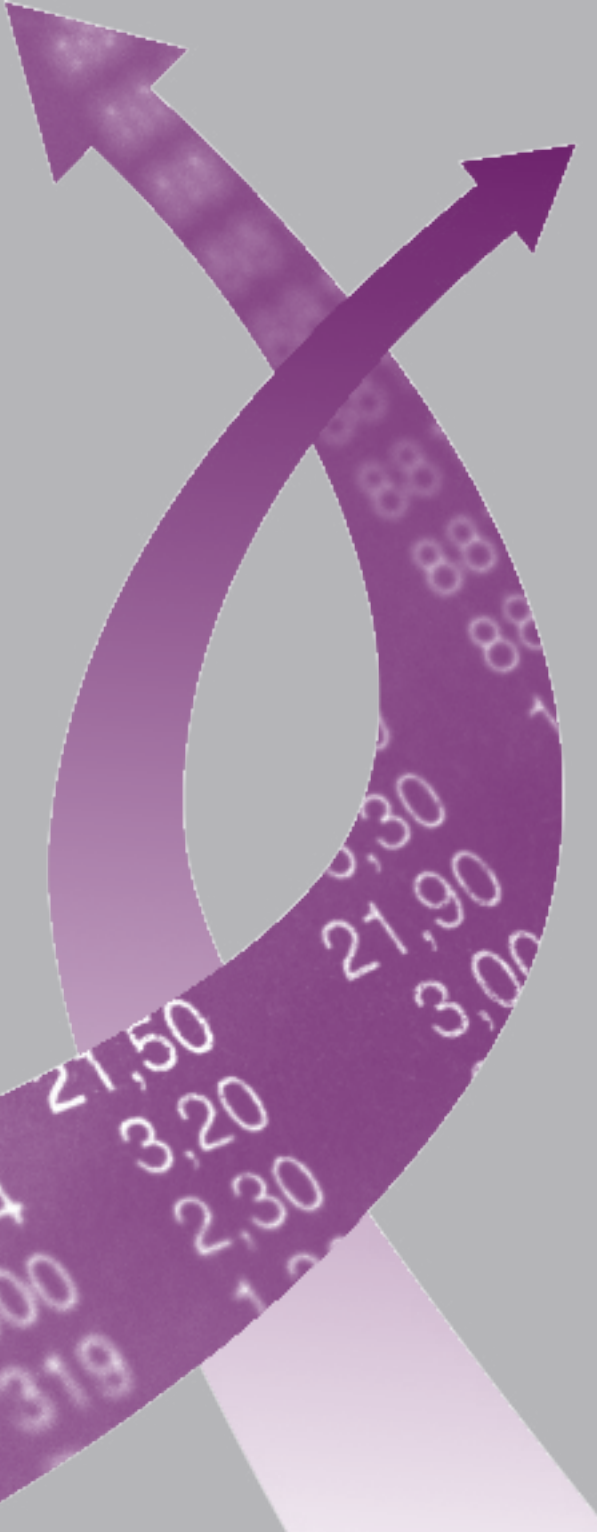


# Route to the Top



What does it  
take for women  
to get on to  
FTSE100 boards?

Dr Elisabeth Marx

To answer this question we analysed the profiles of female board directors in the FTSE100. Our findings reveal a group of women with unique characteristics.

According to the well-established Cranfield University research on FTSE100 boards<sup>1</sup>, women make up only 11.7% of board directors, which is a small improvement from the 6.9% ten years ago. To understand this lack of progress in British boardrooms, we have also analysed the composition of FTSE100 nomination committees.

We suggest a three-pronged attack to address the shortage of female board members, with specific recommendations for women, the nomination committees and executive search consultancies.

## Objectives

The specific objectives of the study were to:

- Understand the typical profile of a FTSE100 female board director.
- Investigate the profile of the younger generation of board directors: what does the new generation of board directors look like?
- Analyse whether the composition of nomination committees differs between boards with female board directors and those that have none.
- Generate empirically based recommendations for female executives on how to achieve a board position, and for nomination committees and search consultancies on how to address gender imbalances at board level.

## Methodology

We used the FTSE100 Index of January 2009 and a combination of BoardEx, Heidrick & Struggles' proprietary database, and the Internet to gather data. Prestige educational background was assessed on the basis of a degree from Oxford/Cambridge in the UK, the Ivy League universities in the US and the Grandes Écoles in France. We used the 2008 *Financial Times* Global MBA Rankings (top ten institutions) to assess prestigious MBA background<sup>2</sup>.

## What is the typical profile of a FTSE100 female board director?

### Board roles

The total number of women on FTSE100 boards is 116, of which only eighteen hold executive board positions, ranging from CEO and finance director to business development director. As we know from the Cranfield research, the majority of women hold non-executive director board positions (*figure 1*).

Only three women have both an executive and a non-executive director role in the FTSE100. Cynthia Carroll – CEO of Anglo American and Non-Executive Director of BP; Rona Fairhead – Executive Director of Pearson and Non-Executive Director of HSBC, and Dorothy Thompson – CEO of Drax Group and Non-Executive Director of Johnson Matthey.

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<sup>1</sup> *The Female FTSE Report 2008: a Decade of Delay* by Ruth Sealy, Prof. Susan Vinnicombe, Dr Val Singh (International Centre for Women Leaders, Cranfield School of Management. 2008)

<sup>2</sup> [www.ft.com/businesseducation](http://www.ft.com/businesseducation)

figure 1

### Board roles

(female board roles in FTSE100 companies)



figure 2

### Nationality

(nationality of female board members in FTSE100 companies)



## Nationality

44% of the FTSE100 female board directors are foreign-born, reflecting the trend toward more international boardrooms (figure 2). Of these, 25% are American and the rest of the nationalities are evenly split, comprising thirteen other nationalities.

## Education

- More than two-thirds of the women (68%) have an advanced degree (figure 3).
- And the type of degree matters, with almost half of female board directors earning a degree from a prestigious university (48%).
- The trend toward more international boards is further illustrated by education, with almost one in every five women earning a degree abroad (18%).

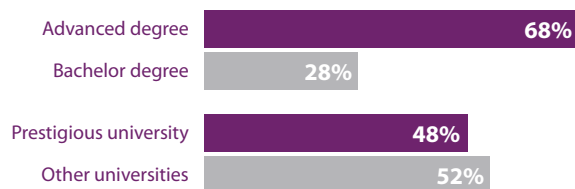
A case in point are the five French female board directors, of whom three have a degree from the Grandes Écoles (Anne Le Lorier, Non-Executive Director at British Energy; Laurence Danon, Non-

Executive Director at Diageo and Experian, and Anne Lauvergeon, Non-Executive Director at Vodafone). Of the remaining two, one attended the top-ranked Columbia University MBA programme as well as the Sorbonne (Agnès Touraine, Non-Executive Director at Cable & Wireless).

figure 3

### Education

(educational background of FTSE100 female board members)



## What differentiates British from non-British female board members?

The key difference is that foreign-born female board directors are more likely to have an advanced degree, particularly an MBA (figure 4).

- 83% of non-British female directors have an advanced degree, compared to 55% of British.
- 50% of non-British directors have an MBA, compared to 17% of the British.

figure 4

### Education of British versus non-British female board directors

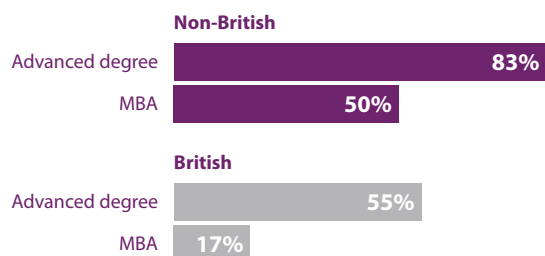
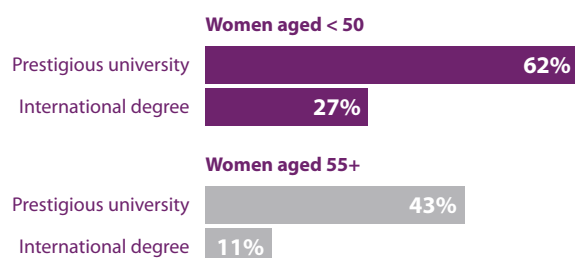


figure 5

### The generation effect

(educational background of female FTSE100 board members according to age)



*“women who currently sit on FTSE100 boards are characterised by advanced degrees and degrees from prestigious universities”*

## The generation effect: is there a ‘new’ generation of female board directors?

We investigated whether there are generational differences between the 32 female board members who are below the age of 50, and the 57 women who are age 55 and above. The findings show that the education trend toward attending prestigious universities and seeking education abroad is even more pronounced in the younger generation (figure 5):

- The average age of FTSE100 women is nearly 54 years, even when adjusted for the anomalously young Martha Lane Fox, who is a Non-Executive Director at Marks & Spencer at the age of only 35.
- 62% of the younger women have attended prestigious universities, compared to 43% in the higher age bracket.
- Nearly 30% of the younger women have completed a degree abroad, compared to only 11% of the women in the higher age bracket.

- 72% of the younger women have an advanced degree, compared to 68% of the women in the higher age bracket.

An interesting finding is that 31% of the younger women are executive board directors, compared to only 4% of the women aged 55 and above. The younger generation of women is also more “home-grown”, with 77% British nationals.

## Nomination committees

One of the questions that arose is whether the nomination committees of FTSE100 boards which include female board members differ from the nomination committees of boards that include no women.

There has been little research on this topic and it is an obvious question to ask, given the strong influence that the nomination committee has on the composition of the board. We found key differences in the size of the board and the size of the nomination committee:

- The average size of boards with female board directors is 11.4 compared to 9.3 for all male boards (*figure 6*). Board size in the FTSE100 varies enormously, with companies such as Autonomy Corporation having only six members on board, and companies such as WPP, SABMiller, Barclays and Royal Bank of Scotland having fifteen or more members. HSBC has the largest board, with twenty members, of whom three are female.
- The average size of boards with three or more female board directors is even larger, at 12.5, and this trend is reflected in the percentage of females: 24% on boards with three or more

women and only 14.5% on boards with less than three women (excluding all-male boards).

- The average size of the nomination committee for companies with female board directors is 5 compared to 4.2 for all male boards (*figure 7*).
- The average size of the nomination committee for companies with three or more female board members is even larger, at 5.4 with a high representation of females: 30% on boards with three or more women and only 16.4% on boards with less than three women.
- Of all the female board members on the FTSE100, almost 50% are on the nomination committee. The percentage of females on the nomination committees of boards is 16%, which is higher than the overall female representation on FTSE100 boards (11.7% according to the Cranfield University *Female FTSE Report 2008*).

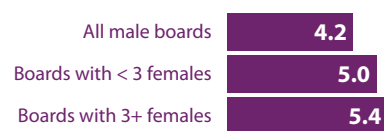
*figure 6*

### Average size of the board



*figure 7*

### Average size of the nomination committee



*“the study raises the question as to whether we need more sophisticated and empirically-founded guidelines for the composition of nomination committees”*

## Recommendations for women

Women who currently sit on FTSE100 boards are high-achievers and inspirational role models. They are characterised by advanced degrees and degrees from prestigious universities, and more than 40% of FTSE100 female directors are non-British. Our findings suggest clear educational pointers to the next generation of female board members.

Women who do not possess these characteristics need to think about how to quantify and present their professional experience in equivalent ways. Nomination committees and executive search consultants are likely to be particularly interested in women with:

- Executive committee involvement, or participation at the executive functional or regional committee level, whether in full-time roles or strategic projects.
- International work experience and business knowledge of specific countries or regions.
- Rare specialist knowledge that is relevant to specific industry sectors or functions.
- Formal networks, prestigious memberships, as well as external recognition or awards.

## Recommendations for nomination committees

Our study indicates that boards with three or more women also have greater female representation on the nomination committee. This is a positive finding as women are in a position to influence board composition and to increase the diversity of boards in the long-term.

Based on our research, we would recommend that nomination committees not only appoint women to the board, but also ensure their membership on the committee.

Our research also indicates that nomination committees that have female members are on average larger. The study raises the question as to whether we need more sophisticated and empirically-founded guidelines for the composition of nomination committees.

## Recommendations for executive search consultants

Executive search consultants need to be more proactive about building talent banks of board-ready women and finding high-achievers, particularly those who do not yet sit on a board and who do not have the easily identifiable characteristics of advanced or elite education.

In direct response to the criticism that executive search consultants have not been sufficiently proactive in broadening the talent pool of female board members, Heidrick & Struggles has instituted a number of strategic initiatives to identify and network with potential female board members, and to shape the global board talent strategy:

- Development of a 'Board Diversity Talent Bank': our board team systematically identifies and assesses the top 5% of executives, especially those with international credentials, focusing on gender diversity.
- We regularly publish research on board level trends and aim to establish the business case for diversity. Elisabeth Marx revealed more than ten years ago that the 'Most Admired Companies' in the UK<sup>3</sup> have more diverse boards, both in terms of gender as well as functional and international experience.
- We hold regular 'Women of Influence' breakfasts, enabling senior women, particularly those working in traditionally less diverse industries, to discuss their career development in an informal, private setting.
- We have partnered with a number of organisations to formulate board talent strategy and encourage networking at the highest level: we are a strategic partner of Women Corporate Directors and the World Bank, and our Chief Executive Officer, Kevin Kelly, sits on the World Economic Forum's Gender Diversity Council.

*Forthcoming research by Dr Elisabeth Marx:*

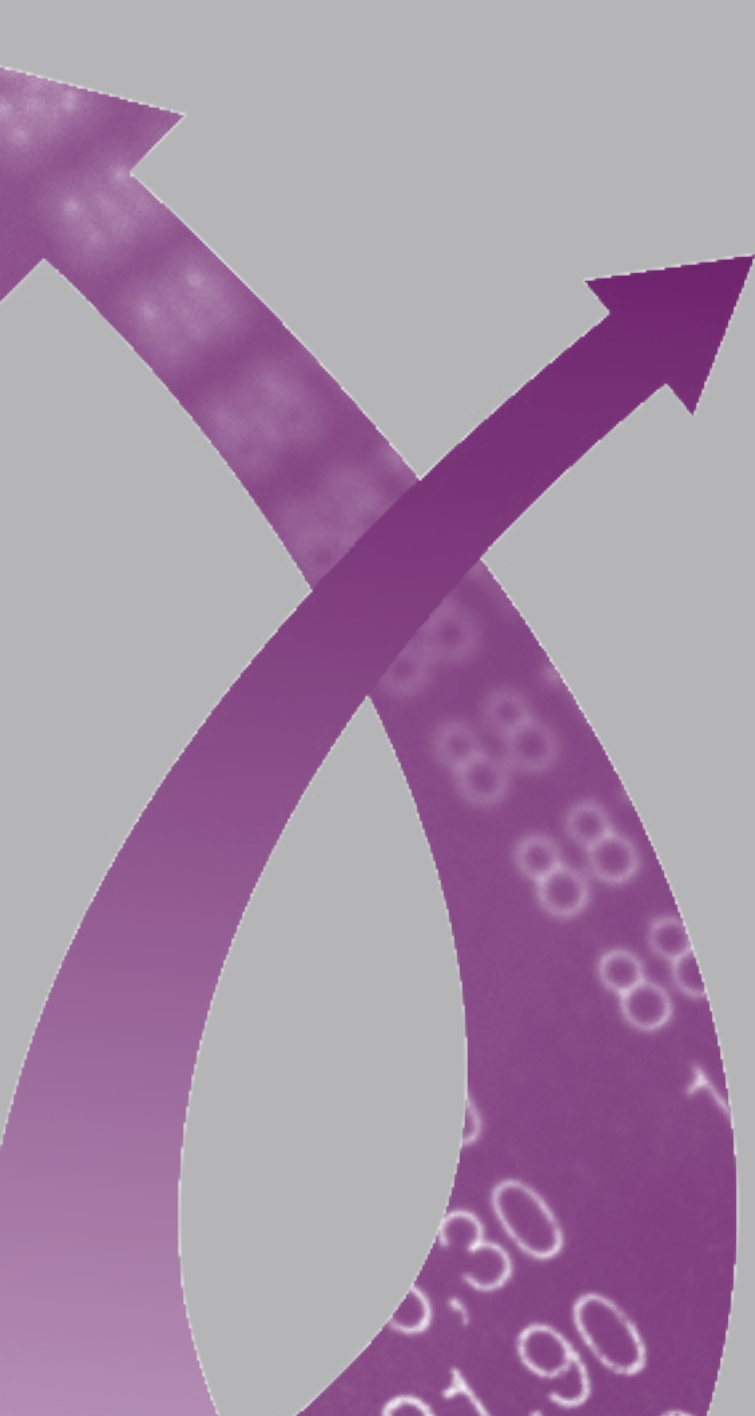
- The Psychological Profile of CEOs
- Cultural Differences in Executive Profiles
- The Board Composition of Britain's Best Companies

*For more information about our CEO/Board research work and events please contact Dr Elisabeth Marx at [emarx@heidrick.com](mailto:emarx@heidrick.com)*

*“executive search consultants need to be more proactive about building talent banks of board-ready women and finding high-achievers particularly those who do not have the easily identifiable characteristics of advanced or elite education”*

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<sup>3</sup> A View at the Top: boardroom trends in Britain's top 100 companies by Dr Elisabeth Marx, November 1998)



Connecting leaders around the globe is what Heidrick & Struggles does best. For over fifty years we have been building deep relationships with the world's most talented individuals on behalf of the world's most successful companies. Through the strategic acquisition, development and retention of talent we help our clients – from the most established market giants to the newest market disrupters – build winning leadership teams.

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