of depth, i.e. not just the board but exec committees and direct reports, so three layers. There are not many countries around the world that have been that ambitious in the scope of capturing data and setting a target to change gender representation at the top. We are unique.



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Clearly, we have a very big challenge ahead and we have three years to do it. I do not think anybody can doubt our appetite and ambition on this task.

**Q12 Tulip Siddiq:** Good morning. My questions are around the target of 33%, which was adopted by the review. Is there a reason why it was not 50%? Do you think 33% is sufficient?

**Denise Wilson:** I will start with that. This is a journey. If we go back to 2011, I had spent my whole career—30 years—in corporate life, and this was a serious watercooler conversation, and a dangerous one to have. We have moved on very significantly. We started at 11% on boards and set a target for 2015 of 25% under the Davies review, which British business hit. The FTSE 100 hit that target. That set an expectation for business of what “good” looks like. For those who were not steeped in this subject and did not really know where they should be going, but knew they had to make progress and 10% or no women was clearly not good enough, it gave them something to aim for. Of course, targets are the language of business too so that was very helpful.

That was a very good stage. We were able to prove the voluntary model and the framework, and get all of our stakeholders on-side and pulling their weight against what was seen as a realistic target. It was a calculated target, so it was doubling the number of women on boards in that time. It has to be seen as realistic and achievable for business.

Moving on from that, clearly 25% is not gender parity and is not where we want it to end, so we recognised that there was a way to go. The next-stage achievable target was then seen to be 33%. There is also a lot of evidence to say that, when you have a third of any gender or people of difference in any team or group, that removes the tokenism and starts to improve all-round performance for everybody. We felt that was quite compelling.

Is that the endgame? I do not think that is the endgame. What does the next stage look like? I do not know. It is important to keep everybody focused on something right now that is realistic and achievable, to claim victory in 2020 and then start, a little bit before then, to think about what the next stage looks like. It could be 50% or it could just be gender balance. We do not need to be overly prescriptive on exactly 50%. At times, boards and organisations need to have the flexibility to slightly move up and down and manage their senior talent, so that might not always be achievable anyway. Is gender balance 33%? Probably not; it is probably more than that.

**Q13 Tulip Siddiq:** I understand you were trying to achieve a realistic target, and that is fine, but do you know of other businesses that had more ambitious targets?

**Denise Wilson:** Yes. We have encouraged many other businesses to set their own individual targets. The 33% target is for the index in the



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aggregate but many companies are already at and way above that. Through the Jayne-Anne Gadhia Treasury review and in other ways, organisations have put their own targets out there. That is to be encouraged. They clearly have to meet them as well, though.

**Q14 Tulip Siddiq:** Do you think the 33% target deterred other organisations from adopting more ambitious targets?

**Professor Vinnicombe:** No, I do not. We should not just sit here and assume that everyone will meet the 33%. I totally agree with Denise and Hampton-Alexander in enlarging the leadership space and the three levels. It is quite complicated, and the factors for the lack of women in leadership at those three levels are really quite different. The women on boards piece is arguably the easiest to manage because, on average, people sit on corporate boards for six years so we have this quite sophisticated model. You can move those numbers fairly quickly. As I have already mentioned this morning, the challenge there is for women to take up the senior positions. That has to be moved, with the help of the search firms and the existing chairmen, to really get those women into the senior positions.

It is very different at the executive committee level. The turnover is much lower than at the board or the direct reports; it is only around about 11%. The only way we are going to change that is, in the long term, working with talent directors inside companies to make sure that women are on the succession plans for those senior jobs and are moved in. It is a longer-term thing.

Having said that, we have pointed out on a couple of occasions that the majority of members on executive committees are functional heads. When we think about those functional areas—HR, law, marketing, strategy—women dominate a number of them. The fact that only 33% of those functional heads are held by women is disgraceful. That should be an easy one to go for. While we all agree that we would like to see women in the big jobs—CEO, CFO, COO—let us not forget that women are still not hitting the obvious leadership roles that they are in.

Then, with the direct reports to the ex-co, there is again a different situation. What has come out of Hampton-Alexander, which is worrying, is that there is a very high turnover there of 21% on average. When you unpick it by gender, as is probably not surprising to everyone in the room, it is much higher for women than men. In order to make that increase to 33%, we need to understand why so many women, in particular, are leaving at that level. There are different factors at the different levels so we should not assume that we are going to meet this 33%. As Denise has said, we have not really made much progress over the last year, so that should alert us to the real challenges ahead of us in the remaining few years.

**Q15 Eddie Hughes:** Can I just clarify something? The tenure for women when they get to those positions, on average, is less than for men. Is



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that what you are saying?

**Professor Vinnicombe:** Sorry, on the board, did you say?

**Eddie Hughes:** Yes, when they get there.

**Professor Vinnicombe:** No, sorry, I did not say the tenure. I said that, at the ex-co level, the turnover is much lower than on the board or the direct reports to it. There is less capacity to change that leadership.

**Chair:** You said there was a high turnover of women.

**Professor Vinnicombe:** In the direct reports.

**Professor Sealy:** We know that women moving up to executive committee level are much more likely to exit their organisation and go to another one to get that role. We know that the proportion of men being pulled up through their organisation into their executive committee is much higher.

**Professor Vinnicombe:** When we last looked at this a few years ago, 62% of the men sitting on FTSE 100 executive committees had been internally promoted compared to 48% of women, which is significantly different.

**Professor Sealy:** That means that we are not recognising the women within the organisation and that women, in order to get to that level, have to move organisations.

**Chair:** It tends to suggest that the culture change has not happened in a significant number of companies.

**Professor Vinnicombe:** Again, there is a variance there. I agree. I have been to visit one or two of the major companies and I am shocked at the lack of women being put on succession plans for those big jobs within their companies.

**Denise Wilson:** We now have a very solid database and we have all companies responding. I think the data that you were talking to was a few years ago, and it was not the whole FTSE 100 and the whole FTSE 350 that we have now. We have a much more sophisticated level of data on that and we will be able to track it better going forward. It might just be a little early to draw that conclusion.

Q16 **Chair:** What evidence do you have now that would differ from the evidence we have just heard?

**Denise Wilson:** We do not have any because this is the first year that we have collected evidence completely, so next year we will be able to look back and compare year on year.

**Professor Vinnicombe:** If I can just clarify, the evidence of promotion to ex-co was for the entire FTSE 100. It was three years ago. I would like to think that it has changed.



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**Q17 Tulip Siddiq:** In your opinion, do you think a change in legislation or a mandatory approach would improve the representation of women on decision making boards?

**Professor Sealy:** There are lots of debates, and obviously the three of us have all been involved for a number of years. Personally, I have never been decidedly one way or the other. Just continually looking at the evidence, it looks like the best way forward in the UK is the one that we are taking. It does not change the situation overnight but it brings in a real change that we can all believe in, which allows women to not feel that they are placed there for tokenistic reasons.

There are all sorts of arguments around whether we understand the real motivations, the legitimacy or the outcomes that we want from quotas. It seems to us that the targeted approach is absolutely making progress. The fact, as I mentioned earlier, that so many of these large organisations are now publicly stating targets for levels below the board is a very good thing. It may have worked in other countries but each culture is different. It seems at the moment that the voluntary business-led approach is the way forward for the UK.

**Professor Vinnicombe:** I will add one other point. We often dichotomise quotas and targets. Let us not make any mistake; in the UK we had, and still have, targets with very hard drivers. My point is that I am concerned about whether we will meet the targets set out by Hampton-Alexander. We in this country need many hard drivers behind it, and I know that this Committee has a role to play in that. That is what we need. We have to up the momentum. I am very pleased that there is a representative here from the FRC, because it also has a key role in setting out clearer guidelines and being more stringent in the demands for transparency in corporate governance.

**Denise Wilson:** Transparency matters hugely in these matters. As we saw with women on boards, we only published the rankings in 2014, so that was the first time that we disclosed the percentage of women by individual company. We saw that massively fuel progress in those 2014 and 2015 years. I have said that we have the most sophisticated approach and dataset of any country in the world and, for the first time this year, we have published the percentage of women in the combined executive committee and direct reports by individual company, ranked with a RAG status of red, amber and green as to how they are doing. We have made very clear those 10 companies that have chosen not to give us their data. This gets hugely picked up by the press, by investors and by search firms. Companies do not like to see themselves at number 99 in the 100 ranking, and all those very small things in aggregate drive quite significant progress.

**Q18 Tulip Siddiq:** There is clearly not enough progress, if we have not reached the situation in other countries that use quotas and have come to 50/50, such as the Scandinavian countries. You have said it is more about the culture but, Denise, do you not think a change in legislation



would get us up to that mark and make us compete with other countries? What is your reservation about it?

**Denise Wilson:** I agree that the number is very attractive: 39% or 40% of women on listed company boards is a very attractive percentage. We would all like to be there, and I expect in time that we will be there in the UK. However, we are not measuring apples with apples. Sweden's quoted index has 25 companies. If we took our 25 top performers of the FTSE 250 and the FTSE 100 companies, they would be at the top of the league. We would not be number six or seven in that league; we would be at the top of the league. France, which is at the top of the league with 39%, has 40 companies in its index.

We task hard. This is not a light, easy, soft target. It is very visible, very public and there for customers, employees, investors and everybody to see. We are across 350 companies and, if we can significantly shift the culture and the dial on women there, we need to sustain it. A voluntary regime sustains the progress far more than tick-box compliance. The last thing we want is a revolving door of women being chosen and appointed in, finding that the culture is not appropriate for them to fit or they are just there for tokenistic reasons and revolving out again. It will take us longer and it is a much harder route. We have had to work very hard to get to where we are.

Our understanding of the complex and compounding barriers that face women in the workplace is way beyond any other country. If you look at the amount of research that was published just in 2017, which is listed in the back of the report, there are 46—almost one a week—very credible pieces of research on women in UK business and globally. None of that was in existence. In aggregate, all these things together will create a much more sustainable position for UK business, albeit it will take us longer.

**Professor Sealy:** With the quotas that you are referring to in other countries, they are just looking at supervisory directors, i.e. just non-executive. They have a different format for boards—we have a unitary system here as opposed to their two-tier system—so, in those countries, they are not looking at the executive directors, the executive committee or the direct reports. As Denise was saying, we in the UK are taking a far more comprehensive approach to the whole thing, and not just trying to make it look pretty at the top.

Q19 **Mr Shuker:** That is really helpful. It is probably fair to say that the progress that we have made recently has been largely down to non-exec roles outstripping the performance of exec roles or CEOs. Does that matter?

**Professor Sealy:** As Susan alluded to earlier, that was always going to be the easier first step. From a decade of research previously, we had shown that we did not have a supply problem in the UK for non-executive women; we have a vast supply of hugely qualified women. That was



always going to be shifting the demand rather than the supply. The supply of executive female directors is not as strong, and we know that, but that has started to be worked on over the last few years. It was to be expected. It is not a bad thing that that is the way it started; you have to start somewhere.

**Q20 Mr Shuker:** Moving to a more philosophical question, does it matter that the way in which you might hit that one-third target is more skewed towards non-exec roles than exec ones, or should we aim to have a really balanced portfolio across those?

**Denise Wilson:** It is very important just to get women's voices at the top table and we should not underestimate the value of that. There is something quite peculiar about the structure of UK boards in that, predominantly, there are generally only two executive roles on that board and the other 10, 12 or 14 will be non-exec, so we are always going to make more progress there. You literally have only the CEO and the FD going who are execs.

Those are the two most senior, highest paid, most stressful roles in an organisation. If you have an organisation of 50,000 employees, you are talking about the top two roles. Of course, we would like to have seen much more progress there, and that is what we are all working towards: more women CEOs and FDs. But will they be the last place to fall over? I might expect that, just because of the seniority of those roles.

**Q21 Mr Shuker:** I do not want to put words into your mouth, but do you feel that we will have reached where we want to be when you start to see significant change at those most senior levels?

**Denise Wilson:** Absolutely.

**Professor Vinnicombe:** That is right. As you say, the first stage was getting women into NED positions. The next piece is that we should be seeing more of those women NEDs, because they have been on boards now for a number of years, in chairmanships, in senior independent positions, chairing up the committees on those boards. We will be looking at women chairing up committees next year.

We should also ask, at the executive committee levels, why there are not more women heading up the functional roles and why more of those women are not being internally promoted at the same rate as the men. That is not happening. Those two are the next quick wins. The bigger one, as Denise has just said, is seeing more women coming up to the really big executive directorship roles of CEO and FD.

**Q22 Mr Shuker:** There are 7% of companies now that have a female CEO. Have they done something extraordinary or is this just something that we would expect to happen in the context of there being a push in business?

**Denise Wilson:** Do you mean whether the women themselves are extraordinary?



**Mr Shuker:** The women are extraordinary, from those I have met.

**Denise Wilson:** They are, but there are many talented, capable women. If you looked across all the FTSE CEOs who are men, they would not all be in that extraordinary space. We are still seeing a higher bar for women to get into those roles, as we have seen in the past. We have interviewed all those female FTSE CEOs, and it is really encouraging that they have very naturally put together diverse teams. Without looking to have 50/50 or any particular gender representation, they have chosen who they thought was the best person to join their executive team, and they just happen to have chosen a very balanced selection of men and women.

That proves that the bias is clearly there, in that we choose our own. These CEOs will say that they were women who had probably been passed over by the organisation, perhaps by their predecessor, and were not going to get top roles, but a different lens, a different gender perspective, on their behaviours and their performance showed them to have different attributes. It is almost "beauty in the eye of the beholder". That is what is very good about getting more women onto a nominations committee and into doing the selection, because they see something different to a male lens.

Q23 **Mr Shuker:** Unless you are the founder and CEO, presumably you are selected by someone else to be the CEO. What are the determinants that make it more possible for the most senior person within the organisation to be a woman?

**Professor Vinnicombe:** It is interesting. As you pointed out, it is 7%, so we are talking about only six or seven women. Most of those women have moved to another organisation. This repeats Ruth's earlier observation; it is the same at CEO as we see at ex-co. We are in a position where women have to leave organisations in order to get those positions. We need to be very cognisant of that. Something is missing for talent development for women at those senior levels. If you look at where those women are CEOs, there is an alignment between the chairman and the composition of the board. We are seeing that they are moving to organisations where gender diversity is more a part of the culture.

Q24 **Mr Shuker:** I would like to turn to a slightly separate subject. On the issue of that one-third target, I forget which report we are talking about here but it seems as though, by 2020, we are on track for about a third of companies to be in that space. Do you feel that there might be a risk that the focus comes off it when we start meeting those targets in significant numbers? Do you feel, in a sense, that progress could plateau without a different set of interventions at that point?

**Professor Sealy:** We saw that after the Davies review, in as much as we had a really steep trajectory between 2011 and 2015 and hit the 25% target. Then, unfortunately, as you suggest, it plateaued the year after.



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That is to Sue's point that none of this will happen naturally. It needs to happen with focus from multiple stakeholders to address it, whether they be search firms, CEOs, the chairs, the investors, the regulators or Government. Everybody needs to put into this. There was a little lag after 2015, but it is beginning to pick up again now. I would not be surprised, should we manage to get towards that 33% target for 2020, if there is a little lag after that. As long as the general direction is going up, as Denise was saying, we will have a look and see what the next step is. None of this is rocket science. We are dealing with people, so it will not be a beautiful straight line.

**Q25 Mr Shuker:** Denise, you talked about action plans. How many of the businesses that you are dealing with have action plans in place? Are they measuring the right things? Are they pushing the right things? Do you feel like it is a well thought out area?

**Denise Wilson:** Those who are making progress or who have set ambitious targets absolutely have action plans in place. The lack of women at the top is now a mainstream business issue. If you are to address it, you need to treat it and deal with it as any other business issue, so you need your data to start with and then you need a very clear action plan. They need just one or two highly impactful initiatives. A whole scattergun range of things going on in an organisation is not very helpful, so a well-thought through and very targeted intervention in the action plan is important, as well as measuring and monitoring the data.

There are companies that are really not going anywhere on this, and I suspect they are talking about it but they have no action plan. They probably think they are doing good things, because there is a little bit of a conversation going on here and there. Unless you are robust, purposeful and intervening at every level in the organisation, and on the executive piece where selection decisions are made, the default is to the male bias. It takes a very robust and rigorous approach, and having a senior executive on the board responsible for the action plan, if not the CEO, regularly managing and monitoring, and getting this to be the language of the workplace are all really important things to drive progress.

**Q26 Mr Shuker:** You also said that the gap between those that are doing really well on this issue and those that are doing very little has never been more stark.

**Denise Wilson:** That is right.

**Mr Shuker:** What are the most common factors among those businesses that are the really poorly performing ones in this area? You said it was not sectoral.

**Denise Wilson:** It is not sector, no. I would go back to the leader. On boards and in the executive space, we have seen companies that have been meandering around 10% or 11% for some years, and then they



have a change of leader, a new CEO or a new chair, and things change very quickly. We have also seen some really strong performers in the early years that have had a change of leader and they have fallen back. There are not many, but there are one or two that have fallen back. When that senior voice has ambition and appetite around a particular topic, you will find that the organisation lines up very nicely behind them.

**Q27 Mr Shuker:** Why are shareholders or institutional investors not holding those individuals to account?

**Denise Wilson:** That is a great question. If there is one stakeholder community I would like to see doing more, it is the investors. Some investors are now performing very strongly in this and are very supportive, but it is only a handful or dozen maybe. It is not enough. I would like to see investors have the kind of rigour on gender representation that they have had on executive pay. If they were to do that, we could solve this problem very quickly, because their voice counts and they are in direct contact with the CEO and the senior management team at least once a year. As we know, they have a huge voice and influence.

**Q28 Mr Shuker:** In your report, you talked about a greater push being required if we are going to hit the 2020 target. What do you practically envisage when you talk about a "greater push"?

**Denise Wilson:** What I mean by that is much more aggressive appointments of women, taking more risks.

**Eddie Hughes:** Sorry, taking more risks?

**Denise Wilson:** Yes, taking more risks with women.

**Q29 Eddie Hughes:** Do they think it is a risk?

**Denise Wilson:** It is perceived as a bigger risk to appoint women than it is to appoint men.

**Chair:** It is a risk for men if they are worried about the fact that the women might be better.

**Q30 Mr Shuker:** Yes. Just practically on that, does that mean perhaps promoting someone with less perceived experience?

**Professor Vinnicombe:** It is not less; it is often different. One of the studies we did a few years ago at Cranfield was very interesting, looking at the backgrounds of the new female directors compared to the new male directors on FTSE 100 boards. Women were much more likely to have multiple sector experience. I thought that was very surprising. I thought it was a very positive finding because, in my mind, coming on to a board with such a broad base of experience would be seen as very attractive. However, I was quite wrong; this is seen as, "Well, she is not entirely corporate. She does not have that depth of corporate experience that many of the men have".



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In answer to your question, it is very granular. We have to work with lots of different stakeholders. Denise has mentioned the investors and I totally agree. I worked in the States for three years. The US is lagging behind us, but the one big active stakeholder group is the investors. We have to go back and work with the search firms. Denise led a very important initiative with the search firms under the Davies review, in terms of getting them on board and really working with us.

We have to do the same, in terms of not only getting women on to the board but getting them into these senior positions. They are involved in chairmanship appointments. We must make the point that we have to see women there. We need to have firmer requirements on the corporate governance front. That is where the FRC comes in. There are many different stakeholders. As Denise has pointed out, there is lots of spotlighting on this area and there have been lots of reports out, so there is a lot of evidence out there, but we need to really work with our stakeholders.

**Professor Sealy:** The board evaluators are an important stakeholder group here, which thus far has not been involved.

**Chair:** We are just about to come on to that.

**Denise Wilson:** The gender pay gap piece will hugely help representation of women, because that is very much what the gender pay gap is exposing: the different representation of men and women at the top of the organisation. We hope that that will fuel more appointments to go to women.

Q31 **Chair:** Before we move on to that particular issue, can I just call this out, Denise, in terms of saying that women still have a higher bar to clear to become a CEO? If we said that about any other thing, we would be horrified and we would be calling for immediate change. If we were to say that the bar was higher for a woman than it was for a man to become a student at a university, to become a doctor or to become a Member of Parliament, there would be immediate action. Yet, quite coolly, Denise, you sit there and say that is the case. Why are you still pussyfooting around saying that we do not need urgent change here? British productivity is suffering because we are not using the best people for the job.

**Denise Wilson:** We need urgent change here, and that is what the work of the review is about. We are very well placed to see progress pick up over the next two or three years. We have been building foundations. This is only the second year that we have been working in that executive space. This is about changing mindsets of people in organisations. I fundamentally believe that the best way to do that is to educate. We have seen a huge number of leaders change their views on this topic and really get behind it. We need more to be doing that.

Q32 **Chair:** Can I just correct you there? You have seen a great change in a



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third of FTSE 100 firms, but in two-thirds you have not seen much change. We are having impact, but we are only having impact where it is convenient. We are not having impact elsewhere. Do you not think that British productivity would be improved if we were using better people to lead our businesses, rather than potentially continuing to use the people who just happen to tick the boxes?

**Denise Wilson:** Of course, and that is what I work every day for. It is about how we achieve that. A third of them are already there and another third are well on their way. They are on a journey and they are well on their way to making progress. We have a third that are not paying attention.

Q33 **Chair:** So you are agreeing with the premise that British productivity is being affected by businesses' attitudes towards women. Sue, are you?

**Denise Wilson:** Yes, of course.

**Professor Vinnicombe:** Yes. I am very interested by you calling it out. A parallel issue that I have observed over the last few years is education. Girls have outperformed boys at every level of education. This has greatly worried the UK, so what we have done is change the assessment system until, hooray, in 2017, finally boys have done better than girls. We know girls are better at doing continual assessments. You knock that out of the system and bring down the obstacles for boys, so boys do better. It really concerns me that we do not seem to see the parallels in leadership in society in the UK. We see what the obstacles are and we say, "Let us just change them". Never mind changing the mindsets; let us change the practices like we have done in education so that the boys now just get assessed on exams, just like girls. We know girls are not as good at that, so they do not do as well, so thereby you narrow the gap. This is what we have to see now in leadership.

**Professor Sealy:** The group that really needs to get active on this is the investors because, as Sir Philip Hampton was saying the other day, if organisations talk about being meritocratic and say, "Yes, we are doing the right thing," but they still have a predominance of men in leadership, either their judgment or their processes are wrong, or certainly questionable. Therefore, why would you invest in that organisation? That is a group that really needs to take action.

Q34 **Mr Shuker:** With respect, you just made an incredibly impassioned argument for mandatory change rather than voluntarily change, which would characterise the kind of targets regime we have at the moment. Do you find yourself biting back your true desire?

**Professor Vinnicombe:** Yes, to go back to my passion, it is very challenging, as Denise has said. We have taken on a huge leadership space. It is much more granular. We really have to drill down. Never mind changing attitudes; we really have to change the practices so that we take away those real challenges.



**Professor Sealy:** The targets that some of the organisations are using is one way of doing that, because that forces them to look at their processes and really make sure that they are gender fair.

**Denise Wilson:** Exactly. It is about creating change throughout the organisation as opposed to a compliance tick-box, which will get businesses stepping away from the table in terms of hearts and minds but complying in terms of the number of women who sit around that table. We might need to go there in a year or two's time or in 2020, but I would like to think that we can give business a chance on the executive committee and the direct reports. This is only our second year of a five-year programme. If we are in the same position in 2020, business deserves to get quotas.

Fundamentally, most women I speak to do not want legislation and do not want quotas; they want to be appointed there because they have been chosen for the skills and abilities that they bring, and I think we will see a group of leaders step away from this initiative. They will of course comply, but not with hearts and minds.

Q35 **Mr Shuker:** What would be the threshold at which there should be Government action to mandate this change?

**Denise Wilson:** If we do not hit 33% by 2020, we should be pushing seriously for doing that. The diversity group that BEIS, Margot and the Government Equalities Office are pulling together is looking at where we should be post-2020. It is a group around what the strategy is for UK business on diversity as a whole after that.

Q36 **Chair:** We will come on to that in a moment. Before we do that, Sue and Ruth, you have both recommended that the board evaluation industry adopt minimum standards on diversity, dynamics, culture, behaviour, feedback and the talent pipeline. What is the evidence that these standards are not currently being met and why have you not recommended a compulsory code of conduct, given the evidence that you have on the importance of the role of the board evaluator?

**Professor Sealy:** It is important to say that that was a first study and not a huge study. I would be wary about making very big recommendations on a small data sample. It was a very important first study because the evaluators we were interviewing were some of the largest in terms of the number of boards that they are evaluating.

In terms of the recommendation about a code of conduct, it is still a very young industry. Board evaluation has been around for just over a decade and it has been in the code of governance for only a few years. There are some key players, and then there is what we call a long tail: a large number of individuals or firms that are just doing one or two evaluations. It is a young industry. By necessity, it started out by looking at process and procedure, and now we are at a point where that is a necessary but not sufficient part of board evaluation. The best practice is going towards



the more behaviourally-focused, relationship-based group dynamic type of review.

It is important that we encourage board evaluators to move in that direction, and there are some extremely good evaluations going on with some very good firms doing some very good work. There are others that need to catch up, hence the recommendation that they bring in a code of conduct that is appropriate for them and looks at all the points that we considered in the report.

**Professor Vinnicombe:** What struck me in the report was the sheer variance in how these reviews were undertaken. Those that fell into what Ruth calls the behavioural ones were extremely thorough, had a very good expert outside eye on the dynamics of the board, had very strong views and strong evidence of how diversity enhances dynamics, effectiveness and performance on the board, and have a real opportunity to influence greater diversity on the board. I was struck that there is no guidance on what chairmen need do with these recommendations, the better ones. Sir Philip Hampton always summarises the key issues that come up in these reviews, and addresses and publicises what he, as chairman of GSK, has actually done.

This does not happen in many of the board reviews and it is something that the FRC needs to look at. We, as university professors, are not really in a position to recommend what the FRC should change, but I am very delighted that there is a representative from the FRC here today and we are talking about doing further work together, because that is a very obvious channel for change.

**Chair:** That is really helpful.

Q37 **Eddie Hughes:** The Government Equalities Office's annual report and accounts cites an increase in the percentage of FTSE 350 board positions held by women and FTSE 100 for senior executives. What action have the Government taken, other than setting up the Hampton-Alexander review, that has contributed to that?

**Professor Sealy:** The Government Equalities Office has been a long-term supporter of the Female FTSE reports. It has been sponsoring them for more than 15 years.

Q38 **Eddie Hughes:** In concrete terms, what has their support looked like?

**Professor Vinnicombe:** Other things have happened. Denise and I sat on the Davies review, and the Government played a key role at the time. The Prime Minister would write to companies and underline the importance of having women on boards. There used to be various receptions, again held by the Government, to introduce chairmen and CEOs to potential talented women for boards. The Government had quite a key role. Of course, I appreciate that things have really changed in Government in the last two years and there have been many other



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distractions going on but the Government played a very active role, don't you think?

**Denise Wilson:** Absolutely. It is really important for us to have the support of both the Government Equalities Office and BEIS. From the Government Equalities Office, the gender pay gap reporting will in time fuel progress for gender representation in the executive positions and on boards. Shared parental leave has had perhaps not the start we would like to have seen, but there has been some progress there.

Q39 **Eddie Hughes:** The take-up has not been great. Has the promotion of it been adequate?

**Denise Wilson:** Yes, the promotion has been adequate. The shame with shared parental leave, unlike in some other countries, is that there is not really an incentive for men to take it up. It would have been great if we could have created that. We are where we are. We are, though, seeing businesses starting to look at how they can offer more than just the two weeks' paternity parental leave. In the next year or two, we have a big opportunity through Hampton-Alexander to encourage that, because more men taking parental leave, not only because of the obvious effects that that has on society, family and the burden on women, will make the choosing decision much more on an even playing field. When a middle manager is looking down at a 30-year-old male and female in his team and who gets the promotion, he will be looking at them with an equal lens if there is the same expectation that men and women could take parental leave. We do not have that right now.

**Professor Sealy:** It is important that fathers are offered the same benefits on paternal leave as mothers are and that organisations are promoting that. Some organisations, for example Aviva, recently announced that that will be the case. It is unreasonable that they are not the same.

Q40 **Eddie Hughes:** What other further action, not just on that issue, would you suggest that the Government should take, if anything?

**Denise Wilson:** Visibility of Ministers is important on this.

**Professor Sealy:** Vince Cable was extremely active in that field for the women on boards.

**Denise Wilson:** We have really great support and visibility from Anne Milton and Margot James. It would be great to see that from a wider group of Ministers: other Cabinet Ministers and the Secretary of State. It is really important to have all their voices together. While we hugely value the support we get, more of it would be even better.

Q41 **Eddie Hughes:** Would that be from a legislative point of view rather than just from a moral perspective?



**Denise Wilson:** It is about more moral visibility and campaigning, talking about the benefits to British business and society of using the whole of our talent pool, and saying that on big global stages and whenever there is the opportunity, not just at gender-specific events. There is an opportunity to weave the equality of women in the workplace into many more areas than we currently see.

**Q42 Eddie Hughes:** The Business Minister that we mentioned, Margot, has told us that the diversity and inclusion ministerial group draws its members from the Hampton-Alexander review, among others. What engagement do you have with this group? Do you believe that it will help to encourage implementation of the review's recommendations?

**Denise Wilson:** We have had only one meeting so far. I am an attendee along with Sir Philip Hampton, the chair, at that meeting, as are the Women's Business Council, the review chair of the finance charter, and several other representatives around race and ethnicity, such as John Parker on race for boards, and race in the workplace with Ruby McGregor-Smith. We sit as part of that senior team, sharing what is working, what is not working, where we need to make more progress and up the focus, and the role that Ministers can play for us.

Importantly, as I mentioned earlier, we look at what the forward strategy might look like. How do we bring the work of the reviews more closely together? What does it look like as we move out next year and the year after, approaching 2020, in terms of businesses' lens on the various reviews in the workplace that are going on? How do we join that up better? How do we talk about each other's work? It is not necessarily about joining the reviews together at this point, but about how we support one another. That is a big opportunity for us going forward next year. This group that Margot has set up very much has that purpose in mind.

**Q43 Eddie Hughes:** Will there be actions coming from that? Will it be prescriptive or suggestive?

**Denise Wilson:** Yes. I took away an action from the last one, which was to come up with an infographic that showed, through a business lens, what the various reviews are. It can be quite a confusing piece for them, seeing it from their end. How do we quite simply explain the purpose and the intent of the various Government reviews that will be replicated in other people's reports? That is a very small start, but we will have much more opportunity there next year.

**Q44 Eddie Hughes:** Will that group have the opportunity to strong-arm some of those other Ministers you were talking about, in terms of raising the profile and getting everybody else to the same level as Vince?

**Denise Wilson:** I would like to think so, yes. I would not underestimate the support that we have from the two Ministers, Anne Milton and Margot James. It is phenomenal, and their ambition and appetite for this topic is huge, so that is really welcome. There is an opportunity to bring in



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broader Ministers, and that will be their role to do that. Clearly we have an open voice at that table to ask for that.

**Eddie Hughes:** Good luck.

Q45 **Chair:** Our Committee has quite a unique position in holding the Government to account on the progress they are making in a huge number of areas, and this is one of them. What do you think the Committee could do to help the work that you are doing across the board?

**Professor Sealy:** As an academic, I would say fund some more research.

**Chair:** We have no money. We only have influence. Research is important.

**Professor Sealy:** You have a voice that needs to be heard frequently. We all agree that one thing that was very successful about the Lord Davies review was this constant drumbeat of data, voices and the different stakeholders pushing in the same direction. To some extent, for obvious reasons, that has quietened down a bit over the last couple of years. If we could get it back to the noise levels that were there before, that would be really helpful.

**Chair:** Sorry, what are the obvious reasons that the drumbeat has changed?

**Professor Sealy:** The Government have other priorities at the moment.

**Chair:** Do you mean that exiting the EU is drowning it out?

**Professor Sealy:** I do.

Q46 **Chair:** Okay. Sorry, I interrupted you when you said "research". What research, in addition to that which is already happening, do you think needs to happen?

**Professor Vinnicombe:** One particular piece that I was discussing with Sir Philip Hampton recently is the direct reports to the ex-co. There is a huge attrition rate: the average is 21%. If you unpick it for men and women, it is 24% for women, which is extremely high. Search firms believe that the women are leaving because they can go and get NEDs on FTSE companies. That has not been our research experience when we have looked at this in the past. It is quite an urgent piece of research to do because it is addressing one of the myths. I do not think that is the case. Women are leaving in their droves because of the culture. They do not see the opportunities. We have talked about how women have to leave at those senior levels to get the kind of leadership positions that they want. They also find those jobs unattractive.

Added to the parental leave, there is an urgent need to restructure jobs. I do not understand why we do not have more job-sharing at these top leadership levels. That would be very attractive to both men and women.



That is an urgent piece of research in terms of why we are losing our women at that level.

Q47 **Chair:** Brilliant. Are there any other things that the Committee could be doing other than augmenting your drumbeat and advocating for research?

**Denise Wilson:** The visibility issue is huge. I am starting to see quite a lot of impatience among stakeholders, both business and women, in terms of businesses that are finding it hard and women who are questioning the progress. That is a good thing. It would be very helpful for this Committee to replicate that impatience that we are seeing around progress.

I would like, in statutory disclosures, to see reference to the Hampton-Alexander review and the 33% being explained more clearly. That is a role across the FRC and the BEIS Department. We know that, when companies are required to make specific disclosures, it goes to the top table and the board, everybody sees it and then there starts to be action. At the moment, the language used around disclosures on gender is quite vague. If I had a magic wand and a wish, I would like it to be quite specific. In the UK, the Hampton-Alexander review and the 33% target is what we are all working towards. I would like to see that, where appropriate, more clearly articulated.

**Chair:** That is really helpful. I cannot thank you enough for the time that you have taken to come here today, and I know the preparation that would have been required for you to do so. You have given us a great deal of food for thought here. Thank you for all the work that you are doing in this area. It is clearly huge and ongoing. On behalf of the whole Committee, thank you for your time today.