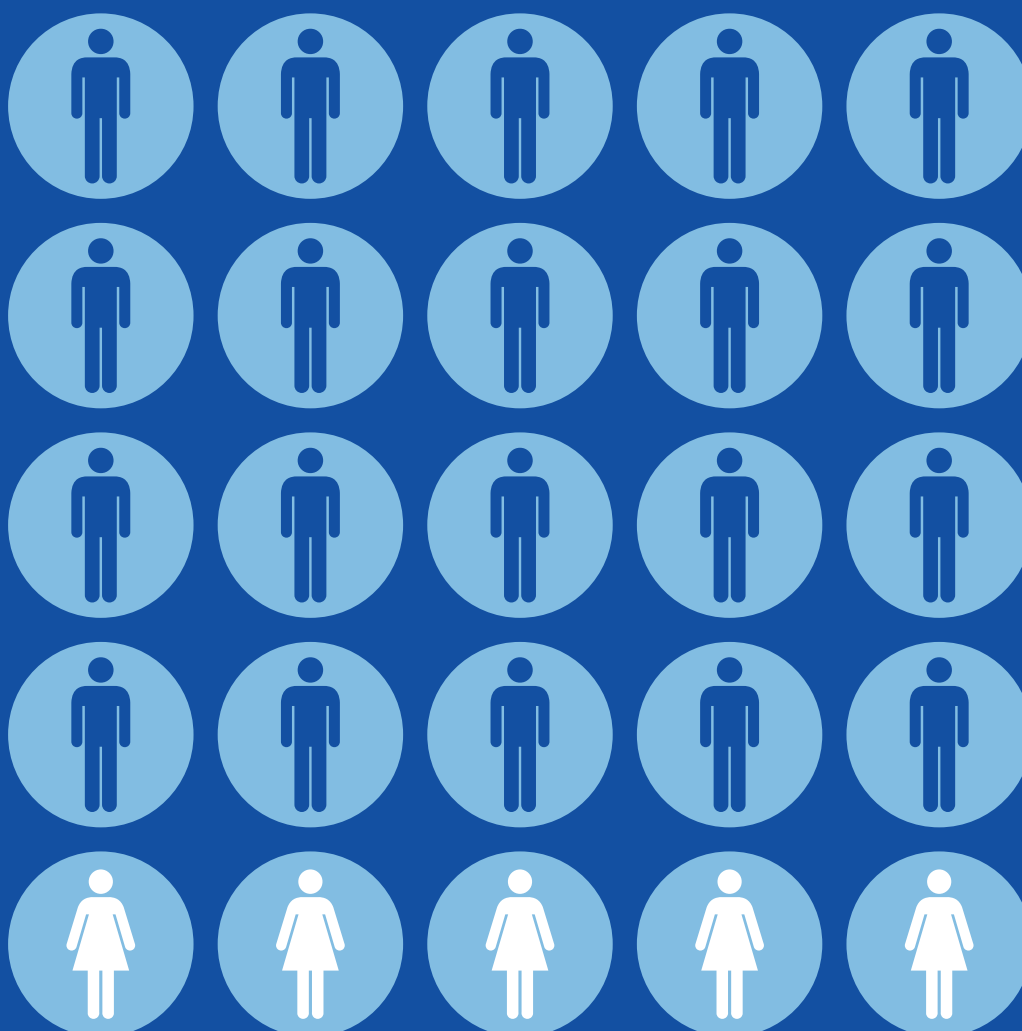


# Women on Boards:

Voluntary Code for Executive Search Firms –  
Taking the Next Step March 2014



**Charlotte Sweeney** Associates



Department  
for Business  
Innovation & Skills

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## Foreword

We are entering the home straight. The actions taken by UK listed companies in 2014 will determine whether we succeed in achieving the target set by Lord Davies and his Steering Group to reach 25% of women on FTSE 100 boards by 2015. Women currently occupy 1 in 5 of all FTSE 100 board positions. The target is encouragingly close and equates to a net increase of around 50 more women on FTSE 100 boards. This is clearly achievable, so long as we take action now.

We asked Charlotte Sweeney, a senior HR executive with over 20 years experience in equality, diversity and corporate culture shift within the Banking sector, to conduct an independent review of the Voluntary Code of Conduct (the Code). The Code was drawn up by the executive search community in 2011 in response to the recommendations of the Davies Review. The Code aimed to establish best practice in gender diversity at board level, recognising the important role executive search firms play in supporting their clients as they take steps to improve the gender balance on their boards.

Charlotte's review tested the integrity of the Code and its impact. It also sought to identify any practical measures that could be taken to strengthen the Code.

We would like thank Charlotte for her report and recommendations which not only raise the bar for us all, but also highlight the important role so many different organisations have to play in bringing gender parity to British boardrooms.

We would particularly like to thank the executive search firms that are already pushing hard on this agenda, who have played a crucial and significant role so far in improving the number of women on British boards. However, there is still more to do and we need to see consistent and concerted action from all 70 executive search firms signed up to the Code to ensure a successful outcome in 2015 and beyond.



A handwritten signature in blue ink, appearing to read 'Vince Cable'.

Rt Hon Vince Cable MP  
Secretary of State for Business,  
Innovation and Skills



A handwritten signature in blue ink, reading 'E. Mervyn Davies'.

Lord Davies of Abersoch, CBE

## Executive Summary

The business case for increasing the number of women on corporate boards has been widely articulated and is clear. Since the launch of Lord Davies's original report there has been a step change in the perception and commitment of gaining more diversity on FTSE 350 boards.

In January 2014 women accounted for 20.4% of corporate board members of FTSE 100 companies. This continued the positive trend and was up from 19% in 2013, 12.4% in 2010 and 9.4% in 2004. Although the pace of change has increased, and current trends suggest the target of 25% by 2015 set out by Lord Davies in his 2011 report will be achieved we can not be complacent and assume further progress will be made without further considered focus.

The FTSE 250 has also seen a positive increase in the number of women taking board positions. In January 2014 15.1% of corporate board positions were held by women compared to only 7.8% in 2010.

As at January 2014, 51<sup>1</sup> further board positions would be required to be taken by women to achieve the target of 25% for FTSE 100 companies, this is assuming that no current female board members step down during that time. For the FTSE 250 to achieve the target, a minimum of 197 board positions would have to be secured by women between now and 2015.

During the 12 months covering January 2013 to January 2014 there were 147 Non-Executive appointments in the FTSE 100, 42 (28.6%) taken by women. Of the FTSE 250, there were 244 Non-Executive appointments of which 74 (30.3%) taken by women. Although these statistics are encouraging, we cannot be complacent about reaching the 25% target<sup>2</sup>.

The Voluntary Code for Executive Search Firms was created to ensure executive search firms were supporting FTSE 350 companies to create more diverse boards and covered the relevant search criteria and processes. The code has played its part in continuing to progress the appointment of women into board positions. Many contributors to this review have highlighted the positive impact it has had on discussing the role brief, identifying women who have the skills and competencies to take a board position, supporting them through the process and promoting best practice.

The review has highlighted the fact that some executive search firms take their commitment to the provisions of the code much more seriously than others. Some see their commitment as a differentiator in the market whilst some may see this as a profiling opportunity, or an annoyance.

It was surprising to discover that only 25% of the signatories to the voluntary code are actively promoting their involvement via their website or other marketing materials. Only 12% actively share the impact of their actions by sharing

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1 Professional Boards Forum - <http://boardsforum.co.uk/boardwatch.html>

2 Cranfield School of Management Figures – 10th January 2014

information on the representation of women on their long-lists and progressing to securing an appointment. As this is one of the more visible requirements of the code, one can only assume that delivery towards the other provisions is mixed.

As with any change and progress, the provisions within the code should now be seen as the 'new normal' with the performance bar being raised, just as it should for all stakeholders involved in creating more diverse boards. The following recommendations have been created with this in mind:

- 1. Search Firms should, in collaboration with their clients, discuss each woman on the long-list and aim to have at least one woman whom they would 'strongly recommend' the client should meet and put forward onto the shortlist of all executive searches for board positions.**
- 2. The code, as it stands, should be considered to be the minimum standard and, as with the original code, search firms should work together and articulate the requirements of an upper tier to the code including how assessment should be made as to whom should become part of a 'supergroup'.**
- 3. Throughout the interviews there were numerous discussions relating to what happens at each stage of the search and hiring process e.g. long-list, short-list and hire. Search firms should be encouraged to capture this information and to share their statistics with Government as and when requested.**
- 4. Through the analysis of the search firms websites only 25% stated their commitment to the voluntary code, which is the final provision. Only 12% shared any data to show their success rates of hiring women to board positions.**
  - a. Search firms should be more overt on their websites, marketing literature and when talking to clients about their commitment to the code.**
  - b. Search firms should be encouraged to share their hiring data as well as some narrative and case studies of successes.**
- 5. Search firms are ultimately there to deliver the requirements of their clients. To this end all FTSE 350 companies should challenge the search firms further to deliver against the codes provisions. Companies should include a statement in all search contracts or agreements clearly articulating they will comply with all aspects of the voluntary code and explain if unable to do so.**
- 6. Some stakeholders continue to argue there are an insufficient number of 'board ready' women out there with the required skills for a FTSE 350 role. To support achieving the 2015 target a database of women with the skills to take a FTSE 350 board position should be created. The database creation should be led by the Lord Davies Steering Group and would be in addition, and complimentary, to what is already available with the aim of connecting board chairs with talented women.**

7. Through the interviews a small number of the more enlightened Investors were actively asking FTSE organisations what they were doing to create more gender diversity within the board and to comply with the aspirations of the Lord Davies review. However, a number of the investors may well have limited knowledge about diversity and what good looks like.
  - a. **The Investor community should play a more active role on this agenda and challenge businesses further on their plans and actions to create more gender balanced boards**
  - b. **The Lord Davies Steering Group should create information for the investor community on why gender diversity is important on corporate boards, including the right questions to ask, what they should be looking for and what a good response sounds like.**
8. Throughout the interviews there were a number of discussions regarding the 30% long list and ‘women only shortlists’. There have been differing legal opinions as to the ability to request ‘women only shortlists’ as an appropriate means to redress the balance on boards. **The Equalities and Human Rights Commission (EHRC) should create the appropriate guidance required.**
9. There is limited visibility of the code and those interviewed found it difficult to find the code or details of the signatory search firms. **To ensure this has clear prominence a section within the Government (BIS) website should be created to publish the code, the signatories and case studies of how the code is working in practice.**
10. The FRC UK Corporate Governance Code stipulates “the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender”. **The Voluntary Code for Executive Search should be referenced on the FRC website and within the FRC Guidance on Board Effectiveness when it is next updated.**

The voluntary code has made good progress to clearly articulate the executive search firm’s role within the whole process. As with previous research undertaken on the Women on Boards agenda, it is obvious there is no one stakeholder that can create the change required in isolation, rather it is more about the component parts working effectively together - the FTSE 350 chairs, executive search firms, investors, senior women and other interested parties all driving in the same direction to achieve the broader aim. For continued success, the performance bar should be raised and more commitment seen from all stakeholders. The recommendations above have been designed to do that.

Finally, the recommendations have been designed to support delivery towards the 2015 target originally stipulated in the Lord Davies Review. This is a matter of months away and although current energies are focused on reaching the imminent target we should also consider the sustainability of actions taken to date and the cultural shift seen over recent years. A true measure of success will be the continued positive trend of creating more diverse boards in the FTSE 350, long past 2015.

## **The scope of the independent review**

The Voluntary Code of Conduct for Executive Search Firms was launched in July 2011 as a direct result of Lord Davies's review of Women on Boards. The code was created by a number of executive search firms covering relevant search criteria and processes relating to FTSE 350 board level appointments. As at the 31st December 2013, 68 executive search firms, covering the whole of the FTSE 350, had become signatories to the code, pledging to adhere to the nine provisions of best practice this sets out.

The aim of the independent review was to test the integrity of the code and to ensure that it continues to have a positive impact upon the board recruitment process. There was also a request to review the requirement for women to make up 30% of long lists and explore the number of women successfully reaching the short lists.

In September 2013 I began consulting with a range of stakeholders which entailed interviewing chairmen, board consultants, female directors, investors, HR Directors and other interested parties to create a true picture of progress made and adherence to the code as well as sharing examples of good and effective practice.

The review concluded with this report which sets out the findings and provides recommendations on measures that could be taken to strengthen the code, maintain its integrity and continue to drive towards more gender parity on corporate boards.

## Introduction

Gender parity on corporate boards continues to be a hugely debated issue both within the UK and the European Commission. The business case for gender parity on boards has been widely articulated and is clear.<sup>3</sup>

One of the clear challenges that has been highlighted is the supply of women in the corporate pipeline, where fewer women than men are coming through to the top levels of organisations. This has an impact on both the Executive Director roles and the Non-Executive Director roles that form the board composition. As at January 2014 20.4% of FTSE 100 Executive Director positions were held by women. Of the FTSE 250 women held 15.1% of those board positions.<sup>4</sup>

To respond to the notion that the supply of women in the corporate pipeline is hindering gender parity on corporate boards Lord Davies created recommendation 8 in the 'Women on Boards February 2011' report which commissioned the executive search firms to create a voluntary code of conduct that would articulate the best practice actions the search community could take to support the aspiration of more women on boards. This would take into account the very important role they play in supporting chairmen and nominations committees as they take steps to increase the proportion of women on their boards, in both executive and non-executive roles.

*Executive search firms should draw up a Voluntary Code of Conduct addressing gender diversity and best practice which covers the relevant search criteria and processes relating to FTSE 350 board level appointments*

*Written by executive search firms, the best practice code for executive search firms tasked with board level and other senior appointments will help them demonstrate their ongoing commitment to supporting diverse boards, building on and sharing good practice.*

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3 Lord Davies Review - Women on Boards – February 2011

4 Professional Boards Forum - <http://boardsforum.co.uk/boardwatch.html>



A 'working group' of prominent executive search firms created the code for promotion across the industry. The provisions of the Voluntary Code of Conduct are set out below:

1. **Succession Planning:** Search firms should support chairmen and their nomination committees in developing medium-term succession plans that identify the balance of experience and skills that they will need to recruit for over the next two to three years to maximise board effectiveness. This time frame will allow a broader view to be established by looking at the whole board, not individual hires; this should facilitate increased flexibility in candidate specifications.
2. **Diversity Goals:** When taking a specific brief, search firms should look at overall board composition and, in the context of the board's agreed aspirational goals on gender balance and diversity more broadly, explore with the chairman if recruiting women directors is a priority on this occasion.
3. **Defining Briefs:** In defining briefs, search firms should work to ensure that significant weight is given to relevant skills, underlying competencies and personal capabilities and not just proven career experience, in order to extend the pool of candidates beyond those with existing board roles or conventional corporate careers.
4. **Long lists:** When presenting their long lists, search firms should ensure that at least 30% of the candidates are women – and, if not, should explicitly justify to the client why they are convinced that there are no other qualified female options, through demonstrating the scope and rigour of their research.
5. **Signaling Commitment:** Search firms should signal their commitment to supporting gender diversity on Boards through their websites and marketing initiatives as appropriate and are encouraged to invest time into developing relationships with the pipeline of future female candidates.
6. **Candidate Support:** During the selection process, search firms should provide appropriate support, in particular to first-time candidates, to prepare them for interviews and guide them through the process.
7. **Supporting Candidate Selection:** As clients evaluate candidates, search firms should ensure that they continue to provide appropriate weight to intrinsic competencies and capabilities, supported by thorough referencing, rather than over-valuing certain kinds of experience. Search firms should, as necessary, advise their clients on how to run their interview process to demonstrate the required rigor and professionalism and to avoid unconscious gender bias.
8. **Induction:** Search firms should provide advice to clients on best practice in induction and 'onboarding' processes to help new board directors settle quickly into their roles.
9. **Embedding Best Practice:** Search firms should ensure that best practice in supporting clients on enhancing Board gender diversity are well-documented and shared internally and that adherence to the Code is effectively monitored.

By December 2013, 68 search firms had signed up to the code. Each firm had undertaken a brief review of their activity against the code before they were able to signal their commitment.

Since the launch of the voluntary code signatories have been contacted to identify if they would be willing to take part in short pilots to gain further evidence as to if further activity would have a positive impact on generating applicants for board positions. For example, a recent pilot aimed at gaining factual evidence on the number of applicants, by gender, generated through advertising board positions and the number making it on to shortlists. This pilot is currently underway and findings will be reported in due course.

The voluntary code was created in the UK and has made traction cross the European Union with the Association of Executive Search Consultants (AESC) promoting a version that is adapted and appropriate for differing cultures and legislative requirements.<sup>5</sup>

The Recruitment and Employment Confederation (REC)<sup>6</sup>, with over 3,500 recruitment agency members, is also active in this area and stipulates all members must abide by a 'Code of Professional Practice' including the completion of a robust compliance test to join and maintain membership.

However, given all of the above, the search industry is largely unregulated. The true regulators of the industry continue to be the clients, those who are paying for their support and service.

As highlighted in previous research conducted on the Women on Boards agenda, it is clear that there is no one stakeholder that can create the change required in isolation, rather it is more about the component parts working effectively together - the FTSE 350 chairs, executive search firms, investors, senior women and other interested parties all driving in the same direction to achieve the broader aim. For continued success, the performance bar should be raised and more commitment seen from all stakeholders.

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5 AESC - <http://members.aesc.org/eweb/upload/EuropeanVoluntaryCodeJune2013.pdf>

6 REC – <http://www.rec.co.uk>

## Voluntary Code – Fit for Purpose?

The independent review was conducted between September and December 2013 and consulted a number of key stakeholders that all play a part in creating gender parity within UK FTSE 350 corporate boards. Prior to that, a brief review of the code was conducted by a number of the code creators in April 2013, concluding that the code was fit for purpose and was clearly operating in the execution phase. The Equality and Human Rights Commission (EHRC) completed a review in May 2012<sup>7</sup> which resulted in a number of recommendations, including a call for more transparency and an increased emphasis of getting more women into executive roles.

Unsurprisingly, although the scope of the review was to test the integrity of the code and to ensure that it continues to have a positive impact on the board recruitment process there were a myriad of issues that were raised and discussed throughout the interviews. All of the proposed solutions to the wider issues were valid, however, did not fall directly within the scope of this review. Those thoughts and comments have been fed directly back to the Lord Davies Steering Group for further consideration.

By purely reviewing the data, the code has made a contribution to the increase in the number of women securing corporate board positions. Between January 2013 and January 2014 there were 147 Non-Executive appointments in the FTSE 100, 42 (28.6%) taken by women. Of the FTSE 250, there were 244 Non-Executive appointments of which 74 (30.3%) were women. Although these statistics are encouraging and suggest the target of 25% by 2015 will be met, continued focus and energy is required as we cannot assume the trend will continue without it<sup>8</sup>.

*'Following the Lord Davies Report of 2011, there has been a 110% increase in female non-executive appointments on Russell Reynolds Associates' UK Board assignments, breaking the 30% barrier in 2012'*

Throughout the review of the code, each provision was discussed with the stakeholders, some aspects were felt to have a larger impact than others, some were much more prominent. The following pages share views for each provision of the voluntary code for a variety of the stakeholders as well as identifying a number of overarching themes.

### Importance of the Code:

Without exception, all of the stakeholders interviewed felt that the code was important to ensure the emphasis of female appointments to FTSE 350 boards as well as raise the profile and importance of creating more gender balance on boards.

7 EHRC - Gender Diversity on Boards: The Appointment Process and the role of Executive Search Firms <http://www.equalityhumanrights.com/publications/our-research/research-reports/research-reports-81-90/>

8 Cranfield School of Management Figures – 10th January 2014

*'The value of the code is that search firms are told what they should be doing, ensuring good discipline, enabling a dialogue with colleagues and raises the issue with clients who are not actively thinking about this'* **(Search Firm)**

*'The code hasn't changed how we do business – board work has moved from a tap on shoulder to the search firm presenting new people to the chairs'* **(Search Firm)**

The FTSE 350 companies were also clear on the positive impact for them:

*We ask all search firms working with us to be signatories to the voluntary code. If they don't do it then we won't work with them in the future* **(FTSE 100 Company)**

However, there were a number of comments focused on the governance of the voluntary code:

*'I'm not sure what happens if a search firm who is signed up to the code doesn't deliver against it. I don't know how they are monitored and who decides if they can say they are signatories'* **(FTSE 100 Company)**

There was also a consistent view the code articulated good practice and what every search firm should be delivering to their clients as the norm. There were no comments to suggest delivering the provisions within the code should be considered as an enhanced service.

When reviewing each of the code provisions there were varying levels of evidence and feedback for each, showing that some provisions were more visible and 'front of mind' than others.

## **Succession Planning:**

There was a general consensus within the executive search community that building an effective relationship with clients to enable a meaningful discussion around succession planning was core to creating flexibility in the candidate specifications for the longer term.

*'Clients are more concerned around having the right skills on the board rather than just about the gender'* **(Search Firm)**

*'We pro-actively support boards to fill the gap of skills they may be looking for in the coming 18/24 months'* **(Search Firm)**

However, where an effective relationship had not been created the discussions around succession planning were somewhat limited.

*'It is difficult to challenge as a recruiter as you might not get another job with that client – its all money driven' (Search Firm)*

Given the importance of succession planning and having the right skill set on the board. One Investor stated that they actively instigate the conversation about board succession planning with the companies they work with. This includes specific discussions about the next hire and their plans for attracting and hiring diverse candidates.

### **Diversity Goals:**

A number of executive search firms shared clear examples of the conversations they have had with their clients regarding the board composition and their aspirational goals on gender diversity.

*'It is pretty rare when companies haven't spoken to us about diversity – most will discuss this' (Search Firm)*

FTSE 350 companies were also taking the initiative to have the conversations with the executive search firms regarding their aspirations and the expectations they placed on them to support delivery.

*'We are just starting to get the search firms in to talk to them about our expectations and how they should be helping us to bring more diversity into the company' (FTSE 100 Company)*

A number of companies also stated that discussions had taken place about sourcing all women shortlists and the impact this may have on their overall board composition.

*'Clients do ask for all female shortlists and we have done it in the past. Approximately 40% of the companies we work for have asked for them' (Search Firm)*

Whilst working towards a more balanced board composition there was limited understanding by all concerned on when, and if, all female shortlists were an acceptable way forward.

### **Defining Briefs:**

Creating an objective and bias free brief was seen as a key element by all stakeholders to support the increase of gender diversity to the boardroom.

*'Tightly defined searches can have a negative impact on the gender split of the long list' (Search Firm)*

All search firms interviewed stated that it was critical to create an effective working relationship with the board chair and the company before challenging the briefs they were given:

*'You must have the confidence to push back on the 'job specification' – push down on what the skills mean in practice and challenge them to think of the job specification differently' (Search Firm)*

*'The role of a good executive search is to ask questions about the job composition – men usually are more interested in the technological requirements more than anything else. Women generally look more for the softer skills' (Search Firm)*

There continues to be a number of concerns by some stakeholders that the briefs created for board positions are not as bias free as they should be. For many, a lack of experience at the board table continues to have a negative impact on the diversity of the candidate pool:

*'Much of the criteria for roles is still written in a way that is bias against women – this needs to change' (Professional Organisation)*

*'There needs to be a greater emphasis on making the criteria for eligibility for the role to be a focus on skills rather than direct experience in an equivalent role' (Senior Woman)*

*'A small minority of search firms are becoming more open minded now and thinking more laterally about skills and experience but most are still playing safe, going for the tried and tested' (Senior Woman)*

## **Long lists:**

All stakeholders interviewed were supportive of the 30% long-list requirement, although some felt that increasing this further would be sector dependent and could result in 'playing the numbers game' rather than having a positive impact on the end result.

*'30% long list – comply or explain – seen as generally a good thing and should make it explicit with client...this forces the search firms to try harder' (Search Firm)*

*We have concerns about moving to 50% long list depending on the sector, this could end up being purely a numbers game' (Search Firm)*

A number of stakeholders interviewed felt that the requirement should be driven further down to the short-list.

*'Short lists important to have at least one woman as it forces the board to think about the value add – they should all meet at least one woman – we have been doing this since 2005'* **(Search Firm)**

*'We are committed and want to see more towards short-list representation'* **(FTSE 100 Company)**

*'Shortlist – should reflect the long list – if not, why not?'* **(FTSE 100 Company)**

*'We would react positively towards companies having women only shortlists'* **(Investor)**

There were also examples from companies where they felt comfortable to push back on search firms when they were unable to deliver a 30% long-list:

*'Companies do need to be very firm with their head-hunters. As Chair I made them keep going out to the market to find someone'* **(FTSE 100 Company)**

*'Businesses really need the confidence around challenging the head-hunters to look again when not getting the diverse list they want'* **(FTSE 100 Company)**

## **Candidate Support:**

There were a number of positive responses to the level of support given to candidates throughout the process, although this wasn't consistently applied throughout all search firms:

*'The search firm made me feel that I was the prime candidate and kept me posted during the long process. They also provided me with a lot of background information to help me succeed'* **(Senior Woman)**

*'There are two search firms I have worked with who are very supportive. Mostly search firms don't give the impression of trying to expand the talent pool or to push talent instead of familiar faces'* **(Senior Woman)**

There were also a number of concerns as to how search firms initially engaged women into the process and brought them along the journey of applying and interviewing for a board position.

*'Women take longer to discuss the role with and want to know more before they make a decision to take the role forward or not'* **(FTSE 100 Company)**

*'Search firms are not asking women about the roles in the right way – they are working to short timescales to make a decision as to if they want to be put forward – the roles are also not being positioned well with them as an opportunity that would be good for them and their career'* **(Professional Organisation)**

*'Packaging the role in a different way to how they are packaged to men is important as women want to be approached differently and have different wants and concerns'* **(Professional Organisation)**

*'I'd like to see the search firms have regular contact and discussions about what is required in the role, how well the interview had progressed etc'* **(Senior Woman)**

There was also a desire to have more contact with the search firm and receive feedback after the process had concluded to develop for the next opportunity.

*'Feedback after the process would have been helpful so that I could progress next time – however, that information was not available and I didn't speak to the search firm again'* **(Senior Woman)**

## **Supporting Candidate Selection:**

There was a limited feedback from the interviews regarding supporting candidate selection, however, there was a view as to how this could be improved:

*'Search firms could champion more women to their clients. One way of doing this would be to complete due diligence on the candidates before putting them forward, thus making it easier for them to vouch for the candidate's quality and competency'* **(Senior Woman)**



## Induction:

The majority of the search firms interviewed were clear that the induction and ‘onboarding’ processes were mainly the responsibility of the company, however, they would happily input and support if required:

*‘Induction is a key part for an executive role and in some forms part of the search role but should really be the responsibility within the company’*  
**(Search Firm)**

*‘Education is still needed to the board around induction. We will talk to the client about induction but it doesn’t go much further’* **(Search Firm)**

*‘Induction – follow the progress of the NED and make sure they have a programme in place including the people they should meet and whom they should see in the company’* **(Search Firm)**

## Embedding Best Practice:

There was some evidence from the interviews that good practice was shared within the search firms with colleagues and adherence to the code was monitored, as well as sharing with clients.

*‘Our clients ask about our experiences of hiring women and the use of the code’* **(Search Firm)**

*‘We share case studies with potential clients of what we have done and delivered for other clients’* **(Search Firm)**

*‘I ask any search firm we plan to use about a recent search and how they are going to source a short-list (international, gender, etc) and where their researcher will look for the candidates?’* **(FTSE 100 Company)**

There were also examples where good practice was not shared including limited knowledge within the search firm about the voluntary code.

*‘I talked to a search firm regarding board positions and the voluntary code, supported by Lord Davies and the 30% Club. She had not heard of either! Her role was a researcher not the top key individual leading the recruitment for this position’* **(Professional Organisation)**

## Signaling Commitment:

One of the easier provisions of the code to measure objectively is the promotion of the firm's commitment to the code via their website, marketing material and how this is discussed with the companies they are acting on the behalf of.

A review of the 68 organisations signed up to the voluntary code showed that 38 (56%) made a reference to diversity on their website but only 17 (25%) state they are signatories of the voluntary code.

Below are a number of examples of how some search firms promote their involvement and commitment to the code:

*Alpine Executive is keen to promote diversity and has signed up to the voluntary code, which promotes the development of more Women on Boards of organisations. We also provide assessment tools to further distinguish best fit for candidates, roles and organisations. **(ALPINE EXECUTIVE)***

*Stonehaven is committed to working in partnership with our search clients to build Boards with a genuine diversity of skills and experience, including the appropriate gender balance. Stonehaven has signed up to the executive search industry's voluntary Code of Conduct on Boardroom appointments. **(STONEHAVEN)***

*Lygon Group was one of the firms consulted on Lord Davies's voluntary Executive Search Code of Conduct for Women on Boards, and we have signed up to it. As a firm, Lygon is committed to working on the appointment of high calibre executive and non-executive directors and we work with our clients to improve the diversity of experience, skill set and gender on their boards. **(LYGON GROUP)***

One search firm took this a step further, being more transparent by including information of how they deliver against each provision of the voluntary code on their website:

*To support gender diversity, in line with recommendation eight of the Davies Report 2011 — Women on Boards, we are signatories to, and have fully adopted, the provisions of the voluntary code of conduct for executive search firms. We readily acknowledge the important role we play in supporting chairs and nominations committees as they take steps to increase the proportion of women on their boards, in both executive and non-executive roles.*

**Succession planning**

*We support chairs and their nomination committees in developing medium-term succession plans that identify the balance of experience and skills that they will need to recruit, over the next two to three years, to maximise board effectiveness. This time frame allows a broader view to be established by looking at the whole board, not individual hires; this facilitates increased flexibility in candidate specifications.*

**Diversity goals**

*When taking a specific brief, we look at the overall board composition and in the context of the board's agreed aspirational goals look at gender balance and diversity more broadly.*

**Defining briefs**

*We work to ensure that significant weight is given to relevant skills and intrinsic personal qualities and not just proven career experience, in order to extend the pool of candidates beyond those with existing board roles or conventional corporate careers.*

**Longlists**

*When presenting longlists, we ensure that at least 30% of the candidates are women. If not, we explicitly justify why we are convinced that there are no other qualified female options, by demonstrating the scope and rigor of our research.*

**Supporting selection**

*During the selection process, we provide appropriate support, in particular to first-time candidates, to prepare them for interviews and guide them through the process.*

**Emphasising intrinsics**

*As clients evaluate candidates, we ensure that they continue to provide appropriate weight to essential requirements, supported by thorough referencing, rather than over-valuing certain kinds of experience.*

**Induction**

*We provide advice to clients on best practice in induction and 'onboarding' processes, in addition to providing transition coaching services designed to help new board directors settle quickly and maximise their impact and contribution.*

**Embedding best practice**

*We ensure that best practices in supporting and enhancing board gender diversity are well-documented and shared internally, and that adherence to the Code is effectively monitored.*

**Signaling commitment**

*We signal our commitment to supporting gender diversity on boards through our marketing activity, and invest time into developing a relationship with the pipeline of future female candidates. **(WARREN PARTNERS)***

One firm showed their commitment to the code by commissioning an independent review of their practices and processes to ensure they were compliant with all aspects of the voluntary code and profiling the response on their website.

The feedback from FTSE 100 companies and senior women applying for board positions were consistent with the above, many did not discuss the voluntary code. Out of 24 senior women approached who had recently worked with executive search firms to gain board positions, only 2 were told about the voluntary code by the search firm or had seen reference to it within their marketing literature or the website.

There was also a mixed response to search firms investing the time to develop relationships with the pipeline of future female candidates:

*'We always look at the Cranfield 100 – good search firms will have a good knowledge of the women out there' (Search Firm)*

*'Search firms should invest more time encouraging female candidates – we give them a lot of support in the hope what goes around comes around. It is hard to get into a headhunter when you're not a candidate' (Search Firm)*

*'Executive Search should look deeper down organisations for the potential stars of the future – isn't this their business database?' (Investor)*

*'I have found that the search firms were not really willing to engage with me until I had two substantial NED roles' (Senior Woman)*

## Transparency

Throughout the majority of the interviews transparency of both the process and the outputs was largely debated. Unsurprisingly, stakeholders had varied views on both the current level of transparency and what would be appropriate for the future. The old adage ‘what gets measured gets done’ is also true in this context, however, there were some overarching concerns that some reporting, if not created appropriately, could place a search firm at a commercial disadvantage or may be administratively burdensome.

*‘Judge by the outcome rather than controlling how they get there’*  
**(Search Firm)**

When reviewing the websites and marketing literature of the current signatories 8 (12%) shared some form of data about the percentage of women they have hired into board positions. Some examples include:

*‘We have recruited nearly 1,100 female directors for clients. Over the past three years, nearly 25% of our placements have been women’* **(Spencer Stuart)**

*‘We are particularly known for our work in the appointment of women. In the past year 34% of our NED appointments to FTSE100 and FTSE250 boards were women’* **(Zygos)**

*‘Our shortlists contain both experienced directors and fresh new talent. We are committed to gender diversity and 30% of our placements are female’*  
**(Ravenhurst Partners)**

*‘In the 12 months to end-April 2013, 35% of all of our appointments to the board and executive committee were women. In terms of non-executive appointments, 56% of our appointments were women’* **(Lygon Group)**

*‘In the last year, over 40% of our Non-Executive assignments have led to the appointment of female candidates’* **(MWM Consulting)**

*‘In the last calendar year (2013) we completed 39 FTSE 350 (i.e. companies in the FTSE 100 and FTSE250) board assignments. Of these 12 were filled by women candidates e.g. 31%’* **(Egon Zehnder International)**

*‘Of RRA’s 29 non-executive plc appointments last year (2013), 13 (45%) successful candidates were female’* **(Russell Reynolds Associates)**

Some search firms also shared data suggesting that women were progressing from the long lists to a number of the shortlists; however, actually progressing further to attaining the role was a bigger challenge.

*'24% of our shortlist are women but their conversation rate is 7% - the interview process is not robust enough and we need this sort of data to see where the issue really is'* **(Harvey Nash)**

Companies also felt that a level of transparency around progress and outputs would continue to focus the mind on this agenda and also identify where further, concentrated action was required.

*'We completed a contract renewal in November and got the search firms to agree to continue and be part of the code and we ask them for a monthly return on the longlist, shortlist and appointment – we then have a conversation with them if the numbers are not looking great to understand why that is'* **(FTSE 100 Company)**

*'Transparency – don't think there is anything re data available, this would be an interesting enhancement, collectively of the people who have signed up against the code?'* **(FTSE 100 Company)**

Annex B shows an excellent example of the data one executive search firm, The Zygus Partnership, has collated to review their performance of recruiting women onto boards.

It was also noted that a small number of search firms viewed the Government Equalities Office initiative 'Think Act Report – Gender Equality at Work' as an opportunity to encourage more transparency within executive search and had signaled their commitment to be open about their progress and the resulting impact.<sup>9</sup>

## **Auditing Commitment to the Code:**

Many of the interviews discussed the level of auditing search firms should undertake to become a signatory of the code, taking into account the voluntary nature of the code. There were many differing views on this subject.

<sup>9</sup> The Government Equalities Office initiative 'Think Act Report – Gender Equality at Work' <https://www.gov.uk/government/policies/creating-a-fairer-and-more-equal-society/supporting-pages/think-act-report>

*'Auditing the use of the code – who would do it and not sure of the value – the ultimate impact auditor is the market and should come out of the pitch process with the client' (Search Firm)*

*'If they are prepared to sign up to the code why shouldn't they report on what they are doing? What gets measured gets done – measure the things that matter – helps to open the honest debate even further' (Professional Organisation)*

For any code of conduct to maintain a level of integrity there should to be a level of measurement to confirm that signatories are doing what they have actually committed to. This can be a challenge given the voluntary nature of the code as it stands and, as mentioned in one interview, the market should arguably be the regulator by deciding whom they will work with depending on their performance to the code provisions.

### **Corporate Commitment:**

The interviews also highlighted the importance of the FTSE 350 companies being very clear about their commitment to creating greater gender parity on their boards. Given the requirements of company boards to annually report on boardroom diversity policies, including gender (see below), some are experiencing an increase in the level of discussions taking place very early in the search brief.

UK Corporate Governance Code stipulates – “there should be a formal, rigorous and transparent procedure for the appointment of new directors to the board. The supporting principle states ‘The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender’”

One FTSE 100 Company was very clear of their commitment:

*'Business need to carry through on their conviction – good contracting at the outset of the search, really thinking about the skill-set differently and where you can find those transferrable skills...that is the discussion we should be having with the search firms from the outset (FTSE 100 Company)*

With any continued commitment to change the current status the Chair's and CEO's of the FTSE 350 organisations should continuously ask themselves if they are doing enough and do the people around them know what their roles and responsibilities are to support delivery of the change? Without this clarity, change will be slow.

## Summary Notes and Further Considerations

There were a number of additional points and considerations raised from the interviews for this review. Although they are not specifically included within the recommendations they are worthy of note to consider for the further direction of both gaining more gender parity in the boardroom and the role executive search firms play within that.

For a number of valid reasons the focus has been on creating more gender parity within the UK FTSE 350 boards. It is important to remember that women are not a homogenous group and are, therefore, not all the same and shouldn't be treated as a homogenous group throughout the process. The wider diversity agenda, including both protected characteristics and of diversity of skills, sectors and experiences should not be forgotten.

Many discussions covered how signatory search firms were audited to ensure they were delivering within the provisions of the code. Given the immediate focus of delivering to the 2015 target consideration should be taken as to the longer-term future of the code including how this is administered, who is responsible for the code and how it may evolve over the coming years. As the code was created by executive search firms for executive search firms this conversation should start there and, ideally, include other key stakeholders.

A number of discussions focused on the level of knowledge within some search firms of the voluntary code as well as the levels of knowledge and skills around broader diversity and inclusion issues. Some search firms shared examples of the training and development their employees have taken around broader diversity, how to talk to candidates from diverse backgrounds about roles, how to understand their requirements and the part unconscious bias has to play in decision making. It is not the role of this report to stipulate how organisations develop and train their employees, however, there are a number of good examples of how some search firms are ensuring their employees develop the appropriate skills and knowledge.

The interviews also raised discussions about expanding the code to respond to both the executive pipeline challenges and broadening out to all aspects of diversity. These are very valid views and using the provisions of the code as the principles for all search and recruitment would be a good step forward. Some FTSE 350 companies already stipulate any firm working with them has to deliver against the provisions of the code for all levels of hire. Although not a focus of this review, following the above would have a positive impact on the pipeline and broader diversity issues.

The voluntary code has made good progress to clearly articulate the executive search firm's role within the whole process. As with previous research undertaken on the Women on Boards agenda, it is obvious there is no one stakeholder that can create the change required in isolation, rather it is more about the component parts working effectively together - the FTSE 350 chairs, executive search firms, investors, senior women and other interested parties all driving in the same direction to achieve the broader aim. For continued success, the performance bar should be raised and more commitment seen from all stakeholders.



## Recommendations

The following sets out the recommendations in response to the findings articulated throughout the report. These recommendations have been created with the clear understanding they are there to support delivery towards the 2015 target. The recommendations also recognise the code is voluntary and search firms have signed up to it with this understanding. Without regulation it is difficult to mandate the requirements and, therefore, highlights the comments brought out in a number of the interviews as to the amount of ‘teeth’ it currently has.

Although the search industry is largely unregulated, the stakeholders that do have the capability to ensure the provisions are delivered from the code are the search firm’s clients, the companies whom engage them in business to find their executive and non-executive board members. These are the companies that effectively have the power to progress the agenda and continue to drive good practice throughout executive search practices.

If the UK does not hit the 2015 target further actions may be taken which are very different to the ones highlighted below and we may find ourselves facing quotas, where the regulation and recommendations could be very different.

The recommendations are set out as follows:

1. The analysis shows that although search firms are committed to creating a 30% long-list, there seems to be a gap between converting the long list into a diverse short-list and then to final hire. This then results in companies not seeing a diverse mix of people for all board positions. **Search Firms should, in collaboration with their clients, discuss each woman on the long-list and aim to have at least one woman whom they would ‘strongly recommend’ the client should meet and put forward onto the shortlist of all executive searches for board positions.**
2. The analysis and interviews show that a number of search firms are delivering well against the code provisions. The code has effectively captured and articulated good practice, however, there should also be an expectation to ‘raise the bar’ and encourage all signatories to ‘up their game’, continuing to deliver the provisions and maintain the integrity of the code. The code, as it stands, should be considered to be the minimum standard and, as with the original code, **search firms should work together and articulate the requirements of an upper tier to the code including how assessment should be made as to whom should become part of a ‘supergroup’.**

3. Throughout the interviews there were numerous discussions relating to what happens at each stage of the search and hiring process e.g. long-list, short-list and hire. Reviewing statistics at each level will help to understand what is happening and identify where further focus may be required. **Search firms should be encouraged to capture this information and to share their statistics with Government as and when requested.** The data will be used anonymously and shared via updates on the Women on Boards agenda and any other appropriate means.
4. Through the analysis of the search firms websites only 25% stated their commitment to the voluntary code, which is the final provision. Only 12% shared any data to show their success rates in hiring women to board positions. This does raise the question of how are some search firms actually articulating their public commitment to the code, how they are delivering against this and what results are they achieving.
  - a. **Search firms should be more overt on their websites, marketing literature and when talking to clients about their commitment to the code.**
  - b. **Search firms should be encouraged to share their hiring data as well as some narrative and case studies of successes.**  
 These may include how they ensure all employers are aware of the code and how to support and work with diverse candidates. An example of how the data reporting could be worded is shown below although search firms may decide to use a different format:
 

“For the calendar year 2012 we placed 60% males (6) and 40% females (4) onto FTSE 100 boards as directors (executives, NEDs and chairmen) and 60% males (6) and 40% females (4) onto FTSE 250 boards as directors (executives, NEDs and chairmen). Since January 2013 we have placed 60% males (6) and 40% females (4) onto FTSE 100 boards as directors (executives, NEDs and chairmen) and 60% males (6) and 40% females (4) onto FTSE 250 boards as directors (executives, NEDs and chairmen).”
5. Search firms are ultimately there to deliver the requirements of their clients. To this end all FTSE 350 companies should challenge the search firms further to deliver against the codes provisions. Companies should expect the search firms to report back at each level of the search and identify any specific barriers within their search and recruitment process to women getting to the final stages. **Companies should include a statement in all search contracts or agreements clearly articulating they will comply with all aspects of the voluntary code and explain if unable to do so.** An example of draft wording for contracts is below:

“The supplier shall make every reasonable effort to ensure that each exercise undertaken reflects xxx stated intentions regarding diversity in the workplace. Suppliers undertake that they will support the Voluntary Code of Conduct for Executive Search Firms with regards gender diversity, and work to the provisions of the Code for all assignments undertaken across xxx, they will demonstrate delivery to those expectations and share statistics on their longlist, shortlists and conversion to role rates.”

6. Some stakeholders continue to argue there are an insufficient number of ‘board ready’ women with the required skills for a FTSE 350 role. The data available and experts in this field would argue otherwise. Some search firms and companies do use collated lists of talented women from sources such as the Cranfield 100 women to watch. However, to support achieving the 2015 target a database of women with the skills to take a FTSE 350 board position should be created. **The database creation should be led by the Lord Davies Steering Group and would be in addition, and complimentary, to what is already available with the aim of connecting board chairs with talented women.**
7. Through the interviews a small number of the more enlightened Investors were actively asking FTSE organisations what they were doing to create more gender diversity within the board and to comply with the aspirations of the Lord Davies review. However, a number of the investors may well have limited knowledge about diversity and what good looks like. The Investor community plays a critical role in ensuring a FTSE 350 board is considering governance and skill mix and limited knowledge may hinder their levels of confidence in asking the appropriate questions around creating diverse boards.
  - a. **The Investor community should play a more active role on this agenda and challenge businesses further on their plans and actions to create more gender balanced boards**
  - b. **The Lord Davies Steering Group should create information for the investor community on why gender diversity is important on corporate boards, including the right questions to ask, what they should be looking for and what a good response sounds like.**
8. Throughout the interviews there were a number of discussions regarding the 30% long list and ‘women only shortlists’. There have been differing legal opinions as to the ability to request ‘women only shortlists’ as an appropriate means to redress the balance on boards. This is a confusing minefield for both search firms and corporates, therefore more guidance on the legalities would be helpful. **The Equalities and Human Rights Commission (EHRC) should create the appropriate guidance required.**

9. There is limited visibility of the code and those interviewed found it difficult to find the code or details of the signatory search firms. They also found it difficult to find examples of how the code is working and positively impacting the search process. **To ensure this has clear prominence a section within the Government (BIS) website should be created to publish the code, the signatories and case studies of how the code is working in practice.**
10. The FRC UK Corporate Governance Code stipulates “the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender”. The Voluntary Code for Executive Search Firms is a clear set of provisions that articulates best practice that should be used throughout an effective search. As they are both complimentary the **Voluntary Code for Executive Search should be referenced on the FRC website and within the FRC’s Guidance on Board Effectiveness when it is next updated.**



## **Author Biography**

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Charlotte Sweeney has specialised in large-scale change programmes with a focus on diversity, inclusion, engagement and wellbeing for over 15 years, delivering these for global organisations. She is seen as a thought leader in her field, regularly developing and creating new research, working with companies and executives from the private, public and third sectors internationally to drive leadership and cultural change.

Charlotte has worked for Blue Chip Companies in the Financial Services Sector for the last 25 years (Barclays, Barclays Capital, HBOS and Nomura International). In 2012 she left Nomura to pursue a portfolio career, after creating and delivering their first Diversity & Inclusion Strategy. She created her consultancy 'Charlotte Sweeney Associates Ltd' and works with many global organisations on their diversity and engagement strategies.

Charlotte is a Non-Executive Director at the Mid Yorkshire NHS trust in the UK, Vice-Chair of the Dept of Business, Innovation and Skills external Diversity & Inclusion Advisory Panel and is currently leading the delivery of Alderman Fiona Woolf CBE, Lord Mayor of the City of London's Diversity Programme 'The Power of Diversity'.

She has won a number of awards over the years, including from Harvard, for her work on Diversity and Inclusion.

## **Acknowledgements**

I would like to share my personal thanks to the people I interviewed for this independent review, covering Executive Search Firms, FTSE 100 Chairs, Industry Bodies, Senior Leaders, Female Directors and Investors. I appreciate your time, your level of honesty, your valuable insights and your commitment and drive to continue to create gender parity on UK boards.

I would also like to thank the Department of Business, Innovation and Skills Women on Boards Team for their support and insights, with particular mention to Itiola Durojaiye, Helen Whitehead and Deeya Sawhney.

## Annex A - Signatories to the Voluntary Code - 31st December 2013

Number	Executive Search Firm
1	Alpine Executive
2	Association of Executive Search Consultants
3	Audeliss
4	Augmentum Consulting
5	Boyden Global Executive Search
6	Brattle Cameron
7	Brookleigh Global Search and Selection
8	Buchanan Harvey
9	Cadence Partners
10	Cavendish Hawk
11	Carbon
12	CBC
13	CNA Executive Research
14	Cornforth consulting
15	CT Partners
16	Curzon Partnership
17	Drax Executive
18	Egon Zehnder International
19	Fidelio Partners
20	Green mining company
21	Green Park
22	GWF Search & Mentoring
23	eg.1
24	Hanson Green
25	Harvey Nash
26	Heads! International
27	Hedley May
28	Heidrick & Struggles

<b>Number</b>	<b>Executive Search Firm</b>
29	Hogget Bowers
30	Investigo
31	JCA Group
32	Kast and Partners
33	Korn/Ferry/WHM
34	Lygon Group
35	Michael Williams Associates
36	MWM Consulting
37	Norman Broadbent
38	Odgers Berndtson
39	Oakleaf Partnership Limited
40	Page group
41	Palm Mason
42	Penna
43	Per Adua
44	Pertemps
45	Populus Select
46	Ravenhurst Partners/Trust Association
47	Ridgeway Partners
48	Robson Partners
49	Robinson Hambro
50	Rowley Williams Limited
51	Russell Reynolds Associates
52	Rurak & Associates
53	Sapphire Partners
54	Sciteb
55	Shoreman International
56	Sillman Thomas
57	Spencer Stuart
58	Stonehaven LLP



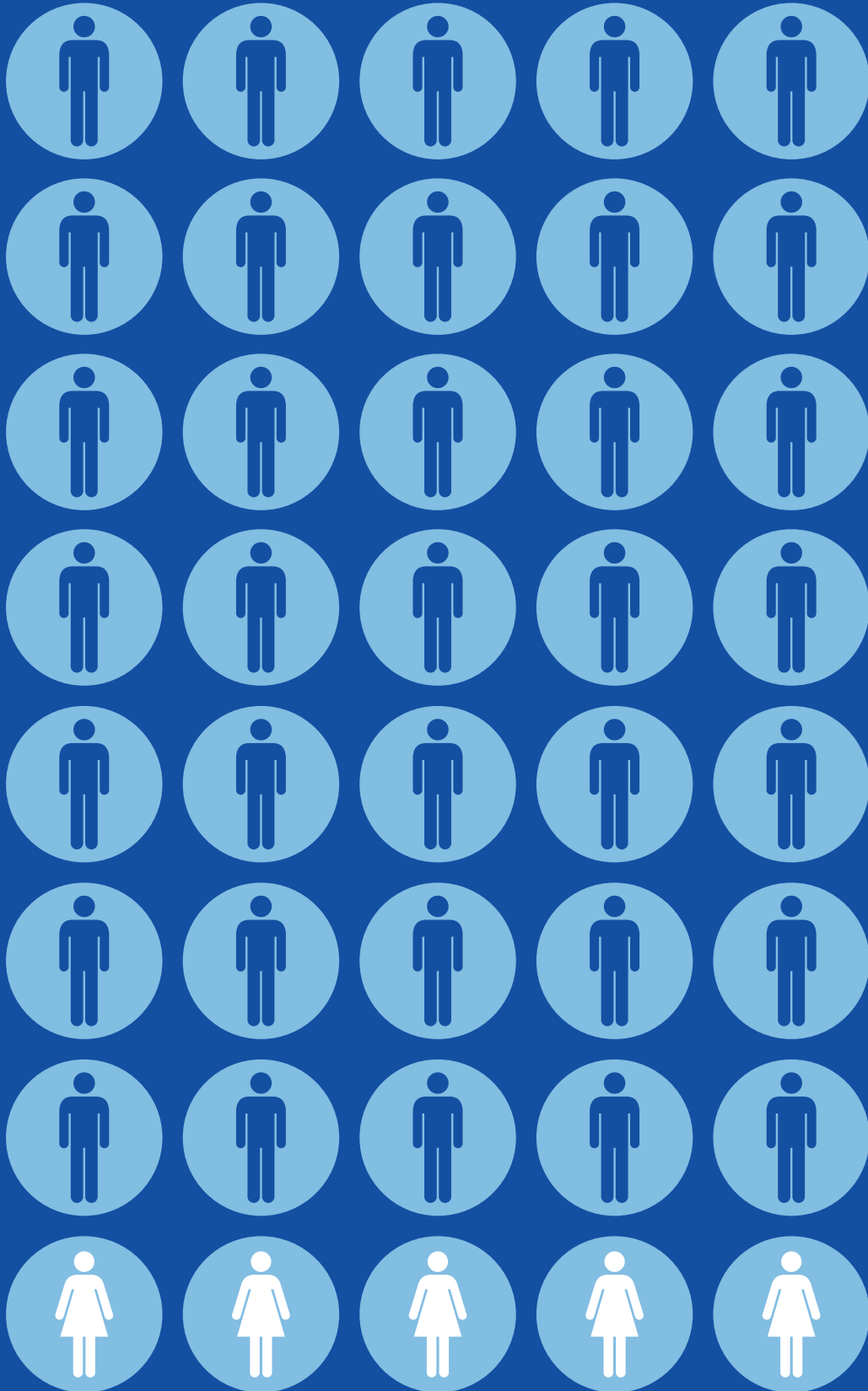
<b>Number</b>	<b>Executive Search Firm</b>
59	Taylor Bennett
60	Ten2Two
61	The Ashton Partnership
62	The Curve Group
63	The Miles Partnership LLP
64	The Zygos Partnership
65	Thewlis Graham
66	Veredus
67	Warren Partners
68	Wyatt & Jaffe

## **Annex B - Example of data collated by The Zygos Partnership - appointing women to board positions**

<b>ALL APPOINTMENTS</b>				
	<b>ALL</b>	<b>EXEC</b>	<b>NED (inc. SID)</b>	<b>CHAIR</b>
2013	101 appointments	29 appointments	63 appointments	9 appointments
	32 women (31.7)	6 women (20.7%)	25 women (39.7%)	1 woman (11%)
	69 men (68.3)	23 men (79.3%)	38 men (60.7%)	8 men (89%)

The above is an example of the top line data for appointments made in 2013. The Zygos Partnership break this data down further by FTSE 100 and FTSE 250 to monitor their success rates and impact their activity will have for their clients





**Charlotte Sweeney Associates**



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