



# WOMEN COUNT 2016

*The Number and Value of Female Executives in the FTSE 350*

*In association with* **ridgeway**partners  
leadership advisors

# CONTENTS

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<b>1.</b>	<b>INTRODUCTION .....</b>	<b>5</b>
<b>2.</b>	<b>BACKGROUND .....</b>	<b>5</b>
<b>3.</b>	<b>FINDINGS AND ANALYSIS.....</b>	<b>6</b>
<b>4.</b>	<b>THE COUNT.....</b>	<b>8</b>
<b>4.1.</b>	<b>WOMEN ON EXECUTIVE COMMITTEES 2016.....</b>	<b>8</b>
4.2	<i>Women On Executive Committees With P&amp;L Positions.....</i>	<i>13</i>
<b>5.</b>	<b>LITERATURE REVIEW.....</b>	<b>17</b>
5.1	<i>The Value of Women – Economic Impact.....</i>	<i>17</i>
5.2	<i>Female Employment and Economic Productivity.....</i>	<i>18</i>
5.3	<i>The Importance of Profit-and-Loss Executives .....</i>	<i>19</i>
5.4	<i>Increasing Diversity and The Talent Pipeline.....</i>	<i>19</i>
5.5	<i>Conclusions .....</i>	<i>20</i>
	<b>DEFINITIONS APPENDIX .....</b>	<b>21</b>

## ABOUT THE PIPELINE & THE AUTHORS

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**Lorna Fitzsimons and Margaret McDonagh co-founded The Pipeline in 2012 to focus on the development of executive female talent. The organisation runs a series of pioneering programmes for women and companies across the FTSE 350. The Pipeline works with boards, CEOs and their executive colleagues, as well as individual women to help them prepare for leadership roles.**

### **Lorna Fitzsimons**

*Co-Founder and CEO, The Pipeline*

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In addition to her work at The Pipeline, Lorna Fitzsimons leads The Alliance Project, a public-private partnership to bring back textile manufacturing to the UK. Lorna is a previous CEO of the Britain Israel Communications and Research Centre (BICOM) and NED for Endsleigh Insurance. She is also a former Member of Parliament and President of the National Union of Students. Lorna was a visiting Fellow at the Advanced Research and Assessment Group at the Defence Academy. She was also Associate Director at Rowland Sallingbury and Casey and the first ever IPR's Young Communicator of the Year.



### **Margaret McDonagh**

*Co-Founder and Executive Chairman, The Pipeline*

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Margaret is an experienced NED having served on both the Boards of Standard Life and Spanish infrastructure company Abertis-TBI (global airports). She is also the founding Chairman of Smart Energy GB. Margaret is



a member of the House of Lords and serves on the House Committee. Prior to entering the House of Lords, Margaret

was the first and youngest female General Secretary of the Labour Party. She organised both watershed elections of 1997 and 2001 and was one of the key figures in making the Labour Party electable. Margaret actively supports a number of charities and not-for-profit enterprises including serving as Director of AFC Wimbledon Foundation and is the Chairperson of the Orthopaedic Research & Education Fund.

### **Contact information**

**0207 636 9002 - [www.pipelinewomen.org.uk](http://www.pipelinewomen.org.uk)**

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### **About Ridgeway Partners**

Ridgeway Partners is a specialist executive search firm active in board and senior executive appointments across a wide range of sectors.

With offices in the UK and the US, Ridgeway Partners has a market-leading track record in placing female non-executive directors and deep expertise in advising clients on how to build their ranks of women senior executives. Ridgeway Partners is pleased to work in association with The Pipeline, supporting its innovative development programmes for female executives and its commitment to help companies create a sustainable pipeline for female leaders.

**ridgeway**partners  
leadership advisors

[www.ridgewaypartners.com](http://www.ridgewaypartners.com)

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### **Thanks from The Pipeline**

The Pipeline would like to thank Rupert Greenhalgh (Principle Analyst at Economic Strategies) and Greg Watson (Executive at Eaton and Watson) for their help with research and analysis.

## FOREWORD

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*I greatly welcome the publication of The Pipeline: Women Count 2016. This inaugural report, which tracks the number of women on the Executive Committees of the UK's 350 leading companies and the resulting economic impact, serves a valuable and important purpose. It will be very interesting to see how these figures develop over the coming years.*

*Lord Davies's Women on Boards Review made significant progress in improving the gender balance on British boards. While there is still work to be done in this area, his successor, Sir Philip Hampton, has rightly chosen to focus on the executive layer of companies. It is here that women must have the opportunities to secure and experience roles that will enable them to progress to CEO level.*

*As this report reveals, UK companies have performed better financially with at least one woman on their Executive Committee. But the impact goes far beyond economics. After decades working in business, both in Britain and around the world, it is clear to me that a truly diverse workplace brings enormous benefits to men and women alike – and to society at large.*



**Donald Brydon**  
Chairman, London Stock  
Exchange Group  
May 2016

After the success of Lord Davies's work on increasing the number of women on FTSE 100 boards, the UK Government appointed Sir Philip Hampton to conduct a review into the number of women at executive level in the FTSE 350. 'Women Count' is published by The Pipeline and establishes a baseline for the number of women who held executive positions as published by their companies in March 2016. It also looks at the type of roles they hold and whether there is any financial benefit for companies from having women on Executive Committees. It is the first study to chart and analyse both the number and value of women in senior roles across the FTSE 350. The following is a summary and explanation of the main findings.

Companies vary in the use of job titles. 'Women Count 2016' looks at membership of Executive Committees only so that direct comparison can be made between firms. It also allows for the charting of progress on an annual basis.

This research was conducted during the first week of March 2016 and sourced from information published by individual FTSE 350 companies including company websites, annual reports and other publicly available material. Where information was unavailable company press offices were contacted.

Top line findings include:

- 49 FTSE 350 firms currently have Executive Committees made up of 25% women or more.
- 52 FTSE 350 firms have no women on their Executive Committees and a further 129 do not publish this information.
- 318 (16%) women were counted as being on Executive Committees from a total of 2,038 members. 122 women (6%) were classified as having roles with profit-and-loss responsibility; 196 (10%) were in functional (i.e. non-profit-and-loss) roles.
- Companies with a woman CEO were, on average, likely to have more than twice the number of women on their Executive Committees than companies with a male CEO; and over three times the number of women in P&L roles.
- The 169 FTSE 350 companies with at least one woman on their Executive Committee were found to have a better return on capital by a margin of 5.6 percentage points on average than those with none.
- Were a similar benefit to be found in the 52 companies currently without women Executive Committee members, a £3 billion 'gender dividend' could be achieved.

The report concludes that the responsibility for further enhancing female representation on Executive Committees lies with a number of bodies – from businesses and their leaders to shareholders, fund managers, policy makers and regulators.

With all these organisations working to improve the numbers of executive women across the FTSE 350 and beyond, meaningful and sustainable change can take place.

## 1. Introduction

Recent studies have shown that companies around the world are more profitable when they have women on their Executive Committees and their Board membership (IMF 2016, Grant Thornton 2015, McKinsey 2012).

This report focuses in on the UK. First, it looks at whether UK companies achieve financial benefits from having women on their Executive Committees. Second, it looks at the numbers and types of roles held by women on Executive Committees across the FTSE 350. Third, it looks at the prevalence of women on Executive Committees holding roles that directly influence Profit-and-Loss (P&L) decisions, a key factor in women progressing to CEO, and linked strongly to firm performance.

The overarching aim of this report is to provide an initial count of the number of women on FTSE 350 Executive Committees. This is in the light of Sir Philip Hampton's appointment to lead a review on increasing representation of women in the executive level of FTSE 350 companies.<sup>1</sup>

It should be noted this is the only report that looks at Executive Committee make up in the FTSE 350.

## 2. Background

Studies by McKinsey highlight that as much as \$28 trillion, or 26%, could be added to global GDP each year by 2025 by advancing women's equality. In more developed economies such as the United Kingdom and the United States, McKinsey estimates that the upside of the full-growth potential scenario could be 10% to 12% higher by 2025.<sup>2</sup>

An International Monetary Fund (IMF) study finds that in Europe, even taking account the personal preferences of women, positive action from business and government can boost women's participation in the workforce and enhance their chances for advancement. The research, which looked at two million firms in 34 countries in Europe, finds that the more women there are in senior managerial positions and corporate boards, the more profitable firms are.<sup>3 4</sup>

The IMF research shows that one more woman in senior management or on a corporate board is associated with at least 8 basis points higher return on assets. Furthermore, the sweet spot, shown in research by McKinsey (examining the senior management teams of global companies) found that those with three or more women had a higher firm performance, on average, than teams with no women.<sup>5</sup>

In a global study, Grant Thornton<sup>6</sup> also found that companies with diverse executive teams outperform competitors run by men only. In the UK, it estimates the impact of moving to mixed boards on the FTSE 350 could boost GDP by around 2.5%.

Despite such findings, McKinsey's 'Women Matter' research also finds that the top circles of leadership remain male. Women make up just 14% of the Fortune 500 Executive Committees, and there are few women CEOs.<sup>7</sup> McKinsey's research also indicates that the game-changer for women is supporting mid-level management in order to progress to Chief Officer roles. The study shows that of 325,000 women with entry-level positions in 60 companies, 140,000 make middle level roles, and just 7,000 become vice presidents, senior vice presidents or members of the C-Suite.

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<sup>1</sup> <https://www.gov.uk/government/news/new-chair-and-deputy-chair-of-women-on-boards-review-will-champion-female-executives>

<sup>2</sup> McKinsey Global Institute (2015): The Power of Parity: How advancing women's equality can add to global growth

<sup>3</sup> IMF (2016): Unlocking Female Employment Potential in Europe - Women Boost the Bottom Line for Home, Firm, and Country

<sup>4</sup> Cited by IMF: <https://blog-imfdirect.imf.org/2016/03/07/doing-it-all-women-boost-the-bottom-line-for-home-firm-and-country/>

Note: Analysis based on the "financial statements of more than 2 million listed and unlisted companies across 34 European countries in firms with at least two people in the senior management team or on the corporate board, and for which information on the gender of members in senior management and corporate boards is available.

<sup>5</sup> McKinsey (several): 'Women Matter' global research programme on women's representation in top corporations – largely based on the 2012 study of 60 US companies how the representation of women falls in inverse proportion to seniority

<sup>6</sup> Grant Thornton (2015) Women in Business: the value of diversity  
[http://www.grantthornton.global/globalassets/wib\\_value\\_of\\_diversity.pdf](http://www.grantthornton.global/globalassets/wib_value_of_diversity.pdf)

<sup>7</sup> McKinsey (2012): Unlocking the full potential of women at work

Given this level of attrition in progression to executive roles, further research by McKinsey (and others<sup>8</sup>) in the US highlights that women are also lagging far behind their male counterparts when it comes to landing the critical profit-and-loss (P&L) jobs that serve as key developmental roles for future executive leaders. The research highlights that many successful women migrate to roles in human resources and investor relations that are important yet, evidentially, don't serve as a gateway to the top of the C-Suite.

### 3. Findings and Analysis

Our analysis looks at the FTSE 350 and the absolute numbers of women on Executive Committees and follows on from the work of Lord Davies on female representation on boards.<sup>9</sup>

Despite the demonstrable economic impact shown in research presented above, this study reveals a stark gap in the proportion of women on Executive Committees. Where the full Executive Committee details are known, just 19 of the FTSE 100 firms had an Executive Committee comprising at least 25% women. 13 FTSE 100 firms did not have any women on their Executive Committee. These differences are amplified when looking at the proportion of women holding profit-and-loss (P&L) roles – that is, those roles identified in the background research as enhancing progression to Executive and Chief Executive Officer. Just 9 FTSE 350 firms had at least 25% of their Executive Committee with women holding P&L roles.

Given the background research, and the strong company and economic gains from having more women in executive roles, the research aimed to understand if there were potential gains made by those firms with women on their Executive Committee. This analysis, albeit on a much smaller scale compared with the international studies, found 169 FTSE 350 companies with at least one woman on their Executive Committee have a better return on capital by, on average, a margin of 5.6 percentage points than those with none.<sup>10</sup> Were a similar benefit to be found in the 52 companies that currently don't have women members on their Executive Committee, a £3 billion 'gender dividend' could be achieved. (Figure 5)

The analysis does not explore the causes behind the prevalence of women on Executive Committees, but finds that companies with a woman CEO were, on average, likely to have more than twice the number of women on their Executive Committees than companies with a male CEO.

Where the company CEOs and gender of the Executive Committees are known, the data shows that the companies with a female CEO have an average of 3.3 women on their Executive Committees compared with 1.3 on Executive Committees where the CEOs are male. Four companies with female CEOs have more than 50% of females on their Executive Committees.

The data also shows that companies with female CEOs have more than three times the number of females in P&L roles than their male CEO counterparts. Here, the average in P&L roles is 1.8 women under female CEOs compared with 0.5 women under male CEOs.

This suggests that there is a correlation between women CEOs and women on Executive Committees. It is worth investigating further to discover if there is a pattern on which comes first.

There are instances in the original data source where there is a woman CEO, however the full details of the Executive Committee were not known. For statistical purposes and consistency, the analysis presented only looks at where the CEO and gender and positions of the people on Executive Committees are known. It is also important to note that the data was collected in March 2016, and positions may have changed since the subsequent publication of the report.

<sup>8</sup> McKinsey and LeanIn: Women in the Workplace 2015; CNN Money International: <http://money.cnn.com/2015/03/24/investing/female-ceo-pipeline-leadership/>; and Catalyst Research: <http://www.catalyst.org/knowledge/good-intentions-imperfect-execution-women-get-fewer-hot-jobs-needed-advance>

<sup>9</sup> The Davies Review 5 Year Progress: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/482059/BIS-15-585-women-on-boards-davies-review-5-year-summary-october-2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482059/BIS-15-585-women-on-boards-davies-review-5-year-summary-october-2015.pdf)

<sup>10</sup> Note: Analysis looks at return on capital employed in 2014. This is not directly comparable to the IMF quoted figure of 8 percentage points (i.e. one more woman in senior management roles, or on a corporate board) it begins to illustrate the potential gains to the economy by having more women on an Executive Committee.

The findings, from data captured in March 2016 from standard sources such as company Annual Reports and online data search, are summarised below.<sup>11</sup>

- 19 FTSE 100 firms had Executive Committees made up of at least a quarter women. (Appendix - Figures 1-4).
- 49 FTSE 350 firms had Executive Committees made up of at least a quarter women. (Figures 1-4).
- 13 FTSE 100 firms did not have any women on their Executive Committee; and a further 15 did not have information on the gender make-up of their Executive Committee (Figures 1- 4).<sup>12</sup>
- 52 (FTSE 350 did not have any women on their Executive Committee; and a further 129 did not have information about the gender of their Executive Committee (Figures 1-4).
- In the FTSE 100 there were 856 members of Executive Committee, of these 147 (17%) were women.<sup>13</sup>
- In the FTSE 350 there were 2,038 members of Executive Committees, of these 318 (16%) were women.<sup>14</sup>
- 122 women (6%) were classified as having roles with profit-and-loss responsibility; 196 (10%) were in functional (i.e. non-profit-and-loss) roles.
- Of the 318 women in the FTSE 350 Executive Committees, job roles were known for 305 women. Of these:<sup>15</sup>
  - 35 (11%): CEO / Regional CEO / President\*
  - 26 (9%): MD / Chief Operating Officer / Executive Vice President\*
  - 41 (13%): Business / Commercial / Operation, Group or Division Director
  - 20 (7%): Chief Finance Officer / Group Finance Officer
  - 183 (60%) the overwhelming majority are in additional functional roles, for examples, HR, legal and marketing.
- \* Only counted when it was a clear P&L role
- The top five sectors in the FTSE 350, with the highest representation of female executives – making up at least 25% of their Executive Committee – include: Business administrative and support activities; Transportation and storage; Real estate; Wholesale and retail trade; Arts and entertainment, and Construction.<sup>16</sup> (Figures 7 to 9).
- There was little variation by firm size expressed by market capitalisation in March 2016 (Figure 5).

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<sup>11</sup> Note: Figures provided relate to records where information about all Executive Committee member roles, gender, position, sector was available

<sup>12</sup> Based on searches of standard material and data sources for this work – including company Annual Reports

<sup>13</sup> Where all information was available from standard sources on the gender of the Executive Committee

<sup>14</sup> Where all information was available from standard sources on the gender of the Executive Committee

<sup>15</sup> Due to the variety of title roles job occupations were groups on a best-fit basis.

<sup>16</sup> Statement refers to Construction FTSE 100 firms

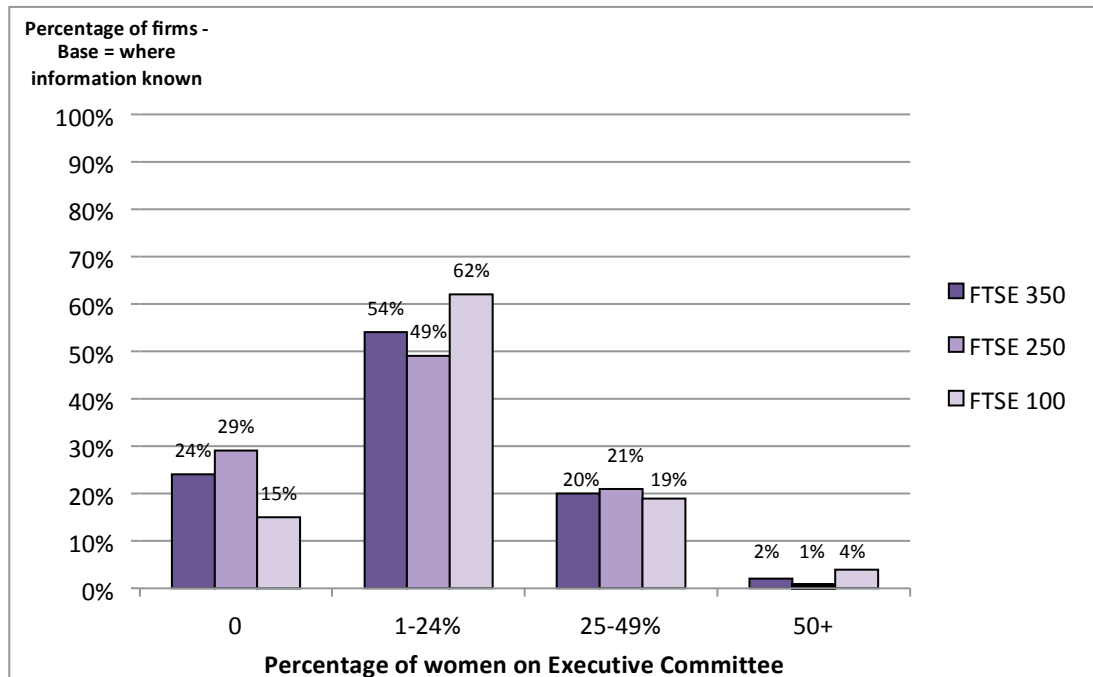


## 4. The Count

### 4.1 Women On Executive Committees 2016

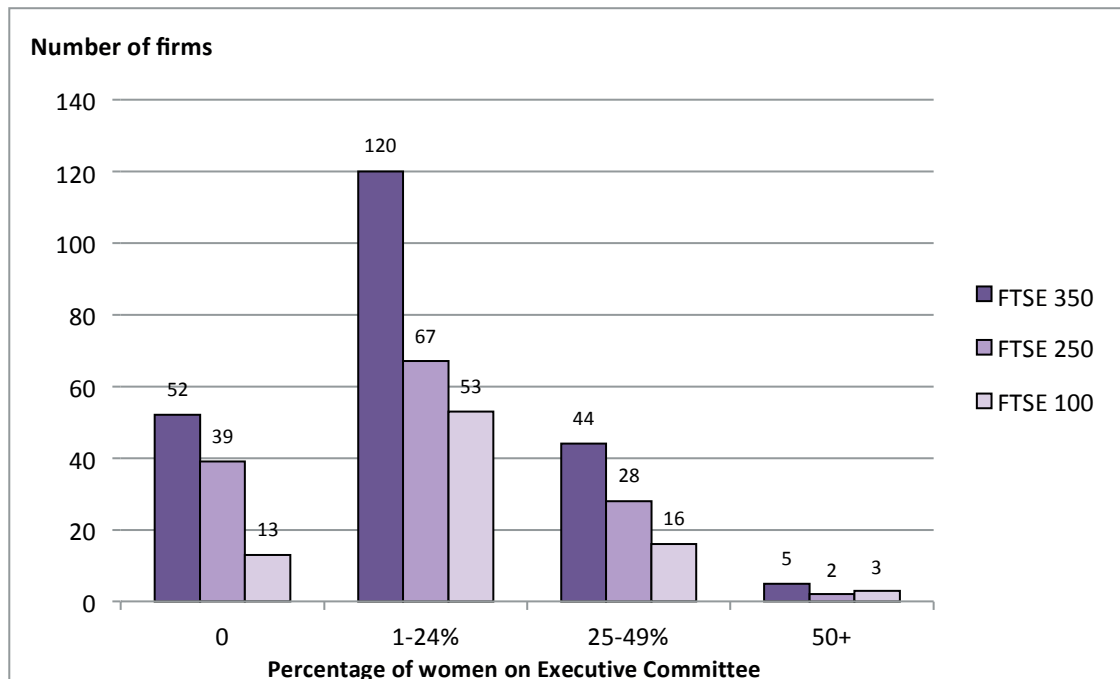
This section provides a headline analysis of the proportion of **all women on Executive Committees irrespective of job role**, and provides statistics on women Executives expressed as a percentage of the total membership of the Executive Committee.

**Figure 1: Percentage of FTSE firms with female executives on their Executive Committee**



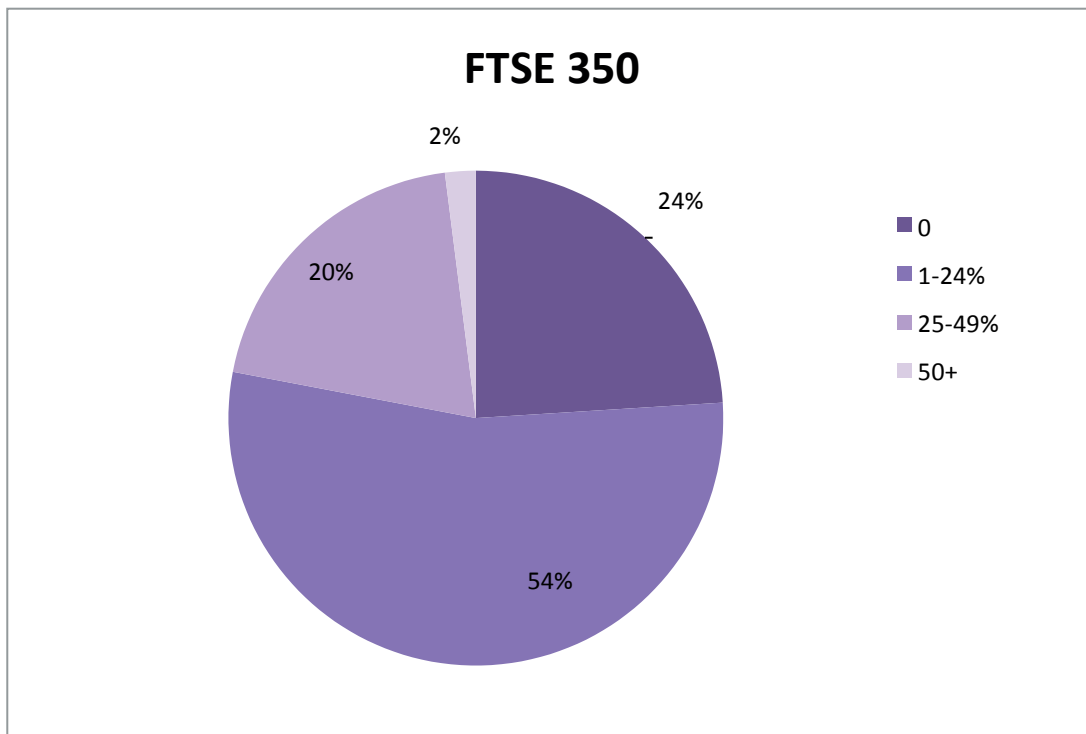
Base = number of firms where all occupation data was available, figures may not sum to 100% due to rounding

**Figure 2: Number of FTSE firms with female executives on their Executive Committee**



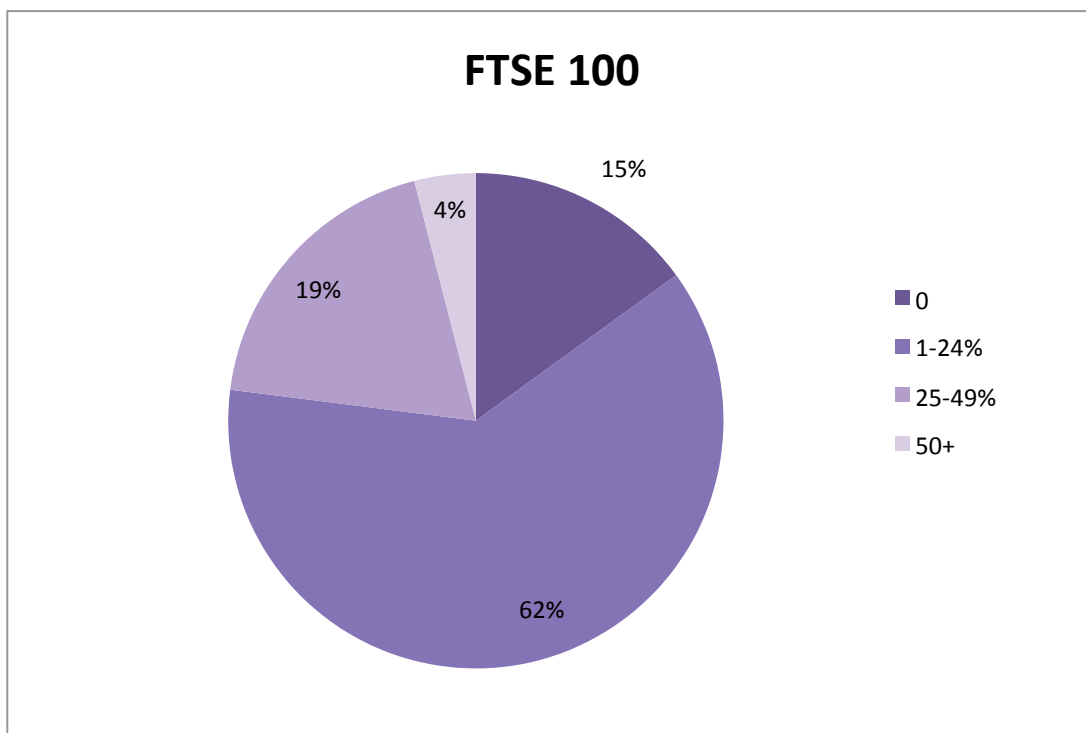
Base = number of firms where all occupation data was available

**Figure 3: Percentage of FTSE 350 firms with female executives on their Executive Committee (e.g. 1-24%= 1 or more, but less than a quarter are women)**



*Base = number of firms where all occupation data was available*

**Figure 4: Percentage of FTSE 100 firms with female executives on their Executive Committee (e.g. 1-24%= 1 or more, but less than a quarter are women)**



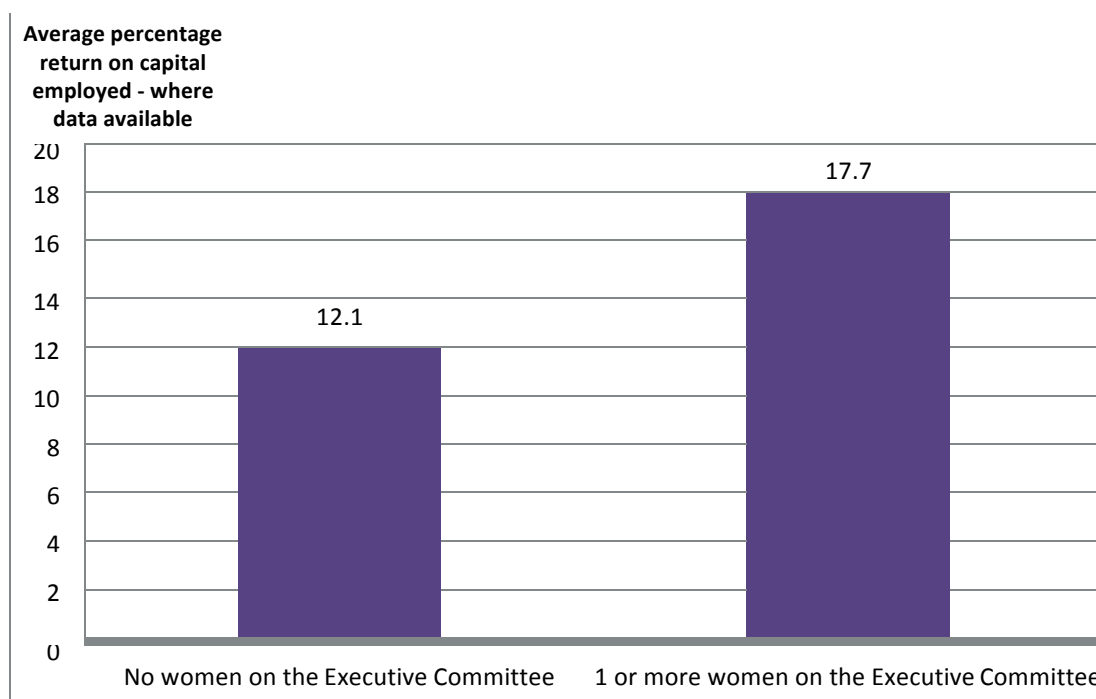
*Base = number of firms where all occupation data was available*

**Figure 5: FTSE firms with female executives on their Executive Committee by market capitalisation (quartile) across all the FTSE 350**

Percent	0	1-24%	25-49%	50%+
Top Quartile	16%	61%	19%	4%
2 <sup>nd</sup> Quartile	23%	62%	15%	0%
3 <sup>rd</sup> Quartile	27%	46%	25%	2%
Bottom Quartile	33%	44%	21%	3%
Numbers	0	1-24%	25-49%	50%+
Top Quartile	12	47	15	3
2 <sup>nd</sup> Quartile	12	32	8	0
3 <sup>rd</sup> Quartile	14	24	13	1
Bottom Quartile	13	17	8	1

Base = number of firms where all occupation data was available, figures may not sum to 100% due to rounding

**Figure 6: Average return on capital in FTSE firms, 2014**

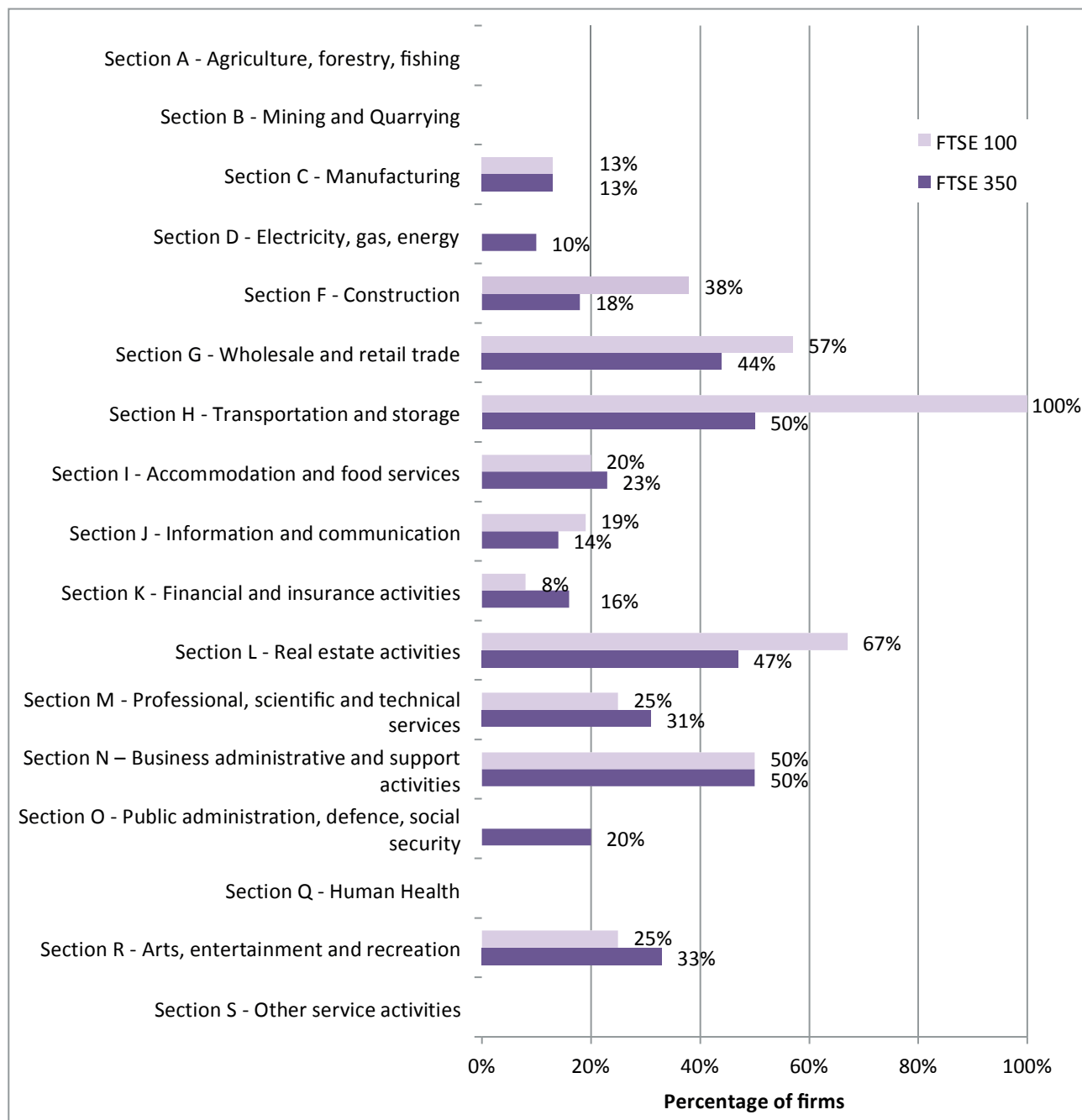


Base = firms where EC details and returns are known; and data was available on Returns on Capital

Note: Return on Capital Employed (ROCE = EBIT / Total capital Employed) data extracted in April 2016, sourced from Companies House data extracted from the Bureau van Dijk Fame business database. Analysis compares average ROCE.

The following provides more detail on women in Executive Committees by sector based on the primary activity of the firm using ONS Standard Industrial Codes. There are differences by sector.

**Figure 7: FTSE 350 and FTSE 100 by broad industry sector - percentage of companies with 25% or more women on Executive Committees**



*Base = number of firms where all occupation and industry sector data was available*

**Figure 8: Number of FTSE 350 firms with female executives on their Executive Committee, by broad industry sector (note last column adds column 4 and 5 together)**

Column number (1)	(2)	(3)	(4)	(5)	(6)
	0	1-24%	25-49%	50%+	25%+
Section A - Agriculture, forestry, fishing	1	0	0	0	0
Section B - Mining and Quarrying	2	8	0	0	0
Section C - Manufacturing	2	12	2	0	2
Section D - Electricity, gas, energy	1	8	1	0	1
Section F - Construction	6	8	2	1	3
Section G - Wholesale and retail trade	3	11	9	2	11
Section H - Transportation and storage	0	1	1	0	1
Section I - Accommodation and food services	3	7	3	0	3
Section J - Information and communication	12	19	5	0	5
Section K - Financial and insurance activities	13	22	6	1	7
Section L - Real estate activities	5	3	7	0	7
Section M - Professional, scientific and technical services	3	8	5	0	5
Section N – Business administrative and support activities	0	1	0	1	1
Section O - Public administration, defence, social security	0	4	1	0	1
Section Q - Human Health	1	3	0	0	0
Section R - Arts, entertainment and recreation	0	4	2	0	2
Section S - Other service activities	0	1	0	0	0
<b>All sector average</b>	52	120	44	5	49

Base = number of firms where all occupation data was available, includes records of firms with no market capitalisation data  
 Grey = or >average. Green >50% and above average. Figures may not sum to 100% due to rounding

**Figure 9: Number of FTSE 100 firms with female executives on their Executive Committee across the FTSE 100, by broad industry sector (note last column adds column 4 and 5 together)**

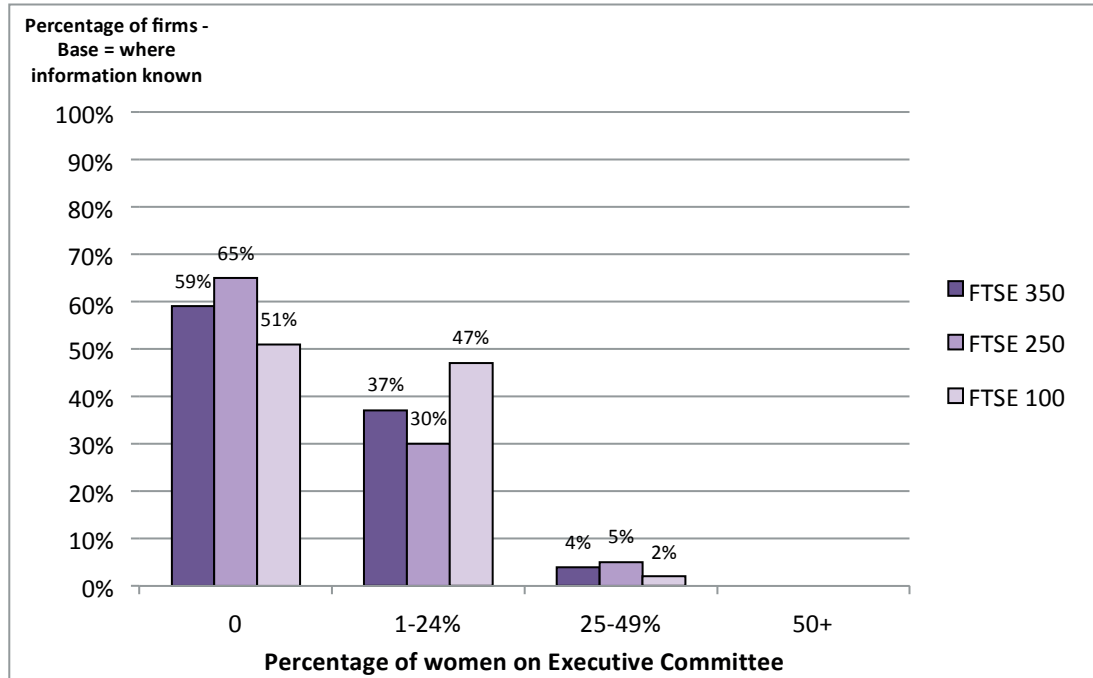
Column number (1)	(2)	(3)	(4)	(5)	(6)
	0	1-24%	25-49%	50%+	25%+
Section A - Agriculture, forestry, fishing	1	0	0	0	0
Section B - Mining and Quarrying	1	5	0	0	0
Section C - Manufacturing	1	6	1	0	1
Section D - Electricity, gas, energy	1	3	0	0	0
Section F - Construction	2	3	2	1	3
Section G - Wholesale and retail trade	0	3	3	1	4
Section H - Transportation and storage	0	0	1	0	1
Section I - Accommodation and food services	1	3	1	0	1
Section J - Information and communication	3	10	3	0	3
Section K - Financial and insurance activities	3	9	1	0	1
Section L - Real estate activities	0	1	2	0	2
Section M - Professional, scientific and technical services	0	3	1	0	1
Section N – Business administrative and support activities	0	1	0	1	1
Section O - Public administration, defence, social security	0	2	0	0	0
Section Q - Human Health	0	1	0	0	0
Section R - Arts, entertainment and recreation	0	3	1	0	1
<b>All sector average FTSE 100</b>	13	53	16	3	19

Base = number of firms where all occupation data was available and sector known (NB no FTSE 100 firms in Section S)  
 Grey = or >average. Green >50% and above average. Figures may not sum to 100% due to rounding

## 4.2 Women On Executive Committees With P&L Positions

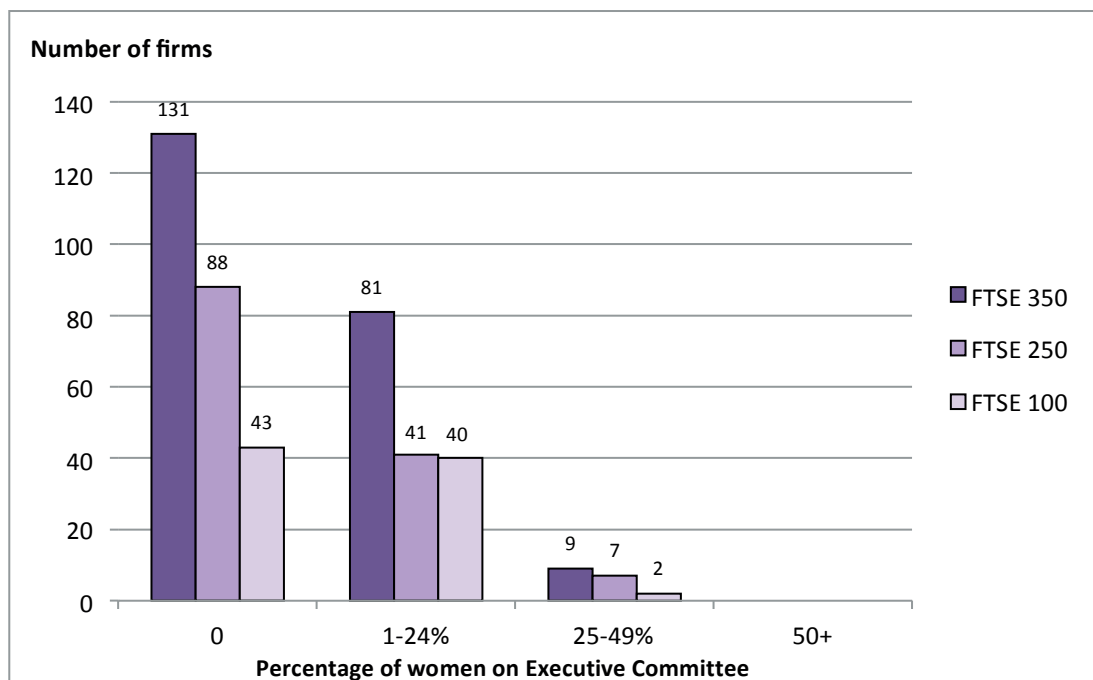
This section provides a headline analysis of the proportion of women in P&L roles, and provides statistics on these Executives expressed as a percentage of the total membership of the Executive Committee.

**Figure 10: Percentage of FTSE firms with female executives on their Executive Committee in P&L positions**



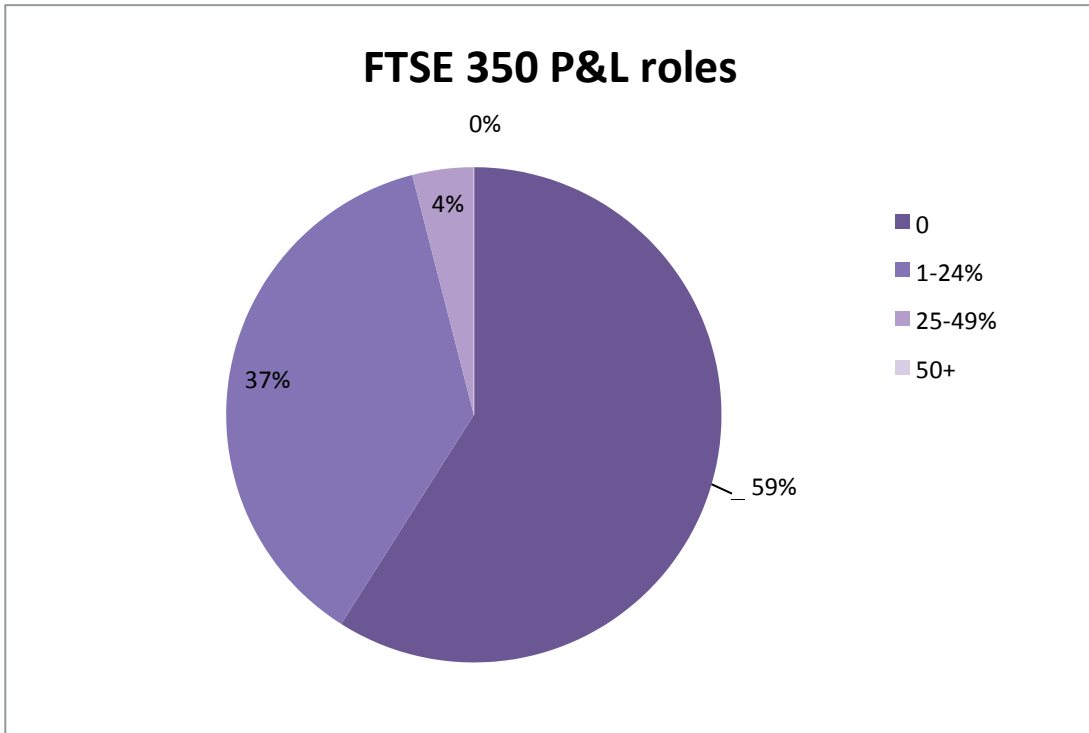
Base = number of firms where all occupation data was available, figures may not sum to 100% due to rounding

**Figure 11: Number of FTSE firms with female executives on their Executive Committee in P&L positions**



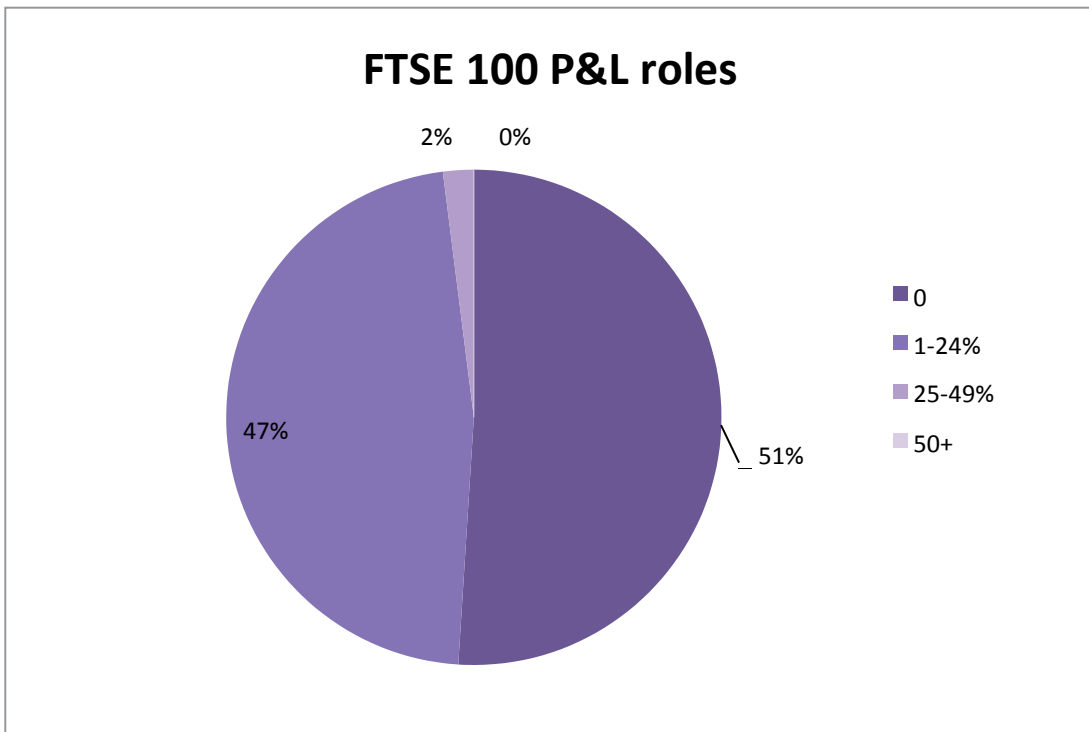
Base = number of firms where all occupation data was available

**Figure 12: Percentage of FTSE 350 firms with female executives on their Executive Committee in P&L roles (e.g. 1-24%= 1 or more, but less than a quarter are women)**



*Base = number of firms where all occupation data was available*

**Figure 13: Percentage of FTSE 100 firms with female executives on their Executive Committee in P&L roles (e.g. 1-24%= 1 or more, but less than a quarter are women)**



*Base = number of firms where all occupation data was available*

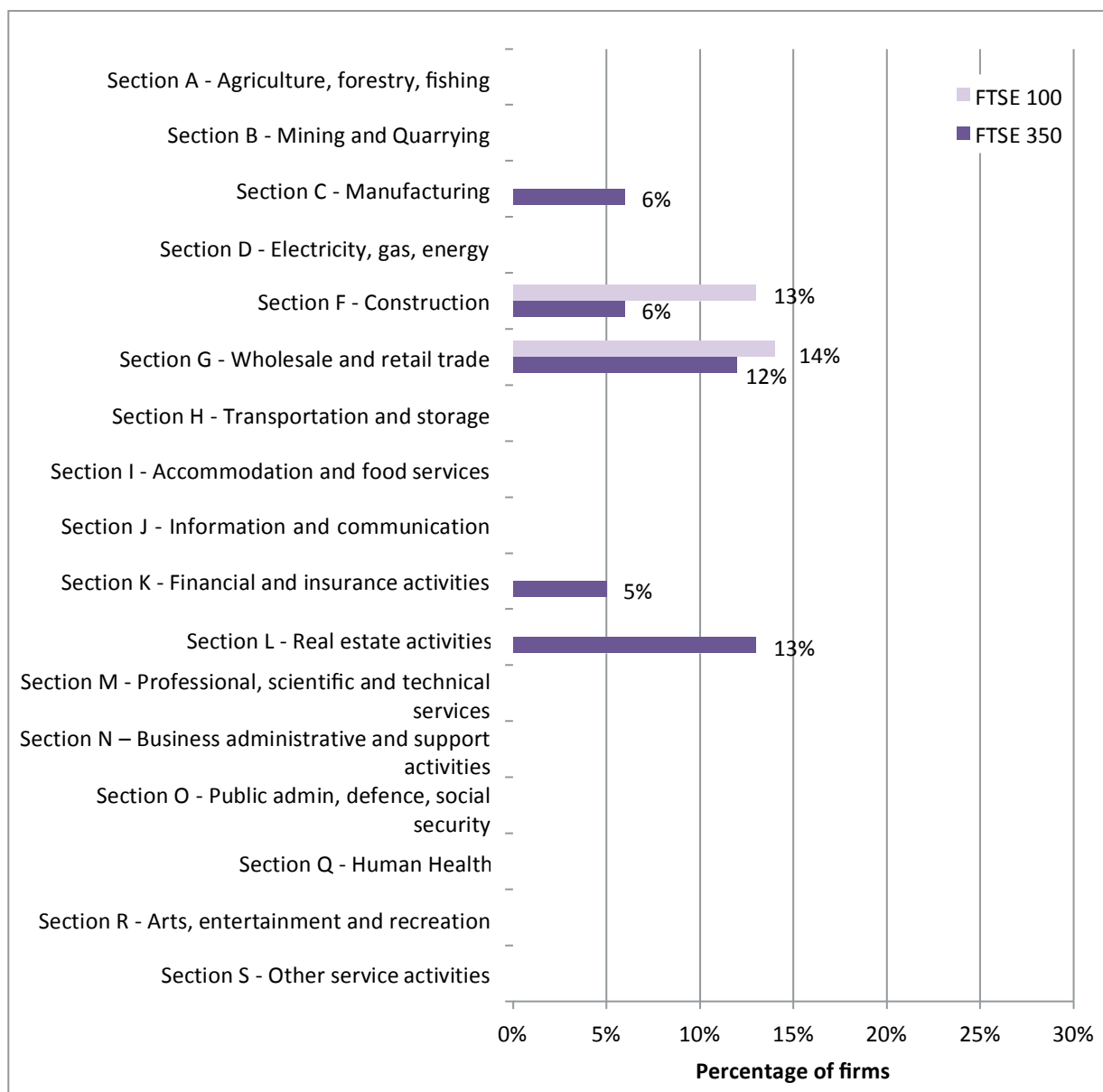
**Figure 14: Firms with female executives on their Executive Committee in P&L positions, by market capitalisation (quartile) across all the FTSE 350**

Percent	0	1-24%	25-49%	50%+
Top Quartile	49%	48%	3%	0%
2 <sup>nd</sup> Quartile	63%	37%	0%	0%
3 <sup>rd</sup> Quartile	62%	33%	6%	0%
Bottom Quartile	69%	21%	10%	0%
Numbers	0	1-24%	25-49%	50%+
Top Quartile	38	37	2	0
2 <sup>nd</sup> Quartile	33	19	0	0
3 <sup>rd</sup> Quartile	32	17	3	0
Bottom Quartile	27	8	4	0

Base = number of firms where all occupation data was available, blanks excluded e.g. where exact capitalisation not known

The following provides more detail on women in Executive Committees in P&L positions by sector based on the primary activity of the firm using ONS Standard Industrial Codes. There are distinct differences by sector.

**Figure 15: FTSE 350 and FTSE 100 by sector - percentage of companies with 25% or more women on Executive Committees with P&L roles**



Base = number of firms where all occupation and industry sector data was available



**Figure 16: Number of FTSE 350 firms with female executives on their Executive Committee in P&L positions, by broad industry sector (note last column adds column 4 and 5 together)**

Column number (1)	(2)	(3)	(4)	(5)	(6)
	0	1-24%	25-49%	50%+	25%+
Section A - Agriculture, forestry, fishing	1	0	0	0	0
Section B - Mining and Quarrying	8	2	0	0	0
Section C - Manufacturing	10	5	1	0	1
Section D - Electricity, gas, energy	6	4	0	0	0
Section F - Construction	13	3	1	0	1
Section G - Wholesale and retail trade	9	13	3	0	3
Section H - Transportation and storage	0	2	0	0	0
Section I - Accommodation and food services	9	4	0	0	0
Section J - Information and communication	24	12	0	0	0
Section K - Financial and insurance activities	24	16	2	0	2
Section L - Real estate activities	9	4	2	0	2
Section M - Professional, scientific and technical services	9	7	0	0	0
Section N – Business administrative and support activities	0	2	0	0	0
Section O - Public administration, defence, social security	3	2	0	0	0
Section Q - Human Health	2	2	0	0	0
Section R - Arts, entertainment and recreation	3	3	0	0	0
Section S - Other service activities	1	0	0	0	0
<b>All sector average FTSE 350</b>	<b>131</b>	<b>81</b>	<b>9</b>	<b>0</b>	<b>9</b>

Base = number of firms where all occupation data was available, includes records of firms with no market capitalisation data  
 Grey = or >average. Green >50% and above average. Figures may not sum to 100% due to rounding

**Figure 17: Number of FTSE 100 firms with female executives on their Executive Committee in P&L positions, by broad industry sector (note last column adds column 4 and 5 together)**

Column number (1)	(2)	(3)	(4)	(5)	(6)
	0	1-24%	25-49%	50%+	25%+
Section A - Agriculture, forestry, fishing	1	0	0	0	0
Section B - Mining and Quarrying	5	1	0	0	0
Section C - Manufacturing	5	3	0	0	0
Section D - Electricity, gas, energy	3	1	0	0	0
Section F - Construction	5	2	1	0	1
Section G - Wholesale and retail trade	1	5	1	0	1
Section H - Transportation and storage	0	1	0	0	0
Section I - Accommodation and food services	3	2	0	0	0
Section J - Information and communication	8	8	0	0	0
Section K - Financial and insurance activities	6	7	0	0	0
Section L - Real estate activities	0	3	0	0	0
Section M - Professional, scientific and technical services	2	2	0	0	0
Section N – Business administrative and support activities	0	2	0	0	0
Section O - Public administration, defence, social security	1	1	0	0	0
Section Q - Human Health	0	1	0	0	0
Section R - Arts, entertainment and recreation	3	1	0	0	0
<b>All sector average FTSE 100</b>	<b>43</b>	<b>40</b>	<b>2</b>	<b>0</b>	<b>2</b>

Base = number of firms where all occupation data was available, includes records of firms with no market capitalisation data

## 5. Literature Review

The following section summarises key issues from a light-touch review of other similar studies and reports on high impact human capital strategy. All reports highlight the importance of promoting and fostering female leadership to executive roles, and the impact on the bottom line of businesses.

### 5.1 The Value of Women – Economic Impact

Recent research by the IMF,<sup>16</sup> one of the largest studies on female employment potential, finds that in Europe, national policies can boost women's participation in the workforce and enhance their chances for advancement. The research, which looked at 2 million firms in 34 countries in Europe, finds that the more women in senior managerial positions and in corporate boards, the more profitable firms are. One more woman in senior management or on a corporate board is associated with 8 to 13 basis points higher return on assets.<sup>17</sup> High corporate profitability could support investment and productivity, another channel through which more women in the workforce can help mitigate Europe's potential growth slowdown.

In regions like Europe, where populations are ageing, the working-age population is being squeezed, and productivity growth is declining, there is more incentive than ever to level the playing field for women to work full-time and climb higher up the ladder. Over the past three decades, millions of women in Europe have joined the labour force.

Countries such as Spain and Ireland have seen the share of women who work outside the household double since the 1980s—from under 40% to more than 80% in the case of Spain. In several Nordic and Eastern European countries, women today are almost as likely to work for pay as men are. At the same time, legal requirements for gender diversity in corporate boardrooms have helped boost women's representation in top decision making positions—women now hold almost a quarter of senior management or board positions in the corporate sector across Europe.

The IMF research confirms that the positive relationship between more women high on the corporate ladder and firms' profitability is pronounced in sectors where women form a larger share of the labour force, highlighting the importance of bridging gender gaps between senior executives and the general workforce. This positive association is also more evident in knowledge-intensive services and high-tech manufacturing sectors, where diversity, including gender diversity, can help meet the high demand for creativity and innovative capacity.

McKinsey's 'Women Matter' report did a similar but more focussed survey with business executives around the world. The top four attributes for leadership characteristics were: intellectual stimulation, inspiration, participatory decision making, setting expectations and rewards. These factors were more commonly found in women leaders.<sup>18</sup> Further research by McKinsey highlights that as much as \$12 trillion could be added to global GDP each year by 2025 by advancing women's equality. In a "full potential" scenario in which women play an identical role in labour markets to that of men, as much as \$28 trillion, or 26%, could be added to global annual GDP by 2025.<sup>19</sup>

Clearly, the economic opportunity for both advanced and emerging economies is substantial. Among advanced economies, the best-in-region scenario could result in an increase in annual GDP of 9% over the business-as-usual scenario in Western Europe and gains of 11% in North America and Oceania. Even in the United Kingdom, and the United States, where there has already been substantial progress in issues of gender equality, the upside of the full-potential scenario is 10% to 12% in 2025. These regions also have among the most to gain on an absolute basis: \$2.1 trillion in annual output for Western Europe, and \$3.1 trillion in North America and Oceania.<sup>20</sup>

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<sup>16</sup> IMF (2016): *Unlocking Female Employment Potential in Europe*; and McKinsey (2016) *Unlocking the Full Potential of Women at Work*

<sup>17</sup> Cited by IMF (2016): <https://blog-imfdirect.imf.org/2016/03/07/doing-it-all-women-boost-the-bottom-line-for-home-firm-and-country/>

<sup>18</sup> McKinsey (2009): *Women Matter 3: Women Leaders, A Competitive Edge in and after the Crisis*. Results of a Global Survey of Almost 800 Business Leaders, cited in Phillips J. and Pulliam-Phillips P. (2015): *High-Impact Human Capital Strategy*

<sup>19</sup> McKinsey Global Institute (2015): *The Power of Parity: How advancing women's equality can add to global growth*

<sup>20</sup> Ibid

## 5.2 Female Employment and Economic Productivity

The UK's population is ageing and productivity growth has declined markedly in the aftermath of the global financial crisis. In addition, the working-age population is expected to continue to shrink in future, with fewer people entering the labour force and old-age dependency ratios rising.

Greater involvement of women in the economy will help support greater economic performance. In addition, it can bring significant macroeconomic benefits, in particular in two key areas:<sup>21</sup>

- 1) Increasing labour supply and wages:** In the context of a rapidly ageing population, increasing the share of women in the workforce could help mitigate the impact of a shrinking labour force. According to the Organisation for Economic Co-operation and Development (OECD), closing the gender participation gap could raise GDP by 12% over 15 years.<sup>22</sup>
- 2) Improving firm financial performance:** Greater involvement of women in senior management – Executive Committee positions, and in the boardroom, will help strengthen firms' performance and improve profitability, and support corporate investment and productivity, mitigating the slowdown in potential growth.

The good news is that more European women have entered the corporate boardroom. Since 2003, when Norway passed a law mandating at least 40% representation of each gender on the board of publicly listed companies, many European countries followed suit.<sup>23</sup> Most recently, Germany passed a law that requires publicly listed companies to have women occupy at least 30% of supervisory seats as of 2016.

Overall, the introduction of quotas has supported a substantial rise in the share of women on the boards of Europe's largest publicly listed companies. However, most countries are still a long way away from gender parity in senior corporate positions. While legal requirements have boosted the share of women in the boardroom to about 18%, only 12% of executive positions among Europe's 620 largest listed companies were held by women in 2015.<sup>24</sup>

Greater gender equality in executive positions generates significant benefits at the firm level. Diversity improves corporate productivity to the extent that it fosters complementarities in skills, generates knowledge spillovers, stimulates critical and creative thinking, makes the workplace more enjoyable, or stimulates demand.<sup>25</sup>

Greater female representation could shape firm performance through two channels:

- 1) Women in the labour force:** The positive correlation between gender diversity and firm financial performance is more pronounced in sectors where women form a larger share of the labour force, for example - retailing, hospitality and tourism, and real estate sectors.
- 2) High-tech and knowledge-intensive sectors:** The positive association between gender diversity and firm performance is significantly higher in high-tech and knowledge-intensive sectors. For firms operating in these sectors, improving gender balance in senior positions is associated with a much larger increase in profitability than in other sectors.

Despite increasing levels of women's representation in the labour market, representation is relatively low in senior positions compared with overall participation in employment. Women are just under half (46%) of the workforce, but their representation falls in more senior positions: women make up only a third (33%) of all managers, directors and senior officials, and only 10% of FTSE 250 board members. However, some progress has been made; the proportion of women in managerial positions increased by 3 percentage points between 2002 and 2011. (Sources: <sup>26</sup>, <sup>27</sup>, <sup>28</sup>)

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<sup>21</sup> Examples include World Bank 2011; European Commission 2011; Elborgh-Woytek and others 2013; Gonzales and others 2015a -

<sup>22</sup> OECD (2012): Closing the gender Gap – Act Now

<sup>23</sup> Profeta, P.L.A. et al. (2014): Quotas on Boards: Evidence from the Literature.

<sup>24</sup> Eurostat (2016): Data on executives cover senior executives in the two highest decision making bodies in each company.

<sup>25</sup> Lee, C., and J. L. Farh. (2004): Joint Effects of Group Efficacy and Gender Diversity on Group Cohesion and Performance.

<sup>26</sup> ONS (2012): Labour Market Statistics November 2012, cited in UK Women's Business Council Paper 'Pipeline to Senior Management'

<sup>27</sup> ONS (2012): Annual Survey of Hours and Earnings 2012, cited in UK Women's Business Council Paper

<sup>28</sup> Professional Boards Forum: Boardwatch

### **5.3 The Importance of Profit-and-Loss Executives**

The roles and occupations that women tend to work in may have an impact on progression to senior positions. It has been argued that, because women are more likely to be in functional roles (such as HR, marketing, legal, finance), they may not get the opportunities to gain experience that senior leaders are expected to have, such as profit-and-loss (P&L) accountability and running operations.<sup>29</sup>

P&L responsibility is one of the most important responsibilities of any executive position. It is regarded as a key requisite for executive managers progressing to Chief Executive Officer. Having experience of managing P&L is something that is actively searched for by executive recruiters when qualifying Chief Executive Officer job candidates.

As Louise Angel, head of board practice at Ridgeway Partners, notes: 'Hiring boards are strongly influenced by candidates with P&L experience. Chief executive appointments are high stakes and, in the interests of shareholders, boards look for evidence of the ability to succeed in the role.'

P&L responsibility goes beyond basic reporting of profits or loss. Executives must take steps to improve P&L statements, and be confident in their ability to work with a variety of departments to identify opportunities. P&L responsibility also goes hand in hand with leadership - executives must communicate the actualities of the P&L statement and ensure every employee is invested in influencing the company's financial situation.

Senior executives must discover new ways of generating income, especially as traditional income streams are affected by economic downturns or technological advances. In order to implement new income-generating streams, he or she must source new ideas from all levels in the organization and be open to external advisers or consultants.

Senior executives with P&L responsibility are often required to communicate P&L statements to owners, shareholders and the entire organisation, justifying expenditures and explaining profit levels. Mistakes should be openly discussed, followed by suggested next steps and solutions. Equally, achievements need to be clearly communicated, attributing success to those involved.

### **5.4 Increasing Diversity and The Talent Pipeline**

Increasing diversity throughout companies is acknowledged as a priority by business, government and regulators as well many shareholders and customers. For example, companies have made welcome progress in increasing gender diversity on boards over the last five years, with the FTSE 100 sector as a whole meeting the 25% target set by Lord Davies by the end of 2015.

The report presents the findings of a survey of FTSE 350 firms, and shows that while there has been progress in improving the number of women on boards, there is more that can be done. It found that, while the FTSE 100 as a whole met the 25% target, this headline figure concealed wide variations in the performance of individual companies. Most companies still fell below the 25% level.

Fifty-five FTSE 100 companies had reached or exceeded the 25% target, but 45 had not. Two-thirds (168) of FTSE 250 companies had also not met this target. While 47% of FTSE 350 companies increased their female board representation over the period of the study, in 46% of companies the proportion of women on their boards either remained the same or even decreased.

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<sup>29</sup> Wichert (2011): 'Where have all the Senior Women Gone?'. Palgrave Macmillan

## 5.5 Conclusions

If it isn't counted it doesn't count – so we are counting. The Pipeline's 'Women Count 2016' is the first annual report on the number of women members of Executive Committees in the FTSE 350.

As well as measuring the numbers, we have charted their financial impact. And we, too, have found a correlation between female Executive Committee members and a better return on capital. From the findings of Grant Thornton's study to McKinsey's and our now ours, it is clear that women executives provide a significant lift to the performance of corporate Britain – one the companies and the country cannot afford to miss. \*

Our work found that the 169 FTSE 350 companies with at least one woman on their Executive Committees have, on average, a better return on capital by a margin of 5.6 percentage points than those with none. Were a similar benefit to be found in the 52 companies that currently have no women Executive Committee members, we estimate that a £3 billion 'gender dividend' could be achieved. To be clear, this dividend may be realised with only 52 additional women – one on each Executive Committee. However, McKinsey's work shows if we really want more women to progress to CEOs and board directors they have to experience P&L roles.

We are clear that this is an economic issue, there are obviously other benefits and it is the right thing to do. But the economic case for more gender diversity in Executive Committees has now been established.

Given the figures revealed in this report, improving the number of senior executive women is a significant challenge but one we can meet, as some companies have and are continuing to show.

Lord Davies has paved the way for Sir Philip Hampton's review, which is the harder and bigger task. However, it would not have been possible without Lord Davies's pioneering work. To emphasise the scale of the task, during the time Lord Davies's 25% target was being reached, it has been reported that there was a corresponding 12% reduction in the FTSE of executive women (FT, 7 April 2016).

So, what must happen now?

**CEOs and Business Leaders** – Must embrace the notion that diversity at the most senior levels will enhance their companies' financial performance and thus their performance as leaders. This change has to be led from the top, in deeds as well as words. All must understand this is about improving performance and thus maximising rewards for all. Diverse teams deliver better results. It is hoped that those companies who currently do not publish Executive Committee data will appreciate the value of the count and choose to do so in future.

**Fund Managers and Shareholders** – Must also demonstrate that they understand that teams, not individuals, run companies. They need to create, support and reward diverse Executive Committees, encouraging companies to report on and highlight the proven performance benefits. They should also emphasise that there are not enough women currently in the pipeline and the companies who address this first will reap the biggest rewards.

**Policy Makers and Regulators** – Must continue to educate corporate Britain on the advantages of diverse teams and reward companies that are performing above the market. This isn't just about the bottom line, it is also about risk and reward as well as behaviours and culture. All impact on productivity. While this is a quantitative study, policy makers must prioritise evidence-gathering qualitative data on what works within all sectors.

'Women Count' will continue to chart and analyse the metrics of female representation on Executive Committees on an annual basis. Increasing the number of female executives is not only the right thing to do. The evidence suggests that diversity will enhance the wellbeing of a company, as well as its output.

\*All the reports listed cover slightly different groups but all in the C Suite.

## DEFINITIONS APPENDIX

For the avoidance of doubt, the analysis uses the following definitions:

- **Executive Committee:** Group of directors appointed to act on behalf of, and within the powers granted to them by, the board of directors.
- **FTSE 100:** Companies represented in the Financial Times - London Stock Exchange, and a share index of the 100 companies with the highest market capitalization.
- **FTSE 350:** A market capitalisation weighted stock market index of the largest 350 companies by capitalisation which have their primary listing on the London Stock Exchange. It is a combination of the FTSE 100 Index of the largest 100 companies and the FTSE 250 Index of the next largest 250.
- **FTSE 250:** A capitalisation-weighted index consisting of the 101st to the 350th largest companies listed on the London Stock Exchange.
- **Profit-and-Loss (P&L) roles:** Executive positions (such as Divisional Chief Executive, President or Managing Director, Chief Financial Officer, Group Commercial Director) that directly influence a company's financial performance.

### Data sources

Data is all sourced from the main FTSE database, and includes the following variables:

- FTSE Rank and Market Capitalisation (data extracted 01/03/16)
- Office for National Statistics Standard Industrial Classification and Industrial Sector
- CEO and Size of Executive Committee
- Number and names of women on the Executive Committee
- Number of women as percentage of total Executive Committee membership
- Occupation names (CEO, FD, HR Director, Legal etc.)





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