Increasing Representation of Women on Private Sector Boards in Scotland

EQUALITY, POVERTY AND SOCIAL SECURITY

social research

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1. Introduction

Background

Scotland's Economic Strategy (Scottish Government, 2015) sets out the Scottish Government's purpose 'to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth'. One of the four areas of focus of the strategy relates to Inclusive Growth that seeks to address long-standing barriers to equality and diversity in the labour market as an economic policy.

With Scotland's first gender balanced cabinet, the First Minister has challenged all public, private, and third sector organisations to commit to take action on gender inequality with the launch of a voluntary *Partnership for Change* commitment to achieve a 50/50 gender balance on boards by 2020. Partnership for Change builds on the ongoing work of the Public Boards and Corporate Diversity Programme. The programme has three strands:

- Strand 1 – To improve the percentage of women and other under-represented groups in leadership roles in Scotland, by fostering an enabling environment and securing a commitment to improved diversity by 2020.
- Strand 2 – To make Ministerial public appointments more diverse reflecting broadly the general population in Scotland by 2020.
- Strand 3 – To make Scottish Government's senior leadership more diverse reflecting broadly the general population in Scotland by 2020.

Partnership for Change is working alongside other actions to tackle inequality including the *Scottish Business Pledge*. The Scottish Business Pledge is a voluntary commitment that companies in Scotland can make to adopt fair and progressive business practices. The Scottish Business Pledge has nine components:

- Paying the Living Wage.
- Committing to an innovation programme.
- Pursuing international business opportunities.
- Not using exploitative zero hours contracts.
- Supporting progressive workplace policies.
- Supporting Invest in Youth.

- Making progress on gender balance and diversity in the workforce and boardroom.
- Playing an active role in the community.
- Paying suppliers promptly.

To make their Business Pledge a company has to be paying the Living Wage, already delivering at least two other elements and committed to achieving the rest over time.

The lack of women on boards is not unique to Scotland and has been identified as a key issue across the globe, with women under represented in the boardroom across Europe, US and Asia. Globally just 16% of board roles are held by women (Grant Thornton, 2015). Although the period September 2011 to February 2015 recorded a steady increase in the number of women on FTSE 100 and FTSE 250 boards, 77% of FTSE board seats are held by men and 70% FTSE board appointments go to men (Vinnicombe, Doldor and Turner, 2014). Of Scottish based companies in the FTSE 100[1], 25% of the total number or board positions are held by women and at the FTSE 250[2] level, they represent 18% of the total (Scotland Office, 2015). This is indicative of a wider problem in which:

- 'Businesses are losing their best and brightest female talent from the pipeline before they even get a change to smash through the glass ceiling' (Rosati and Bailey, 2013, p. 8).

Gaps in the Research Base

The majority of the research evidence on board diversity focuses on the under-representation of women, the number of female directorships, the characteristics of female directors, the characteristics of companies with female directors and the range of generic barriers faced by women in seeking leadership positions (Government Equalities Office, 2009, p7). The influential Davies Review (2011) presented a strong evidence base focusing on the numbers (and how to increase the numbers) of women on corporate boards[3]. In broad terms the research evidence on the

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[1] There are 4 companies headquartered in Scotland on the FTSE 100 – Aberdeen Asset Management, Royal Bank of Scotland, SSE and Standard Life.

[2] There are 7 companies headquartered in Scotland and on the FTSE 250 – Aggreko, Barr (A.G.), Cairn Energy, FirstGroup, Stagecoach Group, Weir Group (John) and Wood Group.

[3] The Davies Review was commissioned by the UK Government found that improving the gender diversity of private sector boards helped improve company performance, ensure that companies are able to access the widest possible talent pool, led to companies becoming more responsive to the market and improving corporate governance. The review made a number of recommendations including:
   "*All Chairmen of FTSE 350 companies should set out the percentage of women they aim to have on their boards in 2013 and 2015.*

constraints in the talent pipeline and the relatively slow change in the numbers of women being appointed to Executive Director positions is more limited (Vinnicombe et al., 2015). More specifically there is limited research evidence that focuses on:

- *Smaller private sector companies* i.e. whether there are any significant differences from big corporate companies that need to be considered. The majority of the research on women on private sector boards relates to large corporate e.g. FTSE 100 or FTSE 250 companies. There is a need for a better understanding of the behaviour and support needs of smaller organisations.

- *The assessment of interventions and approaches* i.e. what works. There is limited evidence that presents an assessment of the range and effectiveness of interventions and approaches to increase the number of women on boards.

- *The appointment process* i.e. how women get access to boards. Whilst there is recognition that the appointment process in itself has a key role to play in the resulting number of women in the boardroom, the research base is limited (Dutton and Raeside, 2014).

- *Evidence specific to Scotland* i.e. whether and/or how the Scottish context potentially impacts on the approach to be taken. Whilst there is recognition that any interventions and supports to increase the number of women on corporate boards need to be tailored to accommodate the operating and policy context (Vinnicombe et al., 2015), there is no existing research that relates superficially to Scotland. In 2014, there were just over 335,000 private sector enterprises operating in Scotland. 98% of enterprises in Scotland are small, accounting for 329,000. However, these companies account for just 33% of employment and 23% of turnover. In contrast, large enterprise (i.e. those with

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Quoted companies should be required to disclose each year the proportion of women on the board, women in Senior Executive positions and female employees in the whole organisation. The Financial Reporting Council should amend the UK Corporate Governance Code to require listed companies to establish a policy concerning boardroom diversity, including measurable objectives for implementing the policy, and disclose annually a summary of the policy and the progress made in achieving the objectives."
The findings of this review have led to the development of a voluntary framework for gender representation on corporate boards. An annual Women on Boards progress report is issued, with the most recent suggesting that women account for 24% of the board members of FTSE100 companies and 18% of board members on FTSE250 companies. This is a significant improvement on the rates in 2011 (13% and 8% respectively).
(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf)

250 or more employees) account for less than 1% of all enterprises but 57% of employment and 64% of employment.

- ***Other under-represented groups*** on boards as set out in the Equality Act 2010[4]. Although some of the issues faced by underrepresented groups are unique, there is potential for research focusing on women to identify common themes (Konrad, Prasad and Pringle, 2006).

This research aims to address some of these gaps.

Research Aims and Scope of Research

The aims of the research are to:

- Build on previous research to improve the evidence base on overcoming the barriers to diversity on corporate boards in Scotland.

- Inform the Scottish Government's approach to improving diversity on boards, with a focus on informing the development of the Partnership for Change commitment and the Scottish Business Pledge.

Whilst the main focus of the research has been on how to increase the representation of women on private sector boards, it has also examined the diversity of boards in terms of the other protected characteristics set out in the Equality Act 2010.

This study is part of a broader programme of work to improve gender equality and diversity, including programmes to give individuals insights into how boards operate and what is involved in being a board member, mentoring and peer support programmes and the introduction of the Scottish Business Pledge.

Research Methods

The research has involved:

- A review of the policy and academic literature.

- Interviews with key stakeholders including Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, Investors in People, key business representative organisations, the Equality and Human Rights Commission and a range of organisations and individuals with a particular interest in improving the gender balance of the workforce and/or private sector boards.

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[4] http://www.legislation.gov.uk/ukpga/2010/15/contents The 9 protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

- An e-survey of private sector companies. 55 companies with boards took part in the e-survey.
- Case studies with 10 private sector companies. These were selected to reflect a range of different experiences – including both companies that were actively seeking to improve the gender balance and broader diversity of their board and those that were not.

More detail on the research methodology is provided in Appendix 1.

Structure of Report

The report is organised as follows:

- Chapter 2 reviews the rationale for improving gender balance and board diversity.
- Chapter 3 examines the barriers to improving gender balance and board diversity.
- Chapter 4 sets out approaches to improving gender balance and board diversity.
- Chapter 5 sets out conclusions and recommendations.

2. Rationale for Improving Gender Balance and Broader Diversity of Boards

Introduction

The rationale for improving the diversity of board membership draws on evidence that suggests this will deliver more effective boards that are more attuned to customer need and can develop new ideas that are supported by a wider range of experience (Dutton and Raeside, 2014). Diversity may improve board processes including, the provision of different perspectives, widening the content of board discussions, raising issues pertaining to multiple stakeholders and using their interpersonal skills to affect boardroom dynamics (Konrad, Kramer and Erkut 2008). There may also be improvements in corporate governance and the ability of boards to undertake their strategic roles (Davies, 2011, Kang, Ding and Charoenwong, 2010) including bringing skills in '*co-operation, collaboration, facilitation and persuasion*' (Rosati and Bailey, 2013).

More specifically a range of **business benefits** can be identified (Campbell and Minguez-Vera 2008; 2010) including:

- An increase in the talent pool of labour.
- Improved organisational performance.
- Increased responsiveness to the needs of the marketplace.
- Increased financial value as investors consider, on average, women on the board add value to the company.

A rebalancing of gender on boards can be considered as a business opportunity. There should be recognition that **it is the balance itself** that contributes to the better performance. The benefits will be maximised if there is skilful management of gender differences (such as different communication styles or career cycles) rather than ignoring them (Wittenberg-Cox, 2014).

In addition to the business benefits, the **equalities perspective** is also critical. It *'is now no longer acceptable for the voice of women to be absent from the boardroom' (*Davies, 2014*).* In a Scotland in which women account for 51% of the population[5], 49% of employees[6], over

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[5] 2011 Census

half of college enrolments[7] and entrants to Higher Education[8], women are underrepresented in business, most noticeably at more senior levels. Only 21% of Scotland's small and medium-sized enterprises (SMEs) are majority led by women[9] and although 49% of companies have at least one female director, women only account for 31% of company directors[10].

Looking back on progress against the Davies Review targets in 2015, Davies highlights that as the proportion of women in board positions has increased they have found that the business case is mentioned less often, despite the case being stronger given the impact women are having (Davies, 2015).

Views of Stakeholders

The stakeholder interviews endorsed both the business benefits and equalities perspectives highlighted above although there was a difference in emphasis among different interviewees. For example, some emphasised achieving greater diversity and gender balance as a mechanism for achieving greater equality in society. Others saw the importance in terms of the contribution it could make to developing a competitive business base. Some interviewees saw both perspectives as equally important. Whatever their perspective there was a strong sense that stakeholders saw this as a *'critical'* issue for Scotland if it is to be a forward looking and prosperous country.

The interviews also perceived there are potential downsides to seeking gender balance and broader diversity within boards, including a backlash or resistance from incumbents, creating *'fearfulness or nervousness'* about talking about gender and broader diversity as not everyone is comfortable with it and the language they should use. This can also lift the lid on practices in companies which may be preventing women progressing to senior management and then to board level which cannot be easily resolved.

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[6] Annual Population Survey April 2014-March 2015

[7] Scottish Funding Council Infact Database (2012/2013)

[8] Scottish Government (2013) *Gender Equality Outcomes Gender Evidence Review*

[9] Scottish Office (2015) *The role and contribution of women in the Scottish Economy*.

[10] FAME database December 2014

Views of Companies

E-Survey

Companies completing the e-survey were asked about what impact the gender make-up of their board has on specific elements of their company, how it is perceived and its performance. Whilst not explicitly a question about what the rationale for aiming to improve the gender balance of their board, this allows the 'business benefits' arguments put forward in the literature and highlighted by stakeholders to be tested. As this is the first instance in which the e-survey result are being presented, it is important to stress that the small sample size means that these findings should not be considered representative of the Scottish business base.

Figure 1: Impact of Board Make Up on the Organisation (%)

	+ve impact	-ve impact	Net score	No impact	Don't Know
Ability to access external funding	16	-	16	56	28
Turnover	27	5	22	42	26
Perception of potential recruits	47	2	45	37	14
Perception of potential and existing clients	43	5	38	36	17
Quality of corporate governance	47	7	40	33	14
Understanding of customer need	47	5	42	33	16
Perception of potential Board Members	31	14	17	33	21
Productivity	40	5	35	30	26
Perception of existing staff	51	7	44	28	14
Range of skills, capabilities, experiences and perspectives	63	16	47	19	2

Source: TERU E-survey (2015)
Notes: n=43

Looking at the views of companies on this issue:

- The first issue to note is that **many companies do not know what impact the composition of their board has** on many of these elements – with over a quarter not knowing what the impact of board composition has on turnover, productivity or access to finance.

- Looking at the '**no impact**' column, more than half (56%) of companies felt that the gender make-up of the board has no impact on their ability to access funding. Similarly, 42% of companies felt the gender make-up of the board had no impact on turnover. For most other elements, between 30% and 40% of companies felt the gender make-up of the board had no impact. In other words, the majority of companies who responded felt that the gender composition of the board did not impact on key elements of the company or its performance.

- In terms of **positive impacts**, the gender make-up of the board is most likely to be seen to have a positive impact on:
    - Range of skills, capabilities, experiences and perspectives available at board level (with 63% of companies saying the gender make-up of their board has a positive impact on this).
    - Perceptions of existing staff (51%).
    - Perception of potential recruits (47%).
    - Understanding of customer need (47%).
    - Quality of corporate governance (47%).

- In general, those elements with a high positive score are also those with a high **net score**. The high net score is calculated by subtracting the percentage saying the gender make-up of their board is having a negative impact from the percentage saying it is having a positive impact. For example, if the percentage saying it was having a positive impact was 47% and the percentage saying it was having a negative impact was 13%, then the net score would be 34%.

- The two elements where the gender make-up of the board is most commonly perceived to have a **negative impact** is on the range of skills, capabilities experiences and perspectives available at board level (with 16% of companies saying the gender make-up of their board has a negative impact on this) and perception of potential board members (14%).

Figure 1 provides a good overview of the impact the gender make-up is considered to have on different elements of a company and its performance. However, to fully understand whether the gender balance of boards is considered to bring benefits to companies, it is necessary to compare the answers given by companies that have achieved gender balance and those that have not. Given that not all boards have an even number of board members, we have used 40% of board members are female as a cut off. This has the additional advantage of slightly increasing the sample size compared to using a 50% cut-off (giving us 15 in this group compared to 10 if only those companies with a 50/50 gender balance or more female than male board members was included). Even with this approach, care needs to be taken as the sample sizes are small.

Figure 2: % Reporting Positive Impact by Board Composition (%)

	All companies	Female account for less than 40% of board	Female account for 40%+ of board	No. of female board members increased in last 5 years
Range of skills, capabilities, experiences and perspectives	63	54	80	86
Perception of existing staff	51	39	73	81
Perception of potential recruits	47	39	60	67
Understanding of customer need	47	39	60	67
Quality of corporate governance	47	39	60	67
Perception of potential and existing clients	43	41	47	57
Productivity	40	36	47	48
Perception of potential Board Members	31	29	36	50
Turnover	27	25	33	33
Ability to access external funding	16	14	20	19
N	43	28	15	21

Source: TERU E-survey (2015)

In terms of the differences between companies in the different categories:

- For all elements examined, companies where females account for 40% or more of the board were more likely to say that they thought the composition of their board had a positive impact.

- Particularly large differences were observed in relation to the numbers reporting the board composition has an impact on the:

    - Range of skills, capabilities, experiences and perspectives – 80% of companies with boards that are at least 40% female felt their board composition is having an positive impact on this, compared to 54% of companies with boards that are less than 40% female.

    - Perception of existing staff (73% vs. 39%).

    - Perception of potential recruits (60% vs. 39%).

    - Understanding of customer need (60% vs. 39%).

    - Quality of corporate governance (60% vs. 39%).

Similarly, boards where the number of female board members had increased in the last five years were more likely than all companies (and in many cases than companies where females account for 40% or more of the board) to say that there board composition was having a positive impact on each of these elements. This suggests that even where there is some distance to go to achieve gender balance, increasing the representation of females on the board is helping improve the skills, capabilities, experiences and perspectives available, the perceptions of the company in the eyes of staff, potential recruits, board members and clients, their understanding of customer need and quality of corporate governance.

Case Studies

Case study companies were generally supportive of the idea that achieving gender balance and broader diversity within boards is beneficial for companies in principle but there were mixed views about the scale of the benefits. This is important as if the impacts are not seen to be significant this can influence the amount of attention given to the issue and commitment to action to address any imbalance. In particular, if companies are not convinced that achieving gender balance and broader diversity will have an impact on their competitiveness and profitability then they will not focus much attention on this as an issue.

Those companies that do see a strong business case for improving gender equality and diversity identified a range of reasons for doing so. Some examples of these are given in the box below. These primarily relate to ensuring the board has access to a wide range of different perspectives, skills and experiences.

Case Study Examples: Rationale for Improving Gender Balance of Boards

Case Study A has increased the number of women on their board in recent years so that they now have a board which is 40% female but they have a target of achieving 50:50. They believe diverse boards are more effective because they are more likely to be balanced in terms of skills and experiences and therefore generate a range of perspectives on any issue. '*Boards with the necessary balance of skills, experience, opinions and knowledge will be best placed to make sound strategic decisions…*' The view is that all male boards are unlikely to have that balance and this can reduce their effectiveness: '*an imbalance at the top creates risk for the business*'.

Case Study B has a 50:50 split on their board although they have only 2 directors. Equality and diversity are very important to the company. The owner is female and wants to lead by example. She also believes that gender balance on the board increases the performance of the company, people with different genders 'have different things to bring to the table'. Gender balance can enhance team working and provide a better approach to problem solving as each gender generally looks at problems in a different way. It can improve the board's performance because it allows a balanced perspective on the issues/problems to be solved improving the quality of corporate governance and understanding of customer needs. It also has a positive impact on turnover and productivity. Having gender balance also improves the perception of the company held by potential recruits, staff, clients and other potential board members.

Case Study F has more women on their board as 5 of the 7 board members are female. They are a recruitment company and feel this is beneficial as many of their clients are businesses where the majority of the workforce is female. Having more women on the board reflects the customers they have and gives them a stronger

connection to their client base. They believe equality and diversity on boards leads to diversity of thought which makes creative and innovative thought more likely.

Case Study H has a diverse board in terms of skills and age with a wide age range among the directors but only one of the directors is female. They would like to increase the number of women on the board. At senior management level there is growing awareness of how increasing diversity can bring benefits for the business including increasing creativity and innovation as diverse groups make the best decisions. This in turn creates a commercial imperative for diversity as it will help the company to be more forward looking and successful.

Case Study I has seven board members and two are female. They would like to increase the number of women on their board as they believe diverse boards are more effective and more able to develop different ways of thinking about issues. They perceive that within the life sciences sector in which the company works women (and other groups) are an 'untapped resource' which need to be utilised more widely and effectively. Having the required skill set is still the most important factor when selecting new board members, but achieving a diverse board is the second most important factor.

Respondents in the case study companies expressed similar views in relation to the benefits of improving the broader diversity of boards – i.e. that it would ensure that a range of skills, experience and perspectives are available in decision making.

Not all respondents in the case study companies felt that there were benefits to improving the gender balance and broader diversity of boards and some felt there could be *downsides* for their companies. Concerns included that:

- The policy could become a 'box ticking exercise' leading to the appointment of candidates that do not match the companies' needs. Many case study respondents conveyed that while equality and diversity are valued in the company, the skills to do the job are seen as far more important than any particular personal characteristic.

- If companies are forced to do this (for example by applying quotas) this could lead to tokenism and/or undermining the

achievements of women that have achieved board positions through merit.

- Some sectors that have a low proportion of women in their workforce may find it particularly difficult to achieve. Companies in these sectors expressed concerns that they may be stigmatised as a result.

Some examples of these views are given in the case study box below.

Case Study Examples: Downsides of Improving Gender Balance of Boards

Case Study D at the moment there are more women on this company's board but the directors do not feel that this has any particular impacts on the performance of the company, although it may have a positive impact on the perception of the company by potential recruits as the workforce in the sector and in the company (including senior management) is predominantly female. There is a very low turnover of board members. The company has added only one board member to the board in the last 5 years. The owners were looking for someone who was able to take an overview of the company and understand all of the areas that are important to the company, from production to HR. They wanted someone with strong business skills who understood the commercial aspects of the business and who was good at negotiating. They wanted to look inside the company because they like to bring people through to management. They selected one of their female project leaders. The candidate's skills and experience were more important in determining her selection than her gender.

Interviewees in *Case Study G* believe the issue of achieving gender balance and broader diversity within the company is important, but it is not one that is discussed at great length within the company. Ensuring that the company recruits the right individual for the job in terms of their skills and performance is more important than their gender.

Key Messages

1. The literature suggests that there are two main rationales for improving the diversity of private sector boards:

- Diversity leads to more effective boards by broadening the range of perspectives and expertise, which in turn delivers business benefits including improved organisational performance, improved access to resources (especially human resources) and increased financial value.

- An equalities perspective requires that individuals from across the protected characteristics are represented across all aspects of the labour market (and society more generally), including at board level.

2. Both of these rationales were also highlighted by the key stakeholders interviewed as part of this study – although there were different views across the stakeholders about which was more important or the balance in emphasis that should be placed across these different rationales.

3. Many companies completing the e-survey felt that the composition of their board was having no impact on the company, how it is perceived or its performance. In addition, a substantial proportion of companies had no idea whether the composition of their board was having an impact on these.

4. The elements that the composition of the board was most likely to be seen to be having an impact on by companies included:

- Range of skills, capabilities, experiences and perspectives available at board level).

- Perceptions of existing staff and potential recruits.

- Understanding of customer need.

- Quality of corporate governance.

5. Companies where females accounted for 40% or more of the board or where the number of female board members had increased over the last 5 years were more likely to say that board composition was having an impact on each of the elements of the company, how it is perceived and its performance. This is important evidence in support of the concepts set out in the literature about the benefits of improving the gender balance and broader diversity of boards. It also suggests that companies do not necessarily need to have achieved 50/50 gender balance to

see these benefits – moving towards gender balance can help generate these benefits.

6. Case study companies generally felt that equality and diversity are important principles, but had mixed views on:

- Whether taking action to address the gender balance or broader diversity of their board was necessary or even appropriate.
- Whether improving the gender balance and broader diversity of boards brought business benefits.

7. Some stakeholders highlighted concerns that seeking gender balance and broader diversity on boards may lead to tokenistic approaches that may underpin the achievement of women (if they are perceived to be appointed to achieve parity rather than as a result of their skills and experience) and/or to raising expectations that cannot be met. Similarly, many case study companies had concerns – normally focused around whether this would lead to them recruiting individuals to their board that do not best meet their needs.

3. Barriers to Improving Gender Balance and Broader Diversity of Boards

Introduction

As outlined in Chapter 1, in 2014:

- 31% of Scottish company directors were female.
- 49% of Scottish companies had at least one female director.

These statistics demonstrate the extent to which women are underrepresented within board directors. However, there is no robust data on the processes that underpin these outcomes. For example, data is not available on:

- The number of board positions that become available each year – and how many of these are advertised.
- The number of women applying for board positions.
- The success rate of female applications and how this compares to that for male applicants.

In addition, data is not available on the numbers of individuals from other protected characteristics on boards.

Although the strength of the evidence base varies, research into increasing the diversity on boards (Sealy, Doldor and Vinnicombe, 2009) suggests that the key barriers that underpin the underrepresentation of women on private sector boards are generally categorised as:

- Individual characteristics – with the arguments commonly made being that women and other underrepresented groups either do not aspire to board membership or lack the skills and experience to gain a board position. However, Sealy *et al.* were unable to find any robust evidence to support these suggesting that they are unfounded. Furthermore, they highlighted that the narrative around women 'choosing' to leave corporate life at senior management level that accompanies these fails to recognise other barriers women face.
- Interpersonal characteristics – with women and other underrepresented groups generally thought to have more limited social networks and board culture being unable to accommodate

diversity, making it more difficult for women and other underrepresented groups to integrate.

- The recruitment and appointment process – with a lack of awareness of available directorships, limited links between search agencies and underrepresented groups, a lack of diversity on nomination committees, unclear selection criteria, unconscious bias and the language and framing of directorships all acting as barriers to women and other underrepresented groups gaining board positions.

In this chapter, we will examine the barriers faced by the companies taking part in the e-survey and case studies to improving gender balance and broader diversity of their boards – and how they impact on attempts to improve gender balance and broader diversity of private sector boards.

The e-survey provides a useful starting point for the consideration of the barriers identified in the field work. The e-survey asked companies to identify barriers to achieving gender balance and greater diversity.

Figure 3: Main Barriers to Achieving Gender Balance on Boards (% of Companies)

	All companies	Female account for less than 40% of board	Female account for 40%+ of board	No. of female board members increased in last 5 years
Low turnover of board members	42	56	15	32
Lack of female candidates for board positions	34	40	23	42
No barriers to achieving gender parity	32	24	46	37
Receive female applicants for board positions – but do not have the industry-specific skills or experience we require	16	16	15	32
Other	13	12	15	11
Concerns that targeting females would be in breach of legislation	5	8		5
Don't know	5	4	8	5
Receive female applicants for board positions – but do not have previous board experience	3	4	-	5
Don't know where to get help to tackle this issue	3	-	8	-
Can conflict with other organisational priorities/objectives	-	-	-	-
N	38	25	13	19

Source: TERU E-survey (2015)

38 companies identified barriers:

- The most frequently cited barrier (by 42% of companies) is the low turnover of board members. This is not gender specific, but impacts on all board recruitment and limits the number of opportunities available. Companies where females account for less than 40% of the board were much more likely to identify this as the main barrier than those with a more equal gender balance (56% compared to just 15%).

- The next most commonly cited was a lack of female candidates coming forward for board positions (by 34% of companies). Again, companies where females account for less than 40% of the board were more likely to identify this as the main barrier than those with more equal gender balance (40% vs. 23%). Interestingly, companies that had increased the number of female board members in the last 5 years were slightly more likely than all companies to identify this as a barrier.

- 32% of companies felt there were no barriers to achieving gender equality. A higher proportion of those companies with boards that are at least 40% female felt there were no barriers than those with fewer women (46% compared to 24%).

- Only a small proportion of companies said that female applicants lack the necessary skills and or experience they require (with 16% saying females lack the industry-specific skills or experience needed and 3% saying female candidates lack board experience).

- Concerns that targeting females would be in breach of legislation and a lack of knowledge about where to get help to address this issue were only highlighted by a small proportion of companies.

- A small number of respondents suggested other issues. These included:
  - Achieving board gender parity is not a key focus – with other issues taking priority.
  - Boards with odd numbers of board members will never be equally balanced.
  - The company is keen to achieve a diverse board but focusing on achieving diversity in other characteristics (such as different nationalities, knowledge, experience, etc.) rather than gender.

We will now consider each of these barriers in more detail, drawing on the stakeholder and case study interviews as well as the wider literature.

Low Turnover

As highlighted above, the issue of low turnover is not gender specific but clearly has an impact on the potential to change the composition of boards and this could limit companies being more proactive about making their boards more diverse. A number of case study companies also identified that low turnover was a significant barrier - especially amongst those that were small, family-owned businesses. The case below is an example of this situation.

Case Study Examples: Low Turnover as a Barrier

Case Study E's **board is unlikely to increase substantially in the future or change in terms of gender balance as it is a family owned firm and so achieving gender balance at board level is not seen as an important issue within the company. However, it is important that all employees are treated equally and they have an equal opportunities policy in place to ensure this happens. For example, the Equal Opportunities Policy states that the company is 'committed to a policy of treating all our employees and job applicants equally.' They do not support positive discrimination and would never make a promotion or recruitment decision based purely on gender or other characteristics; it is more important they find the right person for the job. The Equal Opportunities Policy states that 'we will appoint, train, develop and promote on the basis of merit and ability alone'.**

Lack of Female Candidates

The next most common barrier identified in the survey is a lack of female candidates for board positions. This study has found that there are a range of reasons why women do not put themselves forward for board positions – and these confirm many of the findings of previous research undertake at the UK level or internationally.

Differences in Aspiration

The evidence from the literature is mixed in terms of whether there are differences in aspiration across genders. For example:

- As outlined earlier, research by Sealy *et al.* (2009) was unable to find any robust evidence to support the argument that women are less aspirational.

- Research by Rosati and Bailey (2014) into the talent pipeline surveyed over 600 business directors and senior executives across several countries. Only 5% felt that the low number of female applications and/or a lack of desire for taking up board positions was the main reason for women being underrepresented on boards.

- Research into board membership (Brown, Kelan and Humbert, 2015) found that:
    - Men are more likely to consider a wider range of boards than women seeking non-executive directorships with 58% considering private company boards compared to 49% of

women, 53% considering public limited company boards outside of the FTSE compared to 40% of women, and 14% considering angel investment in small companies compared to 5% of women.

  o Whilst women are more likely to aspire to a non-executive directorship on a FTSE100 company (31% versus just 14% men), men were more likely to identify the power and/or status they might gain from the role and highlighted their desire to be Chair (46% versus 28%).

As well as there being some debate about whether women have different aspirations, there is also a body of research that seeks to explore what might underpin different aspirations. In a recent study, KPMG, YSC and 30% Club (2014) found that men and women have more similarities than differences but "*the marginal differences appear to predict markedly dissimilar career outcomes for men and for women*". In particular they found that:

- Women's ambition overtakes that of men as they reach more senior roles. For both men and women the factors that they considered more important to their sense of success were having positive working relationships and doing something intrinsically interesting.

- Women at senior levels (one and two levels below Executive Committee) are two times less likely to be internally promoted than men – but four times less likely to leave than men. At Executive Committee level, women were much more likely than men (25% vs. 12%) to leave because they had become disengaged with the company culture. This suggests that women have aspirations – but that culture and systems make board-level positions less attractive.

Some stakeholders felt that there is a perception that women do not have aspirations to become board members – although in line with the literature they had mixed views about whether or not this was an accurate perception and that the reasons why women tended to be less likely to aspire to a board position were not clear. Lack of female aspirations to go onto a board was also highlighted by some interviewees from the case study companies (speaking either on behalf of their company or from their individual perspective). As with stakeholders, it should be noted this is just one of barriers noted.

Interviews with potential board members from the case study companies (shown in the box below) suggest that some of the women interviewed are not considering boards not because they lack confidence or aspiration but because they have family/other caring commitments and could not put in the additional hours they perceived board membership would require. This would tend to support the views of stakeholders that there are differences in what people want out of life and currently more women prioritise life outside work. These perspectives are highlighted in the box below. To protect the identity of the interviewees we have not organised these findings by case study.

Examples from Interviews with Existing and Potential Board Members: Different Aspirations as a Barrier

One interviewee had been interested in being a board member earlier in her career but now did not think it was realistic because she has caring responsibilities and these have changed her priorities as well as limited the time she feels she would need to devote to being a board member. She perceives that board members have to work long hours and she is not able to work more than full time hours. She does not believe that she faces other barriers as she feels she has the skills and abilities to be a board member.

Another interviewee is in a senior position in her company. She is not thinking about a board position at the moment because she is at an early stage in her career, but did think that it was something that she might potentially consider *'further down the line'*. She feels the main obstacles to achieving this included how she might be able to balance the demanding role of a board member with family life.

On the other hand, an interviewee did not see that having commitments for caring for children should act as a barrier to board membership in the longer term. This indicates that it may be important to provide opportunities for women to increase their hours after they have raised their children. This interviewee is in a senior position in her company. She is interested in becoming a board member because she is ambitious and also sees herself working for at least another thirty years. At the moment she has a dual focus on her family and career and is working part time. However, as her children grow she feels she will have a stronger

focus on her career again and will increase her hours. She feels she has the skills and abilities that would be valued on a board including her knowledge, conflict resolution and human relations. She does not feel that she faces any barriers due to gender, especially in her own company as there is a female MD. Indeed the company is '*led by strong successful women'*.

These perspectives are also identified in the literature which shows that women often leave corporate life at a middle management level for a range of reasons that include (Rosati and Bailey, 2013):

- Family responsibilities including limited flexibility and the cost of childcare.
- No desire to engage in workplace politics.
- Other external commitments that require their time.
- No desire to combine work pressure with home life.
- Lack of appeal of corporate life.

In terms of tackling these issues, the main suggestions given were:

- Enabling flexible working.
- Improving culture in workplace.
- More transparent recruitment processes.

Women were much more likely than men to see 'unconscious bias' training as a key initiative that could reduce the levels of attrition of females from middle to senior management (25 % compared to 5%).

Male-Dominated Culture

Linked to the above is the perception of the existence of a male-dominated corporate culture. In one study highlighted in the literature this was the most frequently cited reason to explain why women are under-represented at board level (recognised by 25% of women and 22% of men (Rosati and Bailey, 2013).

Stakeholders perceived that cultures of organisations can be male-dominated. It is difficult in such a context to get board members to make a cultural shift and take the issue of increasing diversity on board. Additionally, some stakeholders felt men in male-dominated boards have a vested interest in maintaining the imbalance. As one stakeholder

commented although there is a need to aim for wider diversity on boards having a balance of males and females is a good starting point. If companies lack gender diversity this is likely to reflect deeper cultural issues in the company concerning diversity in general. Stakeholders also thought that in male-dominated boards it is likely that females on boards will have very similar backgrounds to the men they sit with and will be unlikely to think that differently from the male board members. '*Lots of companies 'tick boxes' but we can't just have someone conditioned to a male dominated environment.'*

A small number of people interviewed for the case studies identified that the continued male dominance of boards could act as a barrier to women and prevent them putting themselves forward for board positions. For example one interviewee felt that despite some progress, boards continue to be male dominated and would prefer to recruit other males although she pointed out '*this is my perception, it might not be reality'*. Two other interviewees' views on this issue are highlighted in the box below.

Examples from Interviews with Existing and Potential Board Members: Male-Dominated Culture as a Barrier

A female board member interviewed had applied for board positions in the past but felt her young age, lack of experience in the private sector (she had been on the board of a couple of charities) and to an extent *'the old school tie network'* prevented her being recruited. This was frustrating. There appeared to be *'no buy-in to diversity at the top level'* and in some cases the *'board was seen as a social club with resistance to opening it wider'*.

An interviewee was in her second job since leaving university. Although she felt she would like to progress to higher levels of management and saw opportunities for progression within the company, she was unsure whether she wanted to become a board member at some point in the future. The main reason for this was that she enjoyed an operational role and she saw board members as being remote from this. Another reason was that her perception of boardrooms was that they were *'rooms full of men'*. She had not had any experience of meeting female board members. At university, all guest speakers at her course had been male, despite the fact that the majority of students on the course were female. As a result being on a board did not appeal to her as she felt they would be male dominated.

If boards are dominated by one group this can limit the networks they use to recruit so they tend to recruit people who have their own characteristics and this can become self perpetuating (referred to as "*hiring in ones' own image*" in Sealy *et al.*, 2009).

Limited Networks

The literature including Sealy *et al.* (2009) and Rosati and Bailey (2014) identifies that success in securing a role often relates to the scope of an individuals' network. Women typically have smaller networks than their male counterparts so this may hamper their chances of being aware of and/or securing a board position. Stakeholders agreed that women have more limited networks than males and therefore do not have access to support. There needs to be more emphasis on building social capital so that women have these links.

Another issue is a lack of awareness of the roles on offer in boards coupled with unclear selection procedures which can serve as a major obstacle to appointment (Sealy *et al.*, 2009). This was also an issue raised in the case study interviews, with several of the interviewees with potential to be board members not sure about where to find board vacancies, or the processes involved in appointing board members. Some said they felt they would need support to identify vacancies and how to apply.

Lack of Skills and/or Experience

The next most common barrier identified in the e-survey is that women lack the necessary skills and/or experience needed for board membership. This was also raised as an issue in the case studies. This was often the main difference between male and female candidates for board positions.

Case Study Examples: Lack of Skills and/or Experience as a Barrier

Case Study A **identifies the main barrier is the lack of female candidates for board positions. Furthermore if they receive applications, candidates do not have the industry specific experience they are looking for. The company believes a more proactive approach is needed both internally and across the sector industry (banking) to help women attain and sustain executive positions so they can develop the necessary experience and to encourage them to seek board positions, especially non-executive positions. Proactive approaches they have implemented or are considering include commitment from the board to seeking diversity and producing a board diversity policy and taking steps to reach potential female applicants through targeted recruitment.**

Case Study H also identifies finding female potential board members as the main barrier to achieving gender balance. This is a problem across their industrial sector (food manufacturing) as there are generally fewer females in management and board positions. Within the industry, there is a need to encourage more women to think about aspiring to boards and to think about this earlier in their careers. In their experience, women are less likely to put themselves forward for board positions as they are more likely to question their ability to do the job compared to males. They need encouragement to consider going for a board position. They have tried to recruit more female board members in the last 5 years but despite a lengthy process to try to find female candidates, involving the use of executive search agencies they have had few coming forward and male candidates have generally had more skills and experience. They would like to see more female candidates applying for board positions, but feel that this may mean they do not get the skills and breadth of experience they need for their board. The issue is a circular one: having more women on the board could enhance their reputation in the recruitment market place which might in turn attract more women looking for a management position as they would see that there is a possibility for promotion.

The issue of what kinds of skills and experience boards are looking for is important. While the case study companies recognised that women could bring new skills and ways of working to boards (around team building, problem solving, ability to look at issues from different perspectives etc.), very few were actively looking for these skills on their board. The literature suggest that a desire to maintain the status quo remains a barrier, particularly for male dominated boards that simply do not recognise the need for change and tend to replace like for like (Rosati and Bailey, 2013).

A number of stakeholders also commented that some companies are willing to look beyond a narrow person specification for board members. For example, one commented that when they say they are looking '*for the right person for the job they are looking at that through a very traditional lens'* and do not understand that '*good comes in many forms'* and broaden their definition of this. This can be self-perpetuating as women and people from other groups may not want to go on to a board where people like them are in the minority, perceiving this could affect the likelihood of them being able to make a contribution to the board. This reinforces many of the findings from previous studies including Sealy *et al.* (2009). Boards like this may not have many people from

protected characteristics applying for positions but may not ask themselves why. Such boards may also not seek to change the way their boards operate to accommodate diversity. The working patterns demanded alongside board membership can be difficult for women to meet. According to the stakeholders this means there is a link between the number of female candidates coming forward for board positions and the barrier related to female applicants lacking the necessary skills and or experience required for board membership.

Workplace constraints can mean people in protected groups face discrimination in the workplace and find it hard to progress into senior positions and then boards. The Davies Report (2014) identified these as including, unconscious bias, organisational culture and approaches to performance management. Other workplace constraints identified in the literature include gender biased recruitment (potentially unconscious) and challenges in making progress on returning following a career break (Rosati and Bailey, 2013). There continue to be barriers preventing women getting into senior management positions and then building their experience so that they are in a better position to be successful in applications for board positions.

No Barriers?

12 companies in the e-survey stated there were no barriers to achieving gender equality on boards within their company. Similarly, some of the case study companies also felt there were no barriers. This did not mean they felt there were no barriers for particular groups within society but rather that they felt there were none *within their company.* This was because:

- People are appointed purely on basis of skills and expertise – although as highlighted in other literature this fails to recognise that there may be wider barriers that lead to women not developing the skills or expertise being sought.

- The company was determined to support gender equality and diversity.

Examples of these two different company perspectives are highlighted in the box below.

Case Study Examples: No Barriers

Case Study B sees equality and diversity as very important to the company. The owner is female and wants to lead by example. If the company grows and they increase the size of their board they will aim for gender parity to achieve this balanced perspective. They are very committed to achieving this and believe there are no barriers as they have put a number of policies and practices in place to ensure this happens. These include the development of an equalities and diversity policy, becoming an Investors in People employer, signing up to Partnership For Change, ensuring informal practices do not perpetuate gender imbalance, changing the gender profile of the business so that there are more women in senior management and introducing flexible working.

Case Study C feels there are no barriers to progression onto their board for females as long as they have the right skills and attitudes to attain a board position. If they have these skills and abilities they will be supported along a pathway to becoming a partner. However, the company has found it difficult to find females who are willing to take advantage of these opportunities. In their experience some female employees can have different priorities and this usually involves greater commitment to family life, which can interfere with the full time commitment to the firm needed to become a board member, which has always been expected of potential board members in the company. There is a *'reasonable expectation that as a female employed here that you have to have commitment to the firm and can't* [take time off work or work part-time to] *bring up children as you like – but this applies to everyone that wants to go on to the board'*. The main challenge for the firm in terms of increasing female board members is the small number of women within the company who are willing to make this commitment.

Key Messages

1. The literature suggests the ***main barriers*** to improving the gender balance and broader diversity of private sector boards can be categorised as:

- Individual characteristics including different aspirations about board membership and a lack of relevant skills and experience. However, there is mixed evidence in relation to this – and many

researchers criticise this perspective as it places the emphasis on women rather than on changing the broader organisational and cultural issues that influence women's decisions.

- Interpersonal characteristics including more limited social networks and board culture being unable to accommodate diversity – making it difficult for women and other underrepresented groups to integrate.

- Appointment and recruitment processes with, for example, a lack of diversity on nomination committees, unclear selection criteria, unconscious bias and the language and framing of directorships all acting as barriers to women and other underrepresented groups gaining board positions.

2. However, the findings of the e-survey show quite a different picture:

- The most common barrier to achieving gender balance on their board highlighted was the low turnover of board membership – reflecting the fact that most companies completing the survey were small and medium-sized enterprises (SMEs) and many were family-owned companies (whereas most earlier research has focused on larger, listed companies).

- Just under a third of companies felt that there were no barriers to improving the gender balance of their boards. Boards that were more equal were more likely to think this was the case.

- Where companies did identify a barrier that specifically related to gender, the most commonly mentioned were a lack of female candidates coming forward for board positions and that female candidates lack the industry-specific skills and experience required.

3. The case studies and stakeholder interviews provide further insights into these barriers:

- The lack of female candidates is thought to reflect differences in aspirations across genders (with many of the 'potential board members' interviewed for this research feeling that board positions were not for them), perceptions that boards are a 'male-dominated culture' where they may not fit in and more limited social networks amongst women.

- The major factors underpinning the lack of skills and experience amongst female candidates are the lack of women in senior management roles and time out of the labour market due to caring responsibilities which limits the volume of experience

women have accrued compared to men. A further consideration is the type of skills and experience companies are looking for – with some consultees raising concerns that these are too narrow. The concern here is that there is unconscious bias amongst the often cited focus on getting 'the right person for the job'.

4. One of the most notable findings is that many of the companies that participated in the research felt that there were no barriers to improving the gender balance of their board – but the low proportion of boards with gender parity and the evidence from other literature suggest that at a broader societal level there are barriers. In addition, many of barriers that were identified related to the choices women make in the labour market (for example, around career choice, whether to remain in work after having children, etc.). It is important to recognise that these are influenced by wider organisational, structural and cultural barriers and unless there is wider recognition of these (and action to address them) it will be difficult to make sustainable inroads into tackling this issue.

4. Approaches to Improving Gender Balance and Broader Diversity of Boards

Introduction

Achieving equality and diversity is important given that research[11] has found that there are significant business benefits from equality and diversity – including lower labour turnover, higher levels of commitment and motivation amongst employees, improved reputation (amongst customers and potential employees), better understanding of customer needs and more flexibility and creativity within the business from the increased range of perspectives, skills and capabilities. All of these are critical in helping businesses achieving their growth potential. Within the broad issue of diversity and equality, a key issue is securing greater diversity in board membership – with a particular focus here on securing greater gender equality in board representation. Research commissioned by the Scottish Government[12] has found that the key steps needed to improve the diversity of board membership included:

- Increasing awareness on the role of boards has the potential to broaden the pool of potential candidates applying for available posts. Greater transparency is needed with vacancies advertised more widely.

- Existing and potential board members should be able to access a range of training, mentoring and networking opportunities. These interventions are seen as particularly important in relation to female board members as they provide legitimacy and help them form alliances with existing board members.

- Setting targets for gender diversity and monitoring compliance will help ensure increasing diversity is prioritised.

- In this chapter, we will examine the approaches taken by Scottish companies that participated in this research, setting these in the context of the broader literature on this subject. The chapter will start by examining the different policy approaches open to governments. It will then examine the approaches taken by company participants, including any external supports they have

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[11] For example, cited in BIS (2013). *The Business Case for Equality and Diversity* and CBI (2014). *Building on Progress: Boosting Diversity in Our Workplaces*.

[12] Dutton, M. and Raeside, R. (2014). *Overcoming Barriers to Equality and Diversity on Boards in Scotland.* Edinburgh: The Scottish Government.

accessed. It will conclude by examining the support companies and stakeholders would like Scottish Government to provide to help tackle this issue.

Policy Approaches

Individual companies can take specific actions to obtain gender balance and broader diversity on boards. These are reviewed towards the end of the chapter, but first we look in broad terms at three distinct policy approaches adopted to achieve gender balance on boards (Vinnicombe *et al.*, 2015) which are identified in the literature. The first two highlight a clear divide between *'quotas'* and *'voluntary targets'* (Casey, Skibnes and Pringle, 2011, p 618) and the third relates to **corporate transparency**.

Quotas

Globally more than 20 countries have set quotas for the number of women on corporate boards, with research undertaken by Grant Thornton (2015) showing that just under half of business leaders would support the introduction of quotas in their country. At the current time, the Scottish Parliament does not have the ability to establish a private sector quota as "*the creation, operation, regulation and dissolution of types of business association*" is reserved under the Scotland Act 1998. At a European level, the European Parliament put forward a proposal in November 2013 for a directive to improve the gender balance amongst non-executive directors of companies listed on the stock exchange, although there has been no further progress on this. Whilst there appears to be consensus on the need for such a move, there appears less agreement on how this can be achieved, although the current European Commissioner for Justice, Consumers and Gender Equality supports a binding quota over a voluntary approach.

Most countries that have adopted a quota have done so only for publicly listed and/or state-owned companies. Norway took the lead in introducing a law for quota regulations enacting legislation on 1 January 2006 for 40% minimum female representation on all boards (with the exception of small family enterprises). Businesses were also required to account for their gender equality practices across all levels of the business. The rationale for this was to place emphasis on:

- Providing equal opportunities to men and women to contribute.
- The value of the principle of equality, which underpins Norwegian politics and society.

Concerns were raised by some business representatives who believed businesses should be free to choose whom to appoint (Fouche and Treanor, 2006). There were also concerns that negative views would result from a belief that women were not being appointed on merit, with only 25% of women in favour of a quota approach (Rosati and Bailey, 2013, p.8). The approach has been successful as Norway has gone from 9% women on boards in 2003 to 40% in 2012 (Vinnicombe *et al.,* 2015*)*, although there is some evidence that some companies avoid the quota through relocation or a change in incorporation status (Ahern and Dittmar, 2012). Opinions on the attractiveness of adopting quotas is diverse and divided. The House of Lords European Union Committee received evidence on this topic in 2012 and concluded that in principle quotas should be avoided as they generate negative perceptions in the business world as they do not change the underlying issues that affect gender diversity (House of Lords European Union Committee, 2012). As a result, they believe, more effective change can be generated by engaging business in the process. Similarly, recent research by the Chartered Institute for Personnel Development (CIPD, 2015) found that quotas are not effective unless they are enforced by sanctions and that the effects of quotas are not always sustained over the long-term.

Voluntary Targets

Voluntary targets (sometimes refered to as 'coaxes' in the literature) encourage businesses to increase the number of women on boards without the need for legislation or compliance measures. This is the approach adopted by the Davies Review, which recommended that *"(a)ll Chairmen of FTSE 350 companies should set out the percentage of women they aim to have on their boards in 2013 and 2015.* The review led to the development of a voluntary framework for gender representation on corporate boards and an annual Women on Boards progress report is issued. The most recent report (Davies, 2015) indicated that women now account for 26% of the board members of FTSE100 companies and 22% of board members on FTSE250 companies, compared to 13% and 8% in 2010. In recognition of the success achieved in the first 5 years, it has been recommended that a new target is set to increase women's representation on FTSE 350 boards to a minimum of 33% by 2020. Effectiveness of a voluntary approach can be maximised through a range of supporting measures including setting targets and monitoring progress, tackling unconscious bias within organisations and having supports in place to develop the talent pool.

Corporate Transparency

Corporate transparency requires companies to report on a range of diversity measures including the range of policies in place and the numbers of women. Within the EU this is required under the non-financial reporting Directive, whereby some large companies will need to provide information on the make-up of their board. Australia has adopted a 'comply or explain' approach around gender diversity policies (Vinnicombe *et al. 2015*). In the UK the practices of Narrative Reporting (i.e. the inclusion of non-financial information including the number of women at different levels within the company) and the requirement for the publication of a company's diversity policy and board make-up through the Corporate Governance Code support the voluntary approach. Corporate transparency is seen as effective because it gives investors the data they need to hold companies to account (EY, 2014). In the Australian case, the proportion of ASX 200 board members had increased from 9% in 2010 to 18% in 2014.

Company and Stakeholder Views on Policy Approaches

Stakeholders and companies (through the e-survey and case study interviews) were asked for their views on policy approaches and what role the Scottish Government should play in achieving gender balance and broader diversity on boards.

Interviewees across these groups felt strongly that the Scottish Government should **not impose quotas** for the number of women on corporate boards. Although, the Partnership for Change Commitment is a voluntary approach to achieve 50:50 by 2020, there were some concerns that it could be perceived as a quota.

Overall there was a view that businesses should take the lead on this issue and the role of the Scottish Government and its agencies should primarily be to 'nudge' them towards considering issues and providing support. Companies and stakeholders argued the government should:

- Recognise individual business contexts and not legislate to enforce achieving gender balance and broader diversity. There was a strong feeling it is up to firms to assess if these are barriers and address them. In particular, the view was that the Scottish Government should not interfere directly with small businesses where the focus is on survival and not gender equality.

- Not implement positive discrimination measures as there was a perception that this can lead to resentment from other board members who see people being appointed even although they don't have the right skills, and will not engender good working together which is essential for boards.

Some stakeholders, however, felt the Scottish Government **should be providing clearer leadership** on this issue to business. Initiatives like the Scottish Business Pledge are a good approach as they help hold a mirror up to businesses and their practices. However, it is important to note here that raising awareness of the issue is not in itself sufficient to address the issue.

Figure 4: Awareness of Davies Review (% of Companies)

	All companies	Female account for less than 40% of board	Female account for 40%+ of board	No. of female board members increased in last 5 years
Aware of Davies Review	38	35	43	50
N	40	26	14	20

Source: TERU E-survey (2015)

Companies completing the e-survey were asked whether they were aware of the Davies Review. Overall, 38% of companies were aware of this publication. Whilst 15 companies identified that they were aware of the Davies Review, only 3 were able to identify actions they had taken in response to its publication, including one that had established a minimum target of board membership in response.

Interviews with companies and stakeholders suggested that it is important that practical supports are also in place – for example, highlighting good practice so that companies have benchmarks to try to emulate. More details on the specific actions companies and stakeholders felt Scottish Government should take to improve the gender balance and broader diversity of private sector boards are given towards the end of this chapter.

Approaches Taken by Participating Companies

It is worth noting that stakeholders generally had fairly limited direct experience of what companies were actually doing about improving gender balance or broader diversity so much of what they say is based on their perceptions about what is happening. Nevertheless they felt there was a lot of talk about the need for companies to achieve gender balance but '*disconnect between the talk and the actions that they take'* and there was a need for more action to drive change. The case studies

and e-survey indicate there is no consensus about the benefits of gender balance and broader diversity. For a lot of companies, and particularly SMEs this issue is not at the forefront of their minds. Many companies still do not feel that there is much to be gained by achieving greater diversity at board level. This inevitably means that the extent to which companies are taking action on this is likely to be variable across Scotland. This section draws primarily on the information collected from the survey and case studies to provide a snapshot of their views on what actions are relevant and what they are doing and supplements this with some research findings highlighted in the literature.

Figure 5: Policies and Procedures in Place to Improve Gender Balance of Board (% of Companies)

	All companies	Female account for less than 40% of board	Female account for 40%+ of board	No. of female board members increased in last 5 years
Mentoring or peer support for senior managers to prepare them for taking on board roles	34	36	31	40
No policies or procedures in place	29	32	23	15
Creating networking opportunities for senior managers	29	32	23	20
Training for senior managers to prepare them for taking on board roles	26	28	23	25
General changes to HR to promote flexible working	24	20	31	25
Training for board/senior management on equality, diversity and bias	24	24	23	30
Ensuring all board positions are advertised	21	16	31	25
Improving transparency of board recruitment processes	13	8	23	20
Other	13	16	8	10
Don't know	11	4	23	10
Setting targets for gender parity within board	11	12	8	10
Ensuring board positions are marketed towards female candidates	8	12	-	10
Report on gender composition of board in annual report	8	8	8	15
Making changes to the 'person specification' for board roles	8	8	8	10
Setting targets for gender parity within workforce	5	4	8	5

Making changes to how and/or when the board meets	-	-	-	-
N	38	25	13	20

Companies completing the e-survey were asked about what policies and procedures they have in place to address the gender balance on their boards:

- 29% of companies had no policies and procedures in place to address the gender balance of their boards.

- The median number of policies and procedures adopted was 2. Only 7 companies had adopted 5 or more of the policies and procedures. This suggests that even where action is being taken, it is relatively 'light touch'.

- The most commonly adopted policies and procedures are mentoring and/or peer support for senior managers to prepare them for board positions, creating networking opportunities for senior managers and training for senior managers to prepare them for taking on board roles. It is noticeable here that these are all focused on developing the pipeline of candidates. Whilst some companies were also adopting processes and procedures that changed recruitment processes or around placing greater priority on improving the gender balance of the board, these were less common.

- Whilst the sample sizes are small and care must be taken in interpreting the results, it is noticeable that companies where 40% or more of the board members are female, they are generally no more likely (and in some cases less likely) than those with less than 40% female board membership to adopt these policies and procedures. It is unclear why this might be. The key exceptions to this appear to be around the advertisement of board positions and improving the transparency of board recruitment processes – suggesting these may be key to achieving greater female representation.

- Similarly, there does not appear to be a clear difference between the policies and procedures adopted by companies that have increased the number of female board members in the last 5 years and companies as a whole.

Figure 6: Activities and Supports that Have Been of Value in Improving Gender Balance Within Their Company (% of Companies)

	All companies	Female account for less than 40% of board	Female account for 40%+ of board	No. of female board members increased in last 5 years
Commitment by Board to improving gender parity	37	38	36	47
Commitment by Chief Executive to improving gender parity	31	29	36	53
Changing gender profile of our business leading to more females in senior management roles	31	33	27	32
Policies and/or processes in place to improve board and staff understanding of equality, diversity and potential bias	29	17	55	26
Changing gender profile of our sector leading to more females in senior management roles	26	25	27	21
Increasing numbers of women applying for board positions	23	21	27	21
Policies and/or processes in place to encourage female applicants	14	8	27	16
Commitment to report on board diversity in Annual Report	9		27	16
Making board recruitment processes more transparent	9	8	9	11
Ensuring board positions are advertised	6	4	9	5
Other	6	4	9	5
Changing 'person specification' for board roles to enable a broader range of candidates are eligible to apply	3	4	-	-
Changing how or when the board meets to encourage a broader range of candidates to apply	3	4	-	-
Don't know	-	-	-	-

		35	24	11	19
N		35	24	11	19

Companies were also asked about what has been of most value to their business in improving the gender balance of their board:

- The most common answer was commitment by the board to improving gender equality (mentioned by 37% of companies), followed by commitment by Chief Executive (31%). Perhaps unsurprisingly, the proportion of companies that had increased the number of female board members in the last 5 years identified these approaches were of value to them, and was higher than for all companies.

- 31% of companies identified that changing the gender profile of their business as a whole was a key factor, and 26% identified that the changing gender profile of their sector had helped them improve gender balance.

- Companies where females account for 40% or more of the board members were much more likely to say that having policies and processes in place to improve board and staff understanding of equality, diversity and potential bias had been of value to them in tackling board gender balance (55% compared to 17% of companies where females account for less than 40% of board members and 29% of all companies).

- Very few companies identified having targets in place, commitments to report on board diversity or changes in recruitment processes (such as ensuring transparency of recruitment process, changing person specifications or ensuring all vacancies are advertised) being of value to their business in improving the gender balance of their boards.

Figure 7: Activities and Supports Considered to Help Improve Gender Balance of Boards (% of Companies)

	All companies	Female account for less than 40% of board	Female account for 40%+ of board	No. of female board members increased in last 5 years
Commitment by Board to improving gender parity	60	58	64	79
Commitment by Chief Executive to improving gender parity	51	50	55	68
Policies and/or processes in place to improve board and staff understanding of equality, diversity and potential bias	49	42	64	63
Increasing numbers of women applying for board positions	46	46	45	53
Policies and/or processes in place to encourage female applicants	43	33	64	63
Making board recruitment processes more transparent	43	38	55	47
Changing gender profile of our sector leading to more females in senior management roles	40	29	64	53
Changing gender profile of our business leading to more females in senior management roles	37	21	73	53
Commitment to report on board diversity in Annual Report	31	25	45	42
Changing 'person specification' for board roles to enable a broader range of candidates are eligible to apply	29	17	55	37
Ensuring board positions are advertised	23	13	45	26
Changing how or when the board meets to encourage a broader range of candidates to apply	17	4	45	21
Other	9	13	-	-
Don't know	6	4	9	5

N	35	24	11	19

Source: TERU E-survey (2015)

In addition to asking companies about what has been of most value to them in improving the gender balance of their board, they were also asked what approaches they thought were improving the gender balance of boards in general:

- The most notable finding is that the percentages at each answer are higher than for the equivalent question about what they had found useful for their business. For example, 49% of companies felt introducing policies and/or processes to improve board and staff understanding of equality, diversity and potential bias was a useful approach to improve board gender balance in general, but only 29% said these had been useful to them in improving the gender balance of their board. This raises a number of interesting questions – including why companies are not adopting approaches that they believe to be key to tackling this issue and whether some approaches are not as effective as generally perceived.

- In general, companies where at least 40% of the board are female and those that have increased the number of female board members in the last 5 years tend to view these approaches to be useful in improving the gender balance of boards than companies as a whole.

43 companies completing the e-survey provided information on how the number of women on their board had changed over the last 5 years:

- In 21 companies (49%), the number of women on the board had increased over the last 5 years.

- It had stayed the same in 18 companies (42%).

- The number of women on the board had decreased in 4 companies (9%).

Looking at those companies where the number of women on the board had increased over the last 5 years:

- 10 companies (48%) said the main reason for this change was that more appropriate female candidates were applying for board positions (for example, candidates that have more experience, have more relevant experience, etc.).

- 6 companies (29%) felt the main reason for the change was the policies and practices they had adopted.
- Other reasons given included:
    - Greater awareness of the benefits of having gender balance on the board, including as a result of the recommendations made by the Davies Report.
    - An increase in the size of their board which had created additional opportunities for board membership. This included one case where the company decided to broaden board membership to include individuals in specific senior roles within the company (with the current incumbents being female).

The case studies allow us to look at some activities and actions in more detail. We have presented these in terms of:

- Broad actions that companies take to support the issue of improving gender balance and broader diversity across workplaces.
- Specific actions to support the talent pipeline.
- Specific actions to change boards.

Broad Actions to Improve Gender Balance and Broader Diversity Across Workplaces

Policies/Processes to Improve Understanding of Equality, Diversity and Bias

The e-survey and case study interviews show companies are aware of the importance of promoting equality and diversity within their companies. For example all except one of the case study companies have equality and diversity policies and most provide training around equality and diversity but we found little assessment of the impact of the policies, although one case study (Case Study A) reported that their policy is reviewed annually. Some case study companies have provided training to address unconscious bias but this is generally across the workforce rather than specifically for board members.

Case Study Examples: Policies and Processes to Improve Understanding of Equality, Diversity and Bias

Case Study B has an equalities and diversity policy which covers the workforce, management and the board and states it is the policy of the company 'to treat all employees and job applicants fairly and equally regardless of their sex, sexual orientation, marital status, race, colour, nationality, ethnic or national origin, religion, age, disability or union membership status'. They are also an Investors in People (IiP) employer and believe this helps get the best out of people across all protected characteristics. They have also signed up to Partnership for Change and display messages from this campaign throughout the premises. This lets employees know that they are committed to achieving gender balance and broader diversity. Informal approaches are also important. An example of this is taking careful note of the language they use for example, not using *'girls in the office'* and '*boys in the workshop'* as this can perpetuate ideas that these roles are defined by gender.

In *Case Study H* all employees undertake diversity training. They feel that they could do more to raise awareness of unconscious bias as this has a profound impact on underlying assumptions which in turn influences decision making. Tackling this could help support progression of people through the organisation to increase the pool of internal candidates they have for senior positions.

However, only one case study had a policy to promote diversity on their boards. It is highlighted in the box below.

Case Study Examples: Policies and Processes to Improve Understanding of Equality, Diversity and Bias

Case Study A's board diversity policy covers the protected characteristics of gender, age and ethnicity alongside other personal characteristics such as nationality and age. This was first implemented in 2014 and is reviewed annually. This policy sets out the approach to diversity in each of the main boards of the company and outlines the benefits of diversity in relation to

increasing the likelihood of good strategic decision making. Diversity is defined broadly in the policy and '*starts with a balance of gender, age, ethnicity and other personal attributes'* but they also want to have directors from *'different backgrounds including educational and geographical origin'.* The policy prescribes that a committee should oversee the board to see that it is balanced in terms of skills, experience and diversity and should take steps to ensure that barriers and unconscious bias are removed to ensure that they get the best person for each position. This might involve using open advertising, using recruitment agencies that have signed up to a voluntary code of conduct for search firms, considering candidates from a wide range of backgrounds and '*assessing candidates on merit against objective criteria, taking into account the benefits of improving diversity on the board'.* It seems that this policy has had some impact as in the last 5 years the company has appointed 3 board members who are all women.

Changing the Gender Profile of the Workforce

The chapter on barriers highlighted that a key barrier is the lack of female candidates coming forward for board positions, and if they do, they often lack the skills and industry experience needed. The case study interviews suggested there is a need for more women in senior management which allows them to gain the experience (and perhaps confidence) they need to apply and secure board positions. It was clear that companies with female CEOs are attractive for women seeking senior management and board positions. There was recognition that action needs to be taken on a range of fronts to increase the number of female candidates including:

- In industries where the workforce has more males there is a need to attract more females who are then able to progress towards senior management and boards. This then includes action to change the gender profile of the workforce.

- In industries where the largest proportion of the workforce is female but few female managers, there needs to be action to support the progression of females through supporting a talent pipeline. Even in industries where there is a good balance of males and females in the workforce, there may be a need to provide additional support for females on the pipeline to help them to progress to senior management.

A small number of case study companies recognised their workforce was imbalanced which could have a knock on effect on the number of

females progressing to senior management (and the board) and could make their business less attractive to new recruits. There is also a need to support progression of female staff so they progress to senior management. Examples of actions taken in this area by case study companies are highlighted in the box below.

Case Study Examples: Changing the Gender Profile of the Workforce

Case Study B encourages males and females to apply for all positions in the company. They have tried to improve the gender balance in positions which are traditionally male (driving/operatives) and female (office). However, although they encourage this at the recruitment stage it is still important that they '*get the right person for the job'*. One practice that they have tried is making CVs anonymous to ensure they focus on the content of the CV and no other factors. Despite this they have had few women applying for driving positions or men for office positions.

Case Study H aims to increase the diversity of the workforce at the entry point and then develop their own people to give them the capabilities to become senior managers and eventually progress onto the board. One element of their approach is establishing a leadership programme for people with potential to become senior managers. They recognise that each of the people on the programme will need individualised support to address their particular developmental needs and so the programme provides a mix of group activities and individual support through coaching. This should help to develop their internal pipeline and although it is not tackling gender imbalance overtly, they feel that they will achieve greater balance as an indirect consequence of the programme as women are being supported through it. Feedback from participants indicates the programme provides good developmental opportunities, helps give managers better insight into their performance and ways of working, and provides a good base to progress. Nevertheless they feel they would need to provide more specific training for people to progress onto the board which would involve helping them develop more commercial awareness and financial skills as greater depth of knowledge of these aspects of business is required by board members.

Flexible Working

Some of the case study companies had introduced flexible working in the last 10 years to attract and retain more women in the workforce. Two companies also thought the wider availability of flexible working could promote more movement of women in their industries and thereby encourage more women to go for senior posts in other companies helping more to progress to senior levels. None of the case studies explicitly raised the issue of shared maternity/paternity leave. The literature suggests that improved sharing of best practice across organisations e.g. how organisations support women around flexible working, could be beneficial (Vinicombe *et al.*, 2015). Examples of actions to improve flexible working from the case study companies are given in the box below.

Case Study Examples: Flexible Working

Case Study A finds offering the same flexible working arrangements to new senior appointments that they had in their previous job has helped attract more women to the company at a senior level. This is because many women in senior positions feel tied to employers which have allowed them flexible working. They hope that this may promote more movement of women in the industry and help more women progress to senior levels to get the industry experience they need to progress onto boards.

Case Study D's flexible working, including options to work part-time, to start and finish at different times of the day and to work from home, was introduced in the last 8 years to improve staff retention. It was introduced following exit interviews with employees who left because it was not available. Flexible working has been useful for the board member interviewed as she has family commitments.

Case Study F found they were having some issues retaining females. They responded by introducing 'smart working' (flexible working) options for returning mothers. This proved to be an effective way of helping returning mothers to integrate more successfully into the workplace. In the last 5 years since they have introduced this they feel this has helped them to retain staff and it has been *'good for business'*.

Case Study H has a number of practices that support people achieve a work – life balance such as flexible working policies, and

arrangements to work from home. If women take time out of the labour market to have a family they do not have the chance to develop that breadth of experience that may be required for board membership and this can help to mitigate this as female staff are retained.

Specific Actions to Support the Talent Pipeline

Action to enhance the opportunities afforded to women in senior roles within their organisations was embedded into companies' activities to develop their talent pipelines. The prime rationale for having a talent pipeline is that many companies prefer to promote rather than recruit external managers or find it difficult to recruit the talent they want. Some companies have also used this to respond specifically to a lack of external female candidates for senior management or board positions with the skills and experience they need. Generally these programmes are available to everyone in the workforce, although one or two companies offered specific support for women or people in other protected characteristics groups.

This kind of approach sits well with research which indicates that women need to be supported effectively through to the boardroom more so than men. This requires longer term planning. Programmes to encourage younger women (21-28 years) to engage at a more senior business level would also help to provide relevant experience (Scottish Office, 2015). Examples of approaches are shown in the box below.

Case Study Examples: Supporting the Talent Pipeline

Case Study A developed their pipeline in response to the difficulty of recruiting female candidates with enough industry experience. Approaches include training and mentoring. They feel this commitment to development will pay off in the longer term as more women will move into senior management positions enabling them to develop the experience they will need to move onto the board. One interviewee with experience of the pipeline saw no barriers to board membership due to her gender within the company, but did recognise that the company was exceptional in its industrial sector and there were barriers more generally for women.

Case Study F has a range of practices to develop the pipeline of people who have the potential to be future board members. All employees have a development plan which aims to help them achieve their potential. The company has also done some research

into what kinds of support best helps female employees because they felt their existing development interventions were not helping women progress into senior roles. This helped them to develop a much more targeted and individualised programme which identifies the kinds of actions which will assist each particular person. It is *'no longer a tick-box exercise'*. They have also found that mentoring works well. They have senior women in a variety of roles who can provide mentoring and good role models. These have helped more women to progress into senior management within the company and progress onto the board. There is good support within the company to assist women to progress to senior management. Monthly appraisals help employees identify the areas they need to work on to help them to progress.

Case Study C hopes that supporting more women on their internal pathway to becoming a partner could improve the gender balance. The internal pathway involves people being mentored by senior partners as they develop their skills and experience. Recent recruits have been female and there is an expectation they will progress towards board membership provided they are able to work the hours that goes along with board membership. Males and females follow the same pathways. Interviewees on the pathway felt there were no barriers to gaining a board position should they want to achieve this: '*the firm gives everyone a chance'*. There is investment in training and support '*to help grow the skill set they are looking for'*.

Case Study G offers a mentoring programme to all employees at divisional management level to help them develop their skills. Employees have mentoring meetings with the managing director to discuss operational issues every 6 weeks. The aim is to help these managers see their role differently and to see how they could improve their performance. Although the company recognises not all of the mentored employees will progress to director level, they have had good results from this programme, with the staff involved taking more ownership of their work, improving their decision making and having a clearer idea of their role, and they think in the longer term this may help more females to think about progressing to board level.

Case Study I is committed to developing their internal talent pipeline so that employees can progress to director level if they have the talent and skills. This can involve providing personal

development opportunities and mentoring. They recruited two females recently and provided mentoring and peer support to prepare them for taking on board roles.

Over the medium to long-term, the current owners of *Case Study J* would like to be able to exit the business – ideally through a management buy-out. This will affect the composition of the board. As the company founder is female, the Managing Director would like the company to continue to have good gender representation at the management and board level in the future. To help facilitate this, all staff members have a career progression pathway – and the potential for them to reach into any job within the organisation (including the board) is communicated by the Managing Director on a regular basis. Staff are encouraged to take part in training and development activities, with time scheduled weekly for staff to review internal training materials. In addition, the company makes use of external training with staff members encouraged to identify training that meets their needs and ambitions.

Specific Actions to Change Board Composition

Commitment to Achieving Gender Balance and Broader Diversity

One way of taking action on a lack of diversity in boardrooms recognised in the literature is gaining by-in from chairs to ensure the value of women in the boardroom (Davies, 2013). This needs to be supported by an inclusive organisational culture throughout (Vinnicombe et al., 2015).

Getting buy-in which translates into commitment by the board and the CEO to seeking gender equality was seen as important by both the respondents to the e-survey and the case study companies as it was perceived that commitment is the first step in developing strong leadership around this issue. The case study companies with a strong interest in achieving diversity at board level identified commitment and leadership is critical to any progress they had made as it had allowed a strong focus within the board on the importance of the issue. The case study box below highlights companies where there is strong commitment to increasing diversity.

Case Study Examples: Commitment to Achieving Gender Balance and Broader Diversity

Case Study A's board and Chief Executive are committed to improving gender equality on the board. Under the steer of the last two chairs there has been conscious effort to try to achieve greater balance on the board. The company believes leadership around this is very important to set the agenda, ensure buy-in from all board members and to set the right direction. Leadership is also critical to how the board operates which aims to overcome the barriers that prevented women coming onto their board in the past. Board members commented that the chair of the board sets a very good *'tone at board meetings to allow all board members to participate'* equally and effectively. A culture is created that is able to accommodate diversity rather than being male dominated, which is often the case within the industry sector.

Case Study F reported there is strong commitment across the board to achieving gender balance. Leadership is critical. The company's Managing Director has personal experience of discrimination and became interested in unconscious bias as a result of this. Her experience has been the driver for developing the company's approaches to tackle gender imbalance which include making sure all recruitment consultants undergo unconscious bias training, encouraging whistle blowing and positive challenges if any consultants come across problems around recruitment with their clients, changing the gender profile of the business leading to more females in senior management roles, and providing all employees with a development plan which aims to help them achieve their potential. The company has also done some research into what kinds of support best helps female employees because they felt that their existing development interventions were not helping women progress into senior roles. This helped them to develop a much more targeted and individualised programme which identifies the kinds of support they need as an individual, which may include a particular type of training or coaching. It is 'no longer a tick-box exercise'. There is also good support within the company to assist women to progress to senior management. Monthly appraisals help employees identify the areas they need to work on to help them to progress. There is flexible working within the company.

Making Board Recruitment Processes More Transparent

The literature highlights that raising awareness around the role and remit of boards could potentially increase the potential pool of candidates (Dutton and Raeside, 2014). The way in which companies go about recruiting board members will potentially impact on the diversity of the board. Board recruitment processes are not always transparent and this has been seen historically as a barrier to the appointment of women, with appointments being made to mirror the existing (predominantly male) membership (Sealy, Doldor, and Vinnicombe, 2009). Very recently there has been a call to 'demystify' application processes (Scottish Office, 2015, p28). A good understanding of how recruitment is undertaken can help to shape approaches to increasing the number of women (and other underrepresented groups) on boards. As the literature suggests wider and more transparent advertising could increase diversity by making the process fairer. There is also a need to take an objective look at the criteria used to appoint new board members.

The e-survey showed that many companies continue to use personal networks or internal promotion rather than advertising board positions. When asked how they recruit new board members:

- 23 companies (53%) indicated that they use their own networks and contacts of the existing board and/or senior management to identify potential candidates.

- 10 companies (23%) use executive search agencies.

- 8 companies (19%) use an open recruitment process (e.g. advertised in newspapers, through professional bodies, etc.) managed in house.

- 5 (12%) recruit in-house from their own staff.

- 1 (2%) hosts awareness-raising events to stimulate interest.

Whilst we cannot establish causality (and as outlined earlier small sample sizes mean care must be taken in interpreting results), there does appear to be a linkage between the openness and transparency of recruitment processes and the representation of women on boards:

- 61% of companies with a board that is less than 40% female use their networks and contacts to identify potential candidates, compared to just 40% of companies with boards that are 40% or more female. In contrast, just 14% of those with male-dominated boards use open recruitment processes compared to 27% of more equal or female-dominated boards.

- The majority of those using executive search agencies (6 out of 10) or open recruitment processes (6 out of 8) have increased the number of females on their board in the last 5 years.

Some of the case study companies were also making their recruitment processes more transparent but only four case studies said they have proactively recruited female candidates. An example of this activity is shown in the box below.

Case Study Examples: Making Board Recruitment Processes More Transparent

Case Study A **has made 3 appointments to the board in the last 5 years and they have all been female. This is a result of proactively recruiting female candidates. New appointments are made when specific expertise is needed but when appointments are made checks are carried out to ensure that the board is balanced. A committee oversees the boards to see that they are balanced on terms of skills, experience and diversity and takes steps to ensure that barriers and unconscious bias are removed to ensure that they get the best person for each position. This might involve using open advertising, using recruitment agencies that have signed up to a voluntary code of conduct for search firms, considering candidates from a wide range of backgrounds and** *'assessing candidates on merit against objective criteria, taking into account the benefits of improving diversity on the board'***.**

Some case studies use executive search companies and encourage them to look for female candidates. These firms have a potentially key role in the appointment of executive and non-executive directors. In the UK a Voluntary Search Code[13] (signed by more than 50 search firms) sets out guiding principles for achieving gender diversity and best practice. This code of practice includes guidance on taking a broad view of succession planning, well defined briefs that identify core competencies not just career experience, long lists comprising of 30% women, candidate support throughout the process and effective induction.

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[13]

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208464/voluntary-code-of-conduct-for-executive-search-firms.pdf

Developing networks and sponsors is important to widening access. An individual's networks and their access to sponsors in a position to actively promote them to a board position are likely to be key factors in their success. Those recruiting for board positions, whether they are head hunters or existing board members need to seek to sponsor talented individuals, particularly into their first role. As 73% of men and 68% of women use their personal networks as the primary means of securing non-executive directorships, with a greater likelihood of success for those known or recommended, this highlights this as a potential area for intervention (Brown, Kelan, and Humbert, 2015). The case studies suggest that few people have access to these kinds of networks and sponsors and tend to rely on internal mentors.

Approaches used by the case study companies are highlighted in the box below.

Case Study Examples: Use of Networks

Case Study F **generally looks for board members when they require particular talents or skills. This is determined by regular reviews of the board to ensure they have the right talent to achieve their goals. In the last 5 years the board increased from three people to seven as the company has grown. Most of the new female members were promoted into the role and so their track record was evident. Some of them however, were invited to join the board because they had particular perspectives or skills that the company felt were needed on the board.**

Case Study G **mainly used senior managements' and other board members' networks to recruit new board members with no formal interview process. This is still an important method for recruitment and they feel it does not create any barriers for women because there are women on the board who have good networks. In addition they have recently appointed a talent manager to find new board members as they want to enhance the capabilities of their board. The main skills and experience they are looking for are knowledge of the market place and a good track record in terms of generating revenue.**

Mentoring and Peer Support for Existing and Potential Board Members

Training and mentoring support is required for existing and potential board members who need to be able to access a range of training, mentoring and network opportunities. The creation of dynamics on the board that are inclusive are critical (Vinnicombe *et al.,* 2015) and mentoring can provide legitimacy and promote inclusion, supporting the development of alliances with existing board members (Dutton and Raeside, 2014).

Some companies provide training for senior managers to prepare for board roles as highlighted below.

Case Study Examples: Mentoring and Peer Support

Case Study A **has used mentoring to help to retain talented women. They looked carefully at what stage women tended to** *'step back'* **from pursuing promotion and found this was linked to maternity leave. They are investigating whether there is anything that they can do to improve this, for example by offering mentoring to women on maternity leave to help them keep engaged and help their return as well as training mangers to better manage maternity leave. They feel this will help retain women in the company and encourage them to progress to higher management levels.**

Case Study B **has not recruited for new board members in the last 5 years but as they grow they would like to expand their board and so are looking at how to recruit new members. All of the employees know that gender balance is important to the company and it is part of their values as well – if they did not share these values they would not be in a senior management position or board member as these issues are discussed frequently within the company. The company invests in training to develop managers' skills and particularly soft skills and to increase their confidence. These kinds of practices help them to retain talent. A manager involved in the pipeline activity indicated that these initiatives are offering opportunities to develop her skills, particularly leadership and management.**

Case Study D **provides mentoring or peer support for senior managers to prepare them for taking on board roles: One board member has benefited from this. She was invited to join the board in 2014. Although she had no previous experience of sitting on a**

board she has been pleased to join the board and sees it as an important aspect of her role as it is part of securing the long term future of the business. The company's commitment to training for managers has also been an important contribution to helping her fulfil her board role effectively.

Case Study I believes it is important to make a contribution to developing talent in their sector by supporting people to develop the skills they need for senior management and board membership. This includes offering support to females and people from other groups. One of the ways they do this is by offering graduate placement programmes which includes shadowing their board. In the recognition that it can be quite difficult to get board experience and to encourage more people to put themselves forward for board positions they have offered people opportunities to shadow their board. They feel this is particularly useful for younger people as it helps them to understand board processes. They feel that there is a gap in understanding of governance and few opportunities for people to see boards in action. *'People need to see the nuts and bolts of being on a board'.*

Case Study J has provided an external mentor to a senior (male) member of staff to support them to progress towards a board level position. This individual currently attends senior management meetings (where the majority of strategic decisions are made). The company owners would like to exit the company over the medium to long-term, ideally through a management buy-out and the support offered to this individual could be replicated for other members of staff once they reach a similar level through the company's structured career pathways. The mentor that has been appointed is highly respected within their industry. They are contracted to support the company one day a month – with half of this dedicated to mentoring and the other half to attending senior management meetings and supporting the directors. This individual being mentored felt that the mentoring had helped him develop his management and leadership capabilities. In particular, it had given him an opportunity to 'step back' from his day-to-day role and reflect on how he can make the most effective contribution to the business and gain a wider perspective. He felt that as it can be difficult to 'know what you do not know,' the external mentor had helped him identify areas where he needed to develop his skills that he would not otherwise have considered.

Few of the existing board members interviewed had taken part in any training to help them with their role. An example of this is highlighted in the case study below.

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Examples from Interviews with Existing and Potential Board Members: Mentoring and Peer Support

The board member has received external support to help her fulfil her position as a board member including a Scottish Enterprise course *Investing in Women* which aims to develop leadership and provides training on the role of the board and how to work effectively as a board member. This helped her to better understand her contribution to the board and how to be more effective. However she felt this kind of training is fairly limited in scale and in general the training opportunities available to all board members could be increased. In particular opportunities to shadow board members and access to mentors would be helpful to increasing diversity and gender balance on boards.

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Creating the right atmosphere where new board members are supported and accepted is also critical. The literature suggests getting a critical mass of women on the board is important. Three is considered a critical number in group dynamics, whereby one person has the potential to impact but risks being viewed as tokenistic, two may have more success but tokenism still exists but three delivers critical mass (Asch, 1955). Their presence normalises the presence of women on the board and consequently allows for their views to be listened to with more open minds (Kondrad *et al.*, 2008).

Some of the experiences of the case study interviewees who were board members are useful here to shed light on how this works. As above, to protect identities we have not organised this information by case study.

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Examples from Interviews with Existing and Potential Board Members: Mentoring and Peer Support

A board member joined her company's board 4 years ago as an executive director when she became an employee of the company. She was interviewed by two women and knew that the then CEO and MD were women and this made the idea of joining the company attractive to her. The main factors that helped her attain a board position were her experience, skills, abilities, values and

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people's belief in her when she was recruited. She has also had a lot of informal support in her career and a mentor who helped her to see her value and strengths. She has also had the benefit of many positive role models to follow. When she first joined the board she did face some challenges around learning the board's *'language',* understanding what was expected of her as a board member and around adapting her style of working to that of the board's to ensure that her voice was heard. She has gradually learned to overcome these challenges through experience.

Another interviewee in a different company was recruited to the board when she was an employee because she had the skills and capabilities that the company was looking for. She also had a good understanding of what the role would require because she got a lot of support from the other board members during recruitment and during her initial period on the board. She also felt that she brought skills and experience to the board that had been lacking before she joined and she had a good fit with the requirements of the role.

Another interviewee commented the chair of the board sets a very good *'tone at board meetings to allow all board members to participate*' equally and effectively. A culture is created that is able to accommodate diversity rather than being male dominated, which is often the case within the industry sector.

In another company the board member was invited to join the board around 5 months after she joined the company as a senior manager. At the time the board was seeking someone with specific expertise around managing people and the board member had this experience. However, she had previous board experience which helped secure the position. She was keen to join the board and saw it as an opportunity and a challenge. The board member has had some external support. This includes having a mentor for over 10 years. Mentoring has helped the board member to '*push myself a bit*'. The mentor has also helped the board member to be more effective by developing a focus on strategic issues. The board member also works with a leadership coach which has helped boost their confidence and develop their leadership style. All of the board members have access to mentors or leadership coaches which is part of the company's efforts to develop their

own talent pipeline. The board member has encountered some challenges relating to the ways that some members of the board like their voices to be heard which can come across as aggressive. However, the coaching has helped the board member to address these challenges without compromising their own style of debate.

Setting Targets

Setting targets for gender diversity and monitoring compliance will help ensure increasing diversity is prioritised (Dutton and Raeside, 2014). This could include setting out aspirational targets for the number of women on boards. The monitoring of progress needs to be transparent. Within organisations CEOs need to know where women are contributing across the organisation, requiring detailed and accurate data around starts, promotions and performance (Vinnicombe *et al.*, 2015).

Only two case study companies had targets for board diversity as shown below.

Case Study Examples: Setting Targets

Case Study A monitors diversity issues drawing on the results from their annual employee survey. This provides very useful information on the way different groups in their workforce are affected which helps them identify the areas that they should take action. They have made good progress recently in identifying the issues affecting the promotion of LGBTI people and have set up a mentoring scheme with external mentors to support people. Annual reviews on the composition of their boards are also carried out. The Davies Report has been a strong influence on target setting as it has generated debate and increased attention on the issue. This helped to strengthen their resolve to do more about gender equality. This also led them to set an aspiration of ensuring the under-represented gender makes up at least 25% of each of their boards. However they would like to achieve 50:50 and would like to achieve this representation at all levels of the business in the longer term. Progress on this is reported to the board on a bi-annual basis and there is also commitment to report on board diversity in the Annual Report.

Case Study B have signed up to the Scottish Business Pledge which suggests companies should aspire to 50:50 representation. They feel that signing-up has helped them to think about the issues and consider gender balance when making appointments throughout the company although would still look for the right person for the job. In terms of workforce, due to the nature of the jobs, they tend to get more female applicants for office roles and males for drivers/operatives. They do not monitor formally, but keep an eye on this. With a small board (husband and wife owners) it is easier to maintain gender balance. They have no targets for representation of other protected characteristics.

External Support for Companies

Views of Stakeholders

Throughout Scotland a range of organisations provide support to companies to help them address gender imbalance and increase diversity. Some of the organisations mentioned in the consultation with stakeholders as making important contributions included *Changing the*

*Chemistry[14], Equate Scotland[15], Engender[16], Women on Boards[17], 30%
Club[18], Opportunity Now[19]* and *An Inspirational Journey[20]*. However,
stakeholders had limited direct experience of these organisations.
Those who had some knowledge of the provision felt:

- These initiatives start a dialogue to get the issue on the agenda
  and capture attention. They use information about gaps in
  representation to grab attention to shine a spotlight. '*Corporates
  have a culture that holds women back'*. This helps compel people
  to have an agenda and drives action. Such an approach is a
  '*critical step'.*

- Approaches are generally light touch. They tend to focus on the
  benefits and when dealing with business it is always good to
  show the impact on the turnover, profit or other financial
  indicators. This kind of approach was seen as preferable to
  legislation.

- Initiatives that focus specifically on giving people board
  experience are helpful as is very difficult to get this experience.

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[14] Changing the Chemistry aims to increase board diversity across the public, private and voluntary sectors, with members supporting each other through advice, coaching, identifying and sharing information about board vacancies and a peer-to-peer support network.

[15] Equate Scotland supports women studying and working in the fields of science, engineering, technology and the built environment, including offering training, coaching and support for women throughout their careers and offering advice and training for employers.

[16] Engender works to achieve gender equality in Scotland. In relation to gender equality on boards, their work includes providing consultancy, guidance and/or coaching to organisations on equalities issues and equality-proofing.

[17] Women on Boards is a network for women looking to build their board career. As well as sharing information on available board positions, they also offer a range of personalised supports including CV reviews and pre-interview connections and advice and events. They also provide services for companies, including running workshops to inform and inspire pipeline women.

[18] 30% Club works to broaden the pipeline of women from "*schoolroom to boardroom*". Key initiatives include working with leading business schools to offer scholarships to women (as these are seen as key accelerators to promotion and senior management roles), working with the investment community to make the investment case for more diverse boards and to encourage investors to raise the issue with boards and management teams, and offering mentoring to mid-career women.

[19] Opportunity Now is a Business in the Community campaign that seeks to improve women's success at work by providing tailored advice to employers on how to maximise the potential of their female employees and improve their recruitment and retention. A particular focus is on improving the gender balance of leadership progression.

[20] An Inspirational Journey offers a range of programmes and events to help improve the diversity of senior management. These include the Pearls Programme that provides career support to women in middle to senior management to address the "leaking female talent pipeline", the Two Percent Club which acts as "*The Voice of Corporate Women*" and Arch-Even which supports women and men that have been identified as having the potential to reach executive level within 7 years

Scenario planning workshops (run by organisations such as the Institute of Directors) which involve existing board members guiding participants through real board room scenarios have been very popular; similarly ones that help people get non-executive positions in boards in public and third sectors can be helpful.

- There are some issues around the availability of support offered through these initiatives as they are not widely available and tend to be for women at particular stages of the career ladder rather than at all stages. Additionally, whether people get on these programmes depends on the firm that the women work for in the first place, and then only some can go as there is usually a selection process – therefore these could be divisive within a company if not everyone that wants to go/could benefit are selected.

Stakeholders also had limited knowledge of the impact and effectiveness of these initiatives. Overall stakeholders felt:

- Provision is piecemeal and more could be done to extend the availability of support.

- Concerned that many initiatives are only funded for short periods - limiting ability to learn lessons and make sustainable change. Many of the issues are cultural and to change culture requires long-term commitment.

- The initiatives addressing this issue are working effectively, but more could be done to publicise their outcomes and impacts.

Views of Companies

Five of the 10 case studies had engaged in external supports to improve board diversity although there was variation in the extent to which they had been engaged. In general these companies were ones that felt that there were clear benefits to increasing gender balance and broader diversity and had therefore sought out support. Those who had engaged generally found the support to be helpful. An example is given in the box below.

Case Study Examples: Use of External Supports

In *Case Study F*, the director participates in a range of initiatives that are focused on developing women in the workplace including Women's Enterprise Scotland, Women into Work, strategic groups within the Scottish Government and Changing the Chemistry which is a peer support group. She began to be interested in achieving gender balance around 6 years ago when she missed out on a promotion because the person chosen was recruited not on merit but because he was a member of an 'old boys club'. She had not encountered this kind of discrimination before and felt that she wanted to get involved in taking action to counter gender discrimination. These networks have provided her with lots of examples of good practice and allowed her to see the positive impact on the performance of companies which have a diverse senior leadership. She has used this experience in her own company. Her involvement in these networks has also offered her a lot of peer support. Additionally, the director has participated in the Institute of Director's mentoring scheme and board shadowing schemes which has helped her increase understanding of boards and how they operate. All of these initiatives have helped her to build her network, which can be useful, in turn to assist other women in business.

One of the reasons for the low engagement is that as the previous chapter has shown, increasing representation is not seen as an important issue for companies, so they would be unlikely to seek external support. However, even among companies which do see it as important there seems to be low awareness of these initiatives. A small number of interviewees in case study companies also perceived that there were some barriers to participation including:

- Limited number of places.
- Competition for places.
- Timing of interventions – some are scheduled in the evening or at breakfast time which can be difficult for women to access.

Potential Role for Scottish Government

Finally, companies and stakeholders were asked to identify how Scottish Government could support them to improve the gender balance and broader diversity of private sector boards:

- A number of companies felt that there was **no role** for Scottish Government – either because they felt to improve the gender balance and broader diversity of private sector boards was not necessary or because they felt it was primarily the role of companies to achieve progress on this issue.

- Many felt that the key role that the Scottish Government – and the public sector more generally - should place is around providing **leadership** on this issue:

    o Many felt that the Scottish Government needs to achieve gender equality and broader diversity in public sector organisations and agencies first to legitimise this leadership role. Some even thought it should be mandatory to have gender equality on the boards of public sector organisations.

    o The government's emphasis should be on how to support equality and diversity across the board rather than focusing on increasing the representation of a particular group (e.g. women). Without this broad focus there were some concerns that men might think they are being treated unfairly and this creates potential for a backlash against the policy.

- Many felt that Scottish Government could play a key role in increasing the **visibility** of the issue. It was felt it could do this in a number of different ways:

    o By communicating the business case for diversity - it is still not widely recognised.

    o By highlighting research such as the Davies Review – and especially any evidence around the benefits for smaller companies. There is still some work to do here. Only 38% of the companies engaged in the e-survey were aware of the Davies Report and only one case study company was taking action as a result of the report to ensure that they are '*actively working to ensure that the next round of elections to the board attracts more women*'. Conversely one company was adamant that in terms of action the response to the Davies Report is *'in no way whatsoever. Board applications are based on ability and technical competence and experience – the abilities to do the job and not an artificial quota system'.*

    o By encouraging companies to provide information about diversity. There was a suggestion that some kind of accreditation might encourage companies to show what they are doing in this area – and in turn encourage

companies to emulate others and think about gender a bit more.

- o By utilising, where possible, public sector procurement to incentivise companies to look at gender balance. However, it should be noted here that any approach adopted would need to align with the legislation in place around public procurement.

- Scottish Government was also seen as having an important role in ensuring the **supporting infrastructure** to enable women to reach board-level positions. This includes ensuring policies in the following areas are supportive:

  - o The availability of appropriate childcare can help '*eliminate issues for women in their careers that men don't have'*. This needs to be available so that women can work full time if they wish – and many requirements of board membership need people to work at the evening or weekend.

  - o Ensuring educational establishments work with young people and their parents:

    - ▪ To change perceptions that females cannot get as far as men in the workplace.

    - ▪ To encourage them to consider sectors and occupations where females are currently underrepresented or where there is gender stereotyping.

    - ▪ This should help enable more women to reach management level positions. There is a need for better careers advice to indicate that there are opportunities for women in these industries and occupations.

- Availability of management and leadership programmes – such as those provided through Scottish Enterprise and Highlands and Islands Enterprise.

- Whilst companies generally felt that it was their responsibility to drive change, many would value **advice and guidance** on how to make progress on this issue. This could include:

  - o Producing guidelines and identifying good practice – perhaps through case studies.

  - o Provide role models of companies where women are in board positions.

  - o Encourage companies to adopt Key Performance Indicators (KPIs) to measure the extent to which

organisations are good places to work, and are nurturing organisations – this would help increase the numbers of women who want to go onto boards as they would see that this is a place where they could make a contribution.

o Interventions that provide support for companies (for example through Business Gateway) should support efforts to improve board diversity. Their work with companies provides important opportunities for the issue to be discussed with companies that might otherwise not have considered it.

Key Messages

1. At a policy level, there are three established approaches to improving the gender balance and broader diversity of private sector boards:

- Setting *quotas* for the number of women on private sector boards. Over 20 countries have adopted quotas and whilst they are effective in changing the composition of boards, they are contentious with concerns that they can undermine women's achievements. In addition, the introduction requires appropriate supports to be in place and for sufficient time to be allocated to enable companies to achieve the quotas.

- *Voluntary targets* (sometimes referred to in the literature as coaxes) aim to increase the number of women on private sector boards without enacting legislation. This is the approach adopted by Scottish Government through Partnership for Change and the UK Government through the Lord Davies Review process.

- *Corporate transparency* requires companies to report on equality and diversity policies, initiatives and outcomes alongside other statutory reporting (such as financial reporting). This is intended to encourage companies to adopt approaches to improve the gender balance of their board – with some countries adopting a 'comply or explain' approach.

2. The vast majority of stakeholders and companies consulted during this research felt it was *important Scottish Government does not impose quotas* – as these could lead to inappropriate appointments, could lead to undermine the progress of women and in some cases impact on the sustainability of companies. Whilst there was broad support for the Partnership for Change voluntary commitment, some consultees expressed concerns it could become perceived as a quota over time.

3. Turning to the approaches taken by companies themselves:

- 29% of companies completing the e-survey had *no policies or processes* in place to address the gender balance of their boards.

- In general, most companies that had adopted policies or processes to address the gender balance of their boards had only put in place a small number of approaches. There is *limited evidence of companies adopting a comprehensive approach* to tackling this issue.

- The most commonly adopted policies and procedures all related to *developing the pipeline* – mentoring and/or peer support for senior managers to prepare them for board positions, creating networking opportunities for senior managers and training for senior managers to prepare them for taking on board roles.

- Few companies appeared to be adopting processes or procedures around *recruitment processes* or *placing greater priority* on improving the gender balance of the board (such as setting targets or reporting on balance in their annual report).

4. In terms of 'what works', the factor that appears to be of most value to companies is *commitment by the Board and/or Chief Executive* to improving the gender balance of the board. The other factor that appears to have an important impact is the *changing gender profile* of the business (and to a lesser extent, the sector as a whole) with this leading to more women in senior management roles. Companies that are more gender equal at the board level (40% or more of board members are female) were much more likely to say that having policies and processes in place to improve board and staff understanding of equality, diversity and potential bias had been of value to them than those with fewer women on their board.

5. *Other approaches* identified in the case studies as being of value in improving the gender balance of boards included:

- Embedding efforts within wider HR policies – such as Investors in People.

- Developing flexible working arrangements to attract and retain females in senior management roles.

- Making board recruitment processes more transparent.

- Providing mentoring and peer support for new board members.

6. Few case study companies had any explicit policies, processes or procedures to help improve the ***broader diversity of their board***. Where action was being taken, this tended to focus on gender rather than other protected characteristics.

7. Only half of the case study companies had accessed any ***external supports*** – and in many cases this was a relatively minor element of their approach. In general, both companies and stakeholders felt there was a lack of awareness of what support is available – meaning this resource is not being fully utilised. Concerns were also raised by some stakeholders about whether this support is sufficiently resourced and evaluated.

8. In terms of the ***support*** stakeholders and companies would value from Scottish Government, this included:

- Providing clear ***leadership*** on this issue – although to have credibility it was felt important that the public sector achieved gender balance and broader diversity on their boards.

- Increasing the ***focus*** on this issue – for example, highlighting research, using procurement to encourage companies to consider the gender balance of their board and encouraging companies to provide information on this (through accreditation).

- Putting in place ***supporting infrastructure*** to develop the pipeline of women and other individuals with protected characteristics in senior management roles. This includes working with young people around career choice and aspirations, improving the availability and quality of childcare and ensuring leadership development programmes are available.

- Providing ***guidance and tools*** (such as checklists and good practice guides) to enable companies to make progress on this issue. Where possible, these should be embedded into mainstream business development supports (such as Business Gateway, Scottish Enterprise and Investors in People).

5. Conclusions and Recommendations

Conclusions

Research Aims

1. This research was commissioned by Scottish Government to better understand how the barriers to gender balance and broader diversity on private sector boards in Scotland can be overcome and to inform the Scottish Government's approach to tackling this issue, especially in relation to the Partnership for Change commitment and Scottish Business Pledge. In particular, as most of the available research focuses on listed companies (for example, on FTSE 100 and 250 companies in the UK), this study has focused on understanding the perspectives and approaches taken within the broader SME business base.

Rationale for Improving Gender Balance and Broader Diversity of Boards

2. Companies taking part in the research generally felt that equality and diversity were important principles but many felt that the composition of their board did not have an impact on their company, how it is perceived and its performance – or did not know what impact it had.

- This is an important finding as the business benefits of a more gender balanced or diverse board are often used to make the case for taking action. If companies do not feel it has an impact – or they are not assessing whether or not it is having an impact – they are unlikely to be convinced by the 'business benefits' argument.

- Companies with a more gender balanced board or that had increased the representation of women on their board in the last 5 years were more likely to say that they felt the board composition was having a positive impact on a number of different elements of their company – suggesting that once progress begins to be made on these issue the business benefits become clearer to companies.

Barriers to Improving Gender Balance and Broader Diversity of Boards

3. The most commonly identified barrier to improving gender balance and broader diversity on private sector boards was the low turnover of board membership – reflecting the fact that most companies taking part were SMEs. This highlights that different approaches may be needed to drive change amongst SMEs compared to those taken in the larger, listed companies that have been the focus of most previous research.

4. In terms of barriers that were specific to gender, the main issues highlighted by companies were:

- A lack of female candidates coming forward for board positions.

- Female candidates lack the skills and experience required.

- Care must however be taken around interpreting these findings as other research has demonstrated that these issues are often more complex than initially observed. For example, a particular issue around the lack of skills and experience is whether the specification set for boards is too narrow and focused on skills and experience that are more likely to be held by men than women.

5. Many of the companies that participated in the research felt that there were no barriers to improving the gender balance of their board. However, the disparity in board membership (with only 31% of Scottish company directors being female and only 49% Scottish companies having at least one female director) suggests this cannot be the case.

Approaches to Improving Gender Balance and Broader Diversity of Boards

6. There is limited evidence of companies adopting a comprehensive approach to improving the gender balance and broader diversity of their boards:

- 29% of companies completing the e-survey had no policies or processes in place – and amongst those that had taken action this was generally limited in its scope.

- Where companies were taking action, this was most commonly focused on developing the pipeline – for example, through mentoring, peer support or training – with very limited evidence of companies changing recruitment procedures, setting targets for board membership or reporting on progress in a systematic way.

7. Commitment by the Board and/or Chief Executive to improving the gender balance of the board was considered to be most useful in helping improve the gender balance of boards. This suggests that securing the commitment of these key individuals within a company is a critical first step in the process.

8. Companies that had more gender equal boards were more likely to state that having policies and processes in place to improve board and staff understanding of equality, diversity and potential bias had been important in helping them improve the gender balance of their board than those with fewer women on the board. In other words, developing understanding and awareness of the issues can help act as a prompt to further action.

9. There is limited evidence of companies taking action to tackle the underrepresentation of individuals with other protected characteristics (e.g. those with disabilities, from ethnic minority communities, etc.).

10. Only half of the case study companies had used an external support service to help them improve the gender balance or broader diversity of their workforce. A key issue here is a lack of awareness of what is available.

11. The aim of the study was not to identify 'best practice' – but instead to understand the views of Scottish companies on this issue and what action, if any, they were taking to tackling the underrepresentation of women and other groups on their boards. This evidence should be considered alongside other research that has been undertaken with leading edge companies that are developing innovative approaches to tackling this issue.

Recommendations

1. Many companies felt that improving the gender balance or broader diversity of their board was not an important issue for them. More work is needed to *raise awareness* of the importance and benefits of a diverse board. Scottish Government can play a key role here – both directly and indirectly through its economic and business development agencies and by encouraging other partners to raise the issue.

- Whilst the equalities argument is important in principle, the challenge is that many companies feel they 'treat everyone equally' and therefore that no action is needed. As such, arguments around the impact gender balance and broader

diversity has on **board effectiveness** and **business performance** are likely to be more compelling.

- The **target audience** for these messages should be board members and Chief Executives – as the research found that a commitment by these groups was critical to making progress on this issue. Scottish Government should work with those organisations and agencies that have strong links to these groups – such as Confederation of British Industry (CBI), Institute of Directors (IoD), Scottish Chambers of Commerce and Scottish Council for Development and Industry (SCDI). In addition, consideration should be given to how these messages can be incorporated in the Scottish Business Pledge.

- These messages are likely to be most effective if they are **built into mainstream business development supports** (such as Business Gateway, Scottish Enterprise, Highlands and Islands Enterprise and Investors in People) – as this helps reinforce the key message that this is a key part of ensuring the business has the resources available to achieve its goals and aspirations. Scottish Government should work with these agencies to identify how to embed these messages into their approach.

- Scottish Government and their agencies also have the potential to use **public sector procurement** to prompt companies to think about their board composition – although any approach must comply with legislation. Research[21] has found that this has been an effective approach to getting companies to change their practices in relation to other policy areas (such as recruiting disadvantaged young people). Scottish Government should issue guidance to public agencies on how the issue of board diversity could be incorporated into procurement, including giving examples of good practice.

2. However, it will not be sufficient to increase awareness of the issue amongst companies. Companies must also be able to get practical information, advice and support to understand the changes that are needed to their policies, practices and culture and how best to implement these:

- A number of **initiatives and programmes** are already in place to support companies to improve the gender balance and broader diversity of their boards. There is a need for:

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[21] Sutherland, V., McTier, A., Glass, A. and McGregor, A. (2015). *Analysis of the Impact and Value of Community Benefit Clauses in Procurement.* Edinburgh: Scottish Government. http://www.gov.scot/Resource/0048/00480510.pdf

- Greater promotion of this provision. As an initial step, Scottish Government could include linkages to relevant provision through their webpages on Partnership for Change and the Scottish Business Pledge.

- Scottish Government should undertake an assessment of whether there are any gaps or overlaps in provision and develop a plan about how these can be addressed.

- Scottish Government should work with its partners (including business representative organisations and business support services) to ensure that a range of information and tools – such as *checklists* and *good practice guides* – are available for companies.

- Scottish Government should also explore how it could help facilitate *learning and knowledge exchange* between and within the public, private and third sectors on their experiences of how to improve board diversity.

3. Two key barriers to improving gender balance of boards are the lack of female candidates and the perception that female candidates that do come forward lack the skills and expertise required. This is likely to also be the case for other protected characteristics (such as race or sexual orientation). As outlined earlier in the report, the factors underpinning these are complex meaning action is needed across a number of areas:

- Ensuring *sponsorship, mentoring, peer support and training* is available to women and those in other underrepresented groups (including those with disabilities, from ethnic minority and LGBT communities) in senior management roles. This should be targeted specifically at helping them develop the skills, experience and credibility to move into board positions. There is also a need for provision of this type for those earlier in their careers to help ensure they reach senior management roles and develop aspirations for board membership. This will require action from across industry, business representative organisations and the public sector.

- Ensuring that policies in other areas support women and other underrepresented groups reach senior management roles. This includes policies in relation to *childcare and flexible working* and ensuring that schools, colleges, universities and careers advisors are encouraging young people to consider the widest range of *career choices and aspirations*.

- Many case studies companies felt that the most important factor in selecting board members was to get the 'right person for job'. However, there is a risk here that there is unconscious bias in what companies consider to be 'right' – and that this is excluding women and individuals from other underrepresented groups from being considered. ***Action is needed to challenge unconscious bias***. Whilst unconscious bias training is a key element of this, this is likely to only be taken up by companies that are aware of its presence – and therefore consideration should be given to how tackling assumptions and practices can be built into other provision. Scottish Government should consider how they could best support this to happen.

4. Another key barrier to increasing the gender balance and broader diversity of boards is the low turnover of board members – especially in SMEs and family-owned companies. As a result, the actions outlined above should be ***focused on those firms with a regular turnover of board membership*** – at least in the early stages – as these are the companies where there is the greatest potential to deliver change. Success amongst these companies can then be used to encourage other companies to consider tackling this issue. However, it should be noted here that identifying companies with regular board turnover is, in itself, a challenging task.

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Appendix 1: Research Methods

Introduction

This study has involved four research methods:

- Reviewing the evidence base to identify key research themes and gaps.

- Collecting the views of key stakeholders.

- Gathering information on the experiences and views of private sector companies through an e-survey.

- Undertaking in-depth case studies with a small number of private sector companies.

Reviewing the Evidence Base to Identify Key Research Themes and Gaps

A number of studies have already been undertaken at the UK and Scottish levels that have examined the representation of women on boards, and Dutton and Raeside (2014) have undertaken a desk-based review of this evidence on behalf of the Scottish Government. This study built on the Dutton and Raeside review by collating and analysing primary research on the experiences of Scottish private sector companies focusing on:

- Key barriers and enablers of board diversity.

- Approaches and interventions to improving board diversity.

- Gaps in the research base.

The objective here was not to repeat the earlier desk-based reviews but to provide a solid basis for the research design – ensuring that the research builds on the existing evidence base and addresses the current gaps in the evidence.

Collecting the Views of Key Stakeholders

Whilst the primary focus of the research has been be on gathering the views and experiences of Scottish companies, we have also sought to capture the views of a small number of wider stakeholders that have perspectives on the barriers and enablers to board diversity and the approaches and interventions that are effective in tackling a lack of diversity at the board level. Interviews have been undertaken with representatives from Scottish Government, the main business and skills development agencies (Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland), key business

representative organisations (including Confederation of British Industry (CBI), Institute of Directors (IoD) and Scottish Council for Development and Industry (SCDI)), Investors in People, the Equality and Human Rights Commission and a range of organisations and individuals with a particular interest in improving the gender balance or broader diversity of the workforce and/or private sector boards (such as Close the Gap, Women's Enterprise Scotland and Equate Scotland).

Gathering Information on the Experiences and Views of Private Sector Companies

As outlined in the introduction, there is limited evidence on the experiences and views of private sector companies outside of the FTSE 350 in relation to board diversity. To help address this gap, an e-survey of private sector boards was undertaken. This had two roles:

- To provide insights into the composition of private sector boards[22], the barriers and enablers to achieving greater diversity and the policies and procedures being adopted to help improve board diversity.

- Gathering information to help us select the potential case study companies.

To try to reach as many companies as possible, a number of different methods were used to circulate the e-survey:

- Private sector companies with a Registered Office in Scotland were identified through the database Financial Analysis Made Easy (FAME). Where an email address was listed for these companies on FAME, they were emailed to alert them to the e-survey and to encourage them to take part.

- Scottish Government emailed the companies that had signed up to Partnership for Change or/and the Scottish Business Pledge to encourage them to take part.

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[22] Companies were asked to provide details of the number of board members from each protected characteristic. However, with the exception of gender (and to a lesser extent age) companies were often not able to provide this information. There are a number of reasons for this including:

- They do not collect data on protected characteristics.
- They collect data but chose not to disclose it as they felt doing so would breach confidentiality – with the small number of board members making it potentially easy to identify individuals.

- A number of other stakeholders (including the CBI, Investors in People and Scottish Enterprise) helped raise awareness of the survey through newsletter articles, LinkedIn or Twitter.

55 companies with boards took part in the e-survey. These companies:

- Were predominately headquartered in Scotland (82%), with 11% headquartered elsewhere in the UK and 6% headquartered in another country.

- Represent a broad range of sectors. 63% were in one of the Scottish Government's key sectors (creative industries, energy, financial and business services, food and drink, life sciences and tourism).

- Varied in terms of the size of their boards – from 2 to 30. However, the vast majority of boards had fewer than 10 members.

- 77% of those that were able to provide details on the gender balance of their board had more male board members than female.

- Rarely had board members from ethnic minority groups or LGBT communities. None of the companies had any board members that were disabled people or on pregnancy or maternity leave.

In most cases, the survey was completed by a senior member of company staff – typically Chief Executive, Managing Director or HR director/manager. Only in a small number of cases was it completed by a board member. The e-survey was carefully designed to ensure that it was clear the answers were being given on behalf of the company, rather than to reflect personal experiences.

Whilst the e-survey is an important addition to the evidence base, providing useful insights into the experiences and views of private sector companies around the issue of board diversity, it is important to stress that *it should not be considered representative of the Scottish business base as a whole*.

Undertaking In-depth Case Studies with Private Sector Companies

To understand the factors that are supporting and inhibiting board diversity in more detail, a series of case studies with private sector companies were undertaken. These involved:

- Interviewing key staff such as the Chief Executive, HR director and/or the staff member that is responsible for leading on equalities issues. These interviews helped develop in more detail our understanding of the:
    - Importance placed on equality and diversity within the company.
    - Policies and practices adopted by the company to promote equality and diversity, with a particular focus on the policies and practices adopted around board diversity.
    - Initiatives or approaches taken (if any) to encourage greater board diversity – and the impact these have had. In particular, good practice examples of initiatives that have led to an improvement in board diversity.
    - Views of the companies of how Scottish Government could help support greater board diversity and interest in the Partnership for Change Commitment.
- Interviewing board members. These individuals were able to give insights from two different angles:
    - As a board, how important is board diversity, what do they consider to be the main barriers and enablers of board diversity and what actions have they taken to improve board diversity.
    - As individuals, what has supported or inhibited their board membership.
- Where suitable individuals where available, interviewing a small number of senior managers within each company that are not currently board directors about what would support them to consider applying for board positions either internally (as executive directors) or externally (as non-executive board members).

As each company is different, the numbers and range of individuals interviewed varied considerably across companies. Where case study examples are used throughout the report we have aimed to ensure that it is clear whether a perspective is that of the company or individual.

The case studies were selected to reflect a range of different experiences including:

- Different industrial sectors.
- Geographic spread across Scotland.

- Both companies that had achieved – or were close to achieving – gender parity and those that had more limited female representation on their boards.

- Both companies that were actively seeking to improve the gender balance and broader diversity of their board and those that were not.

In total case studies were undertaken with 10 private sector companies. The case studies:

- Were primarily SMEs (i.e. had 249 or less employees) – although two were very large firms (with 3,000 and 33,000 employees respectively internationally).

- Represented a range of different sectors including financial services, waste management, legal services, publishing, hotels and catering, recruitment and food manufacturing.

- Varied in terms of the representation of women on their boards – from just 9% (one board member out of 11) to 50%.

Again, it is important to stress that whilst the case studies provide us with a unique insight into the experiences and views of private sector companies ***they should not be considered representative of the Scottish business base as a whole***.

The full case studies are provided in Appendix 2, with selected extracts given throughout the report as boxed examples.

Appendix 2: Case Studies

Overview

Case study	Employment in Scotland	Geography	Industry	Male to Female Board Ratio	Interviewees
A	220	Midlothian	Banking	10:4	1 male and 2 females
B	15	East Ayrshire	Waste Management	2:1	3 females
C	41	Highlands	Legal Services	7:2	2 females and 2 males
D	28	Perth and Kinross	Publishing	3:2	1 male and 3 females
E	190	East Renfrewshire, Glasgow, North Lanarkshire	Hotel and Catering	3:2	2 females
F	30	Aberdeen, Edinburgh, Glasgow	Recruitment	7:5	3 females
G	75	Aberdeen, Edinburgh, Glasgow	Recruitment	6:2	2 females
H	586	Angus, Argyll and Bute, Highland, Perth and Kinross, South Lanarkshire	Food Manufacturing	10:1	3 females
I	6	Edinburgh, Perth and Kinross	Commercialisation	7:2	1 female
J	22	Edinburgh	Recruitment	1:1	4 female and 3 males

Case Study A

Background

This case study is a company in the financial and business services sector. It has just over 3,000 employees including around 200 based in Scotland. The company's workforce is well balanced by gender with 49% male and 51% female although 80% of the senior management team are male. The company's board has 10 members, four of whom are women. Nine of the directors are non-executive directors and one is an executive director.

Achieving gender balance and broader diversity at board level is an important issue for the company. They believe diverse boards are more effective because they are more likely to be balanced in terms of skills and experiences and therefore generate a range of perspectives on any issue. '*Boards with the necessary balance of skills, experience, opinions and knowledge will be best placed to sound strategic decisions*…' The view is that all male boards are unlikely to have that balance and this can reduce their effectiveness: *an imbalance at the top creates risk for the business'.*

Additionally, the company has a very diverse customer base and it is important that they are able to *'engage, understand and listen to our customers'*. They believe this is more likely to happen if they have a diverse board which understands the perspective of their customers. They also believe that having a diverse board makes them more attractive to their customers. More broadly they want their workforce to be diverse and reflective of the society they are hiring people from. If the workforce is also balanced they feel their customers will have better service.

They believe it is the responsibility of companies to tackle this issue. If quotas are imposed there is potential to promote people to roles for which they are not ready and this can lead to career setbacks. Companies themselves need to put the correct support needs in place and to create the right conditions to promote fairness to all groups.

Challenges around Achieving Gender Balance on the Board

The number of women on the board has increased in the last few years due to the policies and practices adopted by the business. One of the directors felt that previous chairs preferred to appoint men and held the perception there were not enough women with the skills and experience the board needed and this created barriers. However, under the steer of the last two chairs there has been conscious effort to try to achieve greater balance in the board. The company felt it is still experiencing some issues around achieving parity and identifies the main barrier is the lack of female candidates for board positions. Furthermore if they receive applications, candidates do not have the industry specific experience they are looking for. The company believes a more proactive approach is needed both internally and across the sector (banking) to help women attain and sustain executive positions so they can develop the necessary experience and to encourage them to seek board positions, especially non-executive positions. Proactive approaches they have implemented or are considering include commitment from the board to seeking diversity and producing a board diversity policy and taking steps to reach potential female applicants through targeted recruitment.

Company Policies and Practices

The company has a number of policies and practices that are relevant to promoting equality and diversity and gender balance including the following.

Promoting Equality and Diversity

Policies and processes to improve board and staff understanding of equality, diversity and potential bias: the company has equality and diversity policies which cover their workforce. They monitor diversity issues on their annual employee survey and find that they get very useful information on the way different groups are affected which helps them identify the areas that they should take action. They have made good progress recently in identifying the issues affecting advancement of LGBTI people and have set up a mentoring scheme with external mentors to support people.

Promoting Equality and Diversity and Increasing Gender Parity in the Board

Commitment by the board and Chief Executive to improving gender parity and broader diversity: There is commitment within the board and from the Chief Executive to improve gender parity on the board. The company believes leadership around this is very important to set the agenda, ensure buy-in from all board members and to set the right direction so all board members have greater commitment to achieving gender balance and broader representation on the board. Leadership is also critical to how the board operates. Board members commented that the chair of the board sets a very good *'tone at board meetings to allow all board members to participate'* equally and effectively. A culture is created that is able to accommodate diversity rather than being male dominated, which is often the case within the industry sector.

Policies and processes to improve board and staff understanding of equality, diversity and potential bias: They also have a specific diversity policy for all of the boards in the company group covering gender, age, ethnicity alongside other personal characteristics such as nationality and age. This was first implemented in 2014 and is reviewed annually. This policy sets out the approach to diversity in each of the main boards of the company and outlines the benefits of diversity in relation to increasing the likelihood of good strategic decision making. Diversity is defined broadly in the policy and 'starts with a balance of gender, age, ethnicity and other personal attributes' but they also want to have directors from 'different backgrounds including educational and geographical origin'. The policy prescribes that a committee should oversee the board to see that it is balanced on terms of skills, experience and diversity and should take steps to ensure that barriers and unconscious bias are removed to ensure that they get the best person for each position. This might involve using open advertising, using recruitment agencies that have signed up to a voluntary code of conduct for search firms, considering candidates from a wide range of backgrounds and 'assessing candidates on merit against objective criteria, taking into account the benefits of improving diversity on the board'. It seems that this policy has had some impact as in the last 5 years the company has appointed 3 board members who are all women.

Policies and or processes to encourage female applicants: There have been 3 appointments to the board in the last 5 years and they have all been female. This is a result of proactively looking for female candidates. New appointments are made when specific expertise is needed but when appointments are made checks are carried out to ensure that the board is balanced. A committee oversees the boards to see that they are balanced on terms of skills, experience and diversity

and takes steps to ensure that barriers and unconscious bias are removed to ensure that they get the best person for each position. This might involve using open advertising, using recruitment agencies that have signed up to a voluntary code of conduct for search firms, considering candidates from a wide range of backgrounds and 'assessing candidates on merit against objective criteria, taking into account the benefits of improving diversity on the board'. A recently recruited female board member felt that the process worked very well and that it was thorough, well structured and clear. When she applied for a board position it was arranged that she was interviewed by two women. The main factors that helped her attain a board position were her experience, skills, abilities, values and people's belief in her when she was recruited. However, knowing that the CEO and MD were women made the idea of joining the company attractive to her.

Developing the talent pipeline: In response to the difficulty of finding female candidates with enough industry experience, they have taken steps to develop their own pipeline*.* Approaches include training and mentoring. They feel this commitment to development will pay off in the longer term as more women will move into senior management positions enabling them to develop the experience they will need to move onto the board. One interviewee with experience of the pipeline saw no barriers to board membership due to her gender within the company, but did recognise that her company was exceptional in its industrial sector and there were barriers more generally for women. Additionally, as they have a female CEO, '*it has been a natural progression to work towards achieving balance'.* Other factors that help women progress within the company include having good female role models. '*if women see the top team is 50% female they believe this is important to the company.'*

They also looked carefully at what stage women tended to *'step back'* from wanting promotion and found this was linked to maternity leave. They are investigating whether there is anything that they can do to improve this, for example by offering mentoring to women on maternity leave to help them keep engaged and help their return as well as training mangers to better manage maternity leave. They feel this will help retain women in the company and encourage them to progress to higher management levels.

Introducing flexible working: Some approaches to recruitment have helped attract more women to the company at a senior level. For example, when making new senior appointments they replicate any flexible working arrangements the candidate had in previous employment. This is because many women in senior positions feel tied to employers which have allowed them flexible working. They hope that this may promote more movement of women in the industry and help

more women progress to senior levels to get the industry experience they need to progress onto boards.

Setting targets for gender parity on the board: Annual reviews on the composition of boards are carried out. The Davies Report has been a strong influence on target setting as it has generated debate and increased attention on the issue. This helped to strengthen their resolve to do more about gender equality. This also led them to set an aspiration of ensuring the under-represented gender makes up at least 25% of each of their boards. However they would like to achieve 50:50 and would like to achieve this representation at all levels of the business in the longer term. Progress on this is reported to the board on a bi-annual basis and there is also commitment to report on board diversity in the Annual Report.

Interventions and Supports

The company has accessed some external support to address some of their diversity issues. For example the mentoring for LGBTI employees is offered in partnership with an external company and they use external trainers to provide training on unconscious bias.

Key Points

1. Achieving gender parity and broader diversity at all levels including the board is viewed as very important to this company as it brings a number of business benefits including making better business decisions and providing better service to customers.

2. The company is close to having gender parity on the board and is taking a proactive approach to achieve this.

3. The main barriers are not enough female candidates coming forward to apply to join boards and not enough females with the industry experience they need.

4. The company has taken a number of steps to increase female representation on the board including recruitment processes to attract more female candidates, developing their own talent pipeline and setting targets for board representation. They also have a specific diversity policy for all of the company's boards.

5. The case study indicates that strong leadership and commitment by the board to achieve parity are also critical to successful approaches.

Case Study B

Background

The company is in the energy sector and provides industrial suction services (waste management) for landfill/renewable, farming, industrial and food and drink sectors. The company's head office is in Scotland but operates across the UK with two other sites in England. There are 15 employees. The majority of the workforce are male (60%) and there is a 50:50 gender split in the senior management team. There are two individuals on the board one of whom is female.

Equality and diversity are very important to the company. The owner is female and wants to lead by example. She also believes that gender balance on the board increases the performance of the company, people with different genders '*have different things to bring to the table'*. Gender balance can enhance team working and provide a better approach to problem solving as each gender generally looks at problems in a different way. It can improve the board's performance because it allows a balanced perspective on the issues/problems to be solved improving the quality of corporate governance and understanding of customer needs. It also has a positive impact on turnover and productivity. Having gender balance also improves the perception of the company held by potential recruits, staff, clients and other potential board members.

The company believes that firms themselves have the main responsibility for improving the gender balance and broader diversity of private sector boards. Directors should be raising this agenda. However, schools and others have a role in developing the pipeline so that more women move towards boards. This includes increasing the engagement of women in certain career areas where there are fewer women, such as STEM and also encouraging women to aim higher for managerial positions and boards. They feel there is a disconnect between schools and commercial world and that school staff do not have a good understanding of the opportunities that there are for women in business and particularly SMEs.

Challenges around Achieving Gender Balance on the Board

If the company grows and they increase the size of their board they will aim to maintain gender parity to achieve this balanced perspective. They are very committed to achieving this and believe there are no barriers as they have put a number of policies and practices in place to ensure this happens.

Company Policies and Practices

The company has a number of policies and practices that are relevant to promoting equality and diversity and gender balance including the following.

Promoting Equality and Diversity

They have an equalities and diversity policy which covers the workforce, management and the board and states it is the policy of the company 'to treat all employees and job applicants fairly and equally regardless of their sex, sexual orientation, marital status, race, colour, nationality, ethnic or national origin, religion, age, disability or union membership status'. They are also an Investors in People (IiP) employer and believe this helps get the best out of people across all protected characteristics. They have also signed up to the Business Pledge and display messages from this campaign throughout the premises. This lets employees know that they are committed to achieving gender balance and broader diversity. Informal approaches are also important. An example of this is taking careful note of the language they use for example, not using 'girls in the office' and 'boys in the workshop' as this can perpetuate ideas that these roles are defined by gender. They feel that signing up has helped them to think about the issues and consider gender balance whenever making appointments.

Changing the gender profile of the business leading to more females in senior management roles: Practices have been introduced to encourage males and females to apply for all positions in the company. They have tried to improve the gender balance in the ones which are traditionally male (driving/operatives) and female (office). However, although they encourage this at the recruitment stage it is still important that they 'get the right person for the job'. One practice that they have tried is making CVs anonymous to ensure they focus on the content of the CV and no other factors. Despite this they have had few women apply for driving positions or men for office positions.

Introduction of flexible working: They have a number of practices in place to support work-life balance. This applies to the entire workforce, but particularly helps female employees who tend to have responsibility for childcare.

Promoting Equality and Diversity and Increasing Gender Parity on the Board

Training for senior managers to prepare them for taking on board roles. They have not recruited for new board members in the last 5 years but

as they grow they would like to expand their board and so are looking at how to recruit new members. All of the employees know that gender balance is important to the company and it is part of their values as well – if they did not share these values they would not be in a senior management position or board member as these issues are discussed on a regular basis within the company. The company invests in training to develop managers' skills and particularly soft skills and to increase their confidence. For example they have recently booked their workshop supervisor on management courses and he has had some one-to-one coaching. These kinds of practices help them to retain talent.

A manager involved in the pipeline activity indicated that these initiatives are offering opportunities to develop her skills, particularly leadership and management. Additionally one to one mentoring with the MD has boosted her confidence and helped her to see that she has potential to be promoted. The family friendly policies have helped her increase her productivity at work. She felt her skills and abilities were recognised by senior management. A number of aspects were important in this including salary, offering her flexible working, offering training, recognising her work and making her feel appreciated, internal promotion and giving her positions of responsibility. The MD has mentored her, being open about wanting to support her development and wanting her to be retained in the company. All of this had been very helpful and helped her to increase her knowledge of the business, confidence and experience.

Although the manager was not considering a board position at the moment she perceived there were no barriers to becoming a board member as the Managing Director is female. This shows it is natural for women to be on boards. The MD also provided an excellent role model. However, as a small company vacancies for board positions do not arise regularly.

Setting Targets for Gender Parity in the Board: They have signed up to the business pledge so are aspiring to 50:50 but have not formalised targets. They think of gender balance whenever making appointments although would still look for the right person for the job, whilst recognising 50:50 helps maintain focus. In terms of workforce, due to the nature of the jobs they tend to get more female applicants for office roles and males for drivers/operatives. They do not monitor formally, but keep an eye on this. With a small board (husband and wife owners) it is easier to maintain gender balance. They have no targets for representation of other protected characteristics.

Key Points

1. Achieving gender parity is viewed as very important to this company bringing a range of business benefits including better understanding of customer needs and improved performance.

2. There is strong leadership within the company and commitment to achieve gender parity.

3. The company has gender parity in the board at the moment and will aim to maintain this if the board grows.

4. The company has provided a number of supports to achieving gender parity including training for managers, aiming to balance the gender profile of the business and training and mentoring for managers to prepare them for taking on board roles.

Case Study C

Background

The company is a legal and estate agency with 41 employees based at one location in Scotland. The majority of the workforce (71%) is female although the majority of the senior management is male (71%). There are 7 board members, 2 of whom are female. Three of the board are executive directors and the remainder are non- executive directors.

The company sees offering employees equal opportunities as very important. It is at the centre of the company: it is 'the right thing to do to look after all staff and we can't have people treated unequally'. They have a good track record in recruiting women and people with other protected characteristics to the extent that they feel they do not really consider these issues when recruiting as they are confident their processes are fair and offer people equal opportunities to allow them to be appointed based on their skills and abilities.

As the legal structure of the company is an 'ordinary' partnership, progression to the board is open to all employees if they have the ability and it is up to the individual to take advantage of the opportunities the company offers. However, they recognise having a more gender balanced board could bring some benefits. 'Females can bring different qualities' as a result of their femininity and this could make the board more balanced in terms of the way that they look at issues. This is important as they want to have people with different skill sets and qualities on their board as this can 'alter the dynamics of the firm in a good way'. The downsides around trying to achieve gender balance are that it if it becomes a tick box approach then there is a danger the right talent is not recruited. For this reason they would not appoint people just to achieve gender parity. It would be more important to appoint the right person for the role as this is seen as more critical to the success of the business.

The company believes that it is the responsibility of firms to decide about the diversity and gender balance of their boards and that this should not be imposed externally.

Challenges around Achieving Gender Balance on the Board

Within the company there are no barriers to progression onto the board for females as long as they have the right skills and attitudes to attain a board position. If they have these skills and abilities they will be supported along a pathway to becoming a partner. However, the company has found it difficult to find females who are willing to take

advantage of these opportunities. In their experience some female employees can have different priorities and this usually involves greater, commitment to family life which can interfere with the full time commitment to the firm needed to become a board member, which has always been expected of potential board members in the company. There is a 'reasonable expectation that as a female employed here that you have to have commitment to the firm and can't [take time off work or work part-time to] bring up children as you like – but this applies to everyone that wants to go on to the board'. The main challenge for the firm in terms of increasing female board members is the small number of women within the company who are willing to make this commitment.

Company Policies and Practices

The company has a number of policies and practices which support equal opportunities for all employees, including an equalities and diversity policy which covers workforce as a whole and the board.

Promoting Equality and Diversity

The company has an 'equality in the workplace' policy to help it eliminate discrimination and encourage diversity among the workforce.

Promoting Equality and Diversity and Increasing Gender Parity on the Board

The company hopes that supporting more women on their internal pathway to becoming a partner could improve the gender balance. The internal pathway involves people being mentored by senior partners as they develop their skills and experience.   Recent recruits have been female and there is an expectation they will progress towards board membership provided they are able to work the hours that are required of board members. Males and females follow the same pathways. Interviewees on the pathway felt there were no barriers to gaining a board position should they want to achieve this: '*the firm gives everyone a chance*'. All people taken on by the firm have potential to contribute to the firm and gain a board position in the longer term. There is investment in training and support '*to help grow the skill set they are looking for*'. All recruits with aspirations to move onto the board are aware that being on the board '*is more than a full time job*'.

Although developing the internal pipeline is still an important way (and indeed preferred) of recruiting new board members they are now also looking to recruit people externally if they need particular skills. The main driver for recruiting new board members is a gap in the skills they need at board level and perhaps broader skills that would be useful for the board in addition to legal expertise such as communication and leadership and management. They will use their networks to find

people who would be interested in investing in the firm and joining the board. These members would also need to have a law degree as this is a requirement for legal firms in Scotland. This recruitment process will focus on the skills they need rather than looking for any particular personal characteristics.

Interventions and Supports

They have not used any external supports to help improve broader diversity or gender balance on their board.

Key Points

1. This company sees offering employees equal opportunities as very important to be fair to all employees.

2. They believe there are no barriers to women becoming a member of their board provided they have the skills and qualities required and they are the right person for the role. However, they have found it difficult to find females who aspire to a board role.

3. The company has a number of policies and practices which support equal opportunities for all employees.

4. While they have no specific policies to address gender balance at the board level they support female employees on an internal talent pathway to help them progress to the board, provided they are able to make the commitment to the firm needed to be a board member.

Case Study D

Background

The company provides publishing services for a range of clients mainly operating in academia. The main markets are the UK and other countries in the EU. There are 28 employees based at one location in Scotland. Three quarters of the workforce and senior management are female. The company's board has three members, two of whom are women. All of the directors are executive directors.

The directors believe that equality and diversity are important for the company as they are aware that companies need a range of skills to be successful and it is only by taking account of these issues that you can be sure that you are accessing these skills. Having people with diverse characteristics also helps to ensure that teams within the workplace are balanced. However, their priority when recruiting is getting someone with the skills they need rather than achieving gender balance or broader diversity. They would not practise positive discrimination and feel that background is irrelevant if people have the skills to do the job. Nevertheless, it is important that boards reflect the population and are broadly representative (in terms of age, race and gender), although the characteristics of the industry and the location of the business need to be taken into account.

The directors believe that achieving gender parity on boards is not an important issue for Scotland as the majority of companies in Scotland are small, and they tend to select the right people for the job regardless of gender or other characteristics. They believe that the responsibility for achieving gender parity should lie purely with private sector companies because these are owned by individuals, and that there should be no requirement for companies to achieve gender parity on boards. They believe legislation and quotas can lead to tokenism.

Challenges around Achieving Gender Balance on the Board

With a low and odd number of board members, the board has always been imbalanced one way or another. At the moment there are more women, but the directors do not feel that this has any particular impacts on the performance of the company, although it may have a positive impact on the perception of the company by potential recruits as the workforce in the sector and in the company (including senior management) is predominantly female. There is a very low turnover of board members. The company has added only one board member to the board in the last 5 years. The owners were looking for someone who was able to take an overview of the company and understand all of

the areas that are important to the company, from production to HR. They wanted someone with strong business skills who understood the commercial aspects of the business and who was good at negotiating. They wanted to look inside the company because they like to bring people through to management. They selected one of their female project leaders. The candidate's skills and experience were more important in determining her selection than her gender.

Although it is likely that the board will remain small, new directors will be needed at some point. When recruitment is necessary, the management team will be looking for diverse experience and skills rather than particular characteristics. The owners believe that board members should bring different skills to the table and these are more important than gender.

Company Policies and Practices

The company has a number of policies and practices in place to ensure equal treatment of individuals with protected characteristics. Some of these may have an indirect impact on board representation in the longer term. These include the following.

Promoting Equality and Diversity

The company has an equalities policy in place, which applies to all employees, senior management and the board. The policy aims to 'ensure equality, diversity and inclusion in the workplace and community'. It covers recruitment, training and development, selection for promotion and in redundancy situations, home based and part-time working, disability and special needs and pay awards.

Introducing flexible working: Flexible working, including options to work part-time, to start and finish at different times of the day and to work from home, was introduced in the last 8 years to improve staff retention. It was introduced following exit interviews with employees who left because it was not available. Flexible working has been useful for the board member interviewed as she has family commitments.

Promoting Equality and Diversity and Increasing Gender Parity on the Board

Mentoring or peer support for senior managers to prepare them for taking on board roles: Given the importance of recruiting board members internally, the company has a training and development programme to develop its internal talent pipeline. This is available to all staff, not just women. All employees have an individual performance plan designed to support career advancement within the company. One board member has benefited from this. She was invited to join the board

in 2014. Although she had no previous experience of sitting on a board she has been pleased to join the board and sees it as an important aspect of her role as it is part of securing the long-term future of the business. The company's commitment to training for managers has also been an important contribution to helping her fulfil her board role effectively, as she has been supported to undertake a Diploma in Management, which has increased her business skills. A senior manager interviewed also felt that there are no structural or institutional barriers to her becoming a board member because she is a woman. She also felt that the senior management in the company would support her if at any point in the future she expressed a desire to become a board member. She has been promoted since she joined the company and has gradually increased her role to include business planning, which would be a key skill for a board member.

Interventions and Supports

The company has drawn on external support in only a limited way. The manager interviewed participated in a local businesswomen's network and found this useful as a way of meeting professional women and provided an opportunity to talk about workplace issues. However, this had no impact on the gender balance across the workforces, senior management or board members, mainly because the support was informal.

Key Points

1. Achieving gender parity at board level is not seen as an important issue in this company, with the skills and experience people bring to the board seen as more important than their personal characteristics.

2. The board is small and has low turnover. There are no difficulties recruiting people with the skills and qualities they need as the company takes a proactive approach to developing its internal talent pipeline.

3. Given the importance of internal promotion as a mechanism for recruiting new board members the owners have taken steps to retain talent and provide training and support for people with potential to move into management.

Case Study E

Background

The company has 3 hotels in Scotland. There are 190 employees. Around 60% of the workforce is female and 40% male, however 85% of the senior management team is male. The company's board has three members, the husband and wife who own the business and a director who is also an employee.

It is unlikely that the board will increase substantially in the future or change in terms of gender balance as it is a family owned firm and so achieving gender balance at board level is not seen as an important issue within the company. However, it is important that all employees are treated equally and they have an Equal Opportunities Policy in place to ensure this happens. For example, the Equal Opportunities Policy states that the company is 'committed to a policy of treating all our employees and job applicants equally.' They do not support positive discrimination and would never make a promotion or recruitment decision based purely on gender or other characteristics; it is more important they find the right person for the job. The Equal Opportunities Policy states: 'we will appoint, train, develop and promote on the basis of merit and ability alone'. Within the company males and females work in a range of roles.

They believe it is the responsibility of boards to determine the diversity of their board. However in relation to gender, they felt there is a broader role for a range of stakeholders to raise women's aspirations to progress in their careers and join boards.

Challenges around Achieving Gender Balance on the Board

As there are only three people on the board it is always going to be imbalanced. At the moment there are more females, but they do not feel that any business benefits arise from this. The husband and wife asked the senior manager to join the board because she had specific business skills that were needed at board level, not because of her gender.

The main barrier to achieving gender balance or broader diversity on the board is the number of people on it and also the low turnover of board members. They have not recruited any new board members for 13 years and there are no plans to recruit any in the near future. However if they were, it is likely that candidates would be drawn from within the family who owns the business in the first instance and following that from outside of the company if they were particular skills such as financial skills that were needed on the board. The experience

of one board member is useful to understand the recruitment process. The board member had been an employee for 13 years when she was asked to join the board and has now been a board member for 13 years. She was asked to join because she had specific skills which were needed on the board. She had proved her worth as an employee and made it clear to the other board members that she aspired to become a board member. Her skills as a board member have proved critical to the survival of the company. She was very motivated to '*see how far she could go*' in her career as she was the main earner in her family.

She feels that being a board member can be stressful because there is a lot of responsibility and it can be challenging to keep on top of board and managerial responsibilities. Other challenges include being asked to make unpopular decisions. *'It is tough being on a board. You have to keep the company safe above all. You need to have a lot of self belief.'* As a board member it can be hard to get support from inside of the company or externally. However she does not feel she needs support as she is confident and assertive. '*Women on boards need to be self sufficient'*. She feels it is critical that more women increase their aspirations to become board members.

Company Policies and Practices

The company has no policies or practices focused on improving the gender balance of the board, but it does have policies and practices which ensure that people with all protected characteristics are able to progress in the company. These include the following.

Promoting Equality and Diversity

Policies and practices in relation to equality and diversity: They have an equalities policy which covers all employees, senior management and the board. The scope of the policy covers recruitment, promotion, transfer and training and terms of employment. They take equalities seriously and feel that their approach is working as they have had no issues arising and all employees feel that they are being treated equally. They have a stable workforce. They have no targets for gender or other protected characteristics in the workforce, senior management or the board and so do not monitor or review the balance of gender or other protected characteristics.

Supporting females in senior management positions: The company has a very stable workforce, including managers. All young managers are treated equally regardless of gender. A young manager interviewed recognised that there are females in management teams who provided roles to aspire to and who could play a mentoring role to young managers however, this mentoring role is not formalised. At the moment

she is at an early stage in her career, although she would like to progress to higher levels of management and saw opportunities for progression within the company. However she was unsure whether she wanted to become a board member at some point in the future. The main reason for this was that she enjoyed an operational role and she saw board members as being remote from this.

Another reason was that her perception of boardrooms was that they were '*rooms full of men*'. She had not had any experience of meeting female board members. At university, at her events management course, all of the board member visitors to her course had been male, despite the fact that the majority of students on the course were female. As a result being on a board did not appeal to her as she felt they would be male dominated. A third reason was that she did not know about the process of recruitment to boards.

Interventions and Supports

They have not used any external supports to help improve broader diversity or gender balance on their board.

Key Points

1. This company has a small board with low turnover. Achieving gender parity is not seen as important as it is not thought to bring any business benefits.

2. More broadly the company sees equality and diversity as very important and supports people with all protected characteristics to progress within the company by implementing equal opportunities.

3. The experience of the director and manager interviewed for the case study illustrates the challenges women can face progressing to boards and the continued perception that they can be male dominated.

Case Study F

Background

The company provides executive search and recruitment services for a range of clients mainly in Scotland. It is a global company with 33,000 employees world-wide. There are 30 employees in Scotland. The Scottish workforce is predominantly female with a 70:30 split. The company's board in Scotland has seven members, five of whom are women.

The director interviewed feels that it is beneficial to have more women on the board. Many of their clients are businesses where the majority of the workforce is female and many of their people they are trying to place are female. Having women on the board reflects the customers they have and gives them a stronger connection to their client base. As a recruitment company they feel it is their job to make the case for gender parity with their clients and so it is important they set a good example.

There are more women than men on the board and the director feels this brings benefits including diversity of thought on the board, which makes creative, innovative decisions more likely. They feel that they have a more rounded view of any issue and this helps them look at the issue from a range of perspectives to generate different ways of tackling the issue. They feel achieving gender balance is '*critical to the business'* as there is a strong evidence base which shows that companies which achieve gender parity achieve better performance measured by metrics such as return on investment.

They believe that companies have the main responsibility for achieving diversity and gender balance. Chief Executives should be aware of the potential advantages and ensure that providing development opportunities for all groups is part of their business strategy.

Challenges around Achieving Gender Balance on the Board

Although they have a diverse board in terms of gender they feel there are still some barriers around race as Scotland has a less diverse population in terms of ethnicity. To address this they are developing an external advisory board, inviting people with a range of ethnic backgrounds to participate in this as they want to close any *'gaps in thinking'* there might be because they do not have ethnic diversity on their board. They have a broad range of clients and customers to draw from to establish this advisory board which will then advise their main board.

Company Policies and Practices

The company has a number of policies and practices that are relevant to promoting equality and diversity and gender balance including the following.

Promoting Equality and Diversity

The company has an equalities and diversity policy which covers all of the workforce and the board and covers recruitment and selection, career development and promotion and bullying and harassment. All recruitment consultants also undergo unconscious bias training so that they can be aware of the issues and advise clients and candidates of these. They encourage whistle blowing and positive challenges if any consultants come across problems around recruitment with their clients.

Changing the gender profile of the business leading to more females in senior management roles: The company also has a range of practices to develop the pipeline of people who have the potential to be future board members. All employees have a development plan which aims to help them achieve their potential. The company has also done some research into what kinds of support best helps female employees because they felt that their existing development interventions were not helping women progress into senior roles. This helped them to develop a much more targeted and individualised programme which identifies the kinds of support they need as an individual, which may include a particular type of training or coaching. It is '*no longer a tick-box exercise'.* They have also found that mentoring works well. They have senior women in a variety of roles who can provide mentoring and good role models. These have helped more women to progress into senior management within the company and progress onto the board.

There is good support within the company to assist women to progress to senior management. Monthly appraisals help employees identify the areas they need to work on to help them to progress. There is flexible working within the company.

The experience of a female senior manager is useful here. She is interested in becoming a board member because she is ambitious and also sees herself working for at least another thirty years. However, at the moment she has a dual focus on her family and career and is working part time. When her children grow older she feels she will have a stronger focus on her career again. Although she feels she has skills and abilities that would be valued on a board including her knowledge, conflict resolution and human relations, she recognises she would need to increase her experience of boards and may think of trying to secure external non-executive roles at some point. One way to do this might be through donating time to the board of a voluntary or charity sector

organisation. She does not feel that she faces any barriers due to gender, especially in her own company as there is a female managing director. Indeed the company is 'led by strong successful women'. She feels that she is delaying her decision, but once she decides to aim for a board position she should be able to attain one. The kinds of factors that could help her reach a board include guidance from people who are already board members. This could help her to identify 'the right move'. Her skills and confidence and professional experience are also important. By the time she begins to look for a board position she will have accumulated more experience.

Setting Targets: The company collects data on diversity. This helps them identify how they can support and retain staff. Through this monitoring they found they were having some issues retaining females. They responded by introducing 'smart working' (flexible working) options for returning mothers. These proved to be effective ways of helping returning mothers integrate more successfully into the workplace. In the last 5 years since they have introduced this they feel this has helped them to retain staff and it has been '*good for business*'.

They have no targets for gender diversity or other protected characteristics as they did not feel that they needed to have targets as analysis of their workforce, management and board suggests that they are achieving parity. If they felt that they had a problem then they would develop targets.

Promoting Equality and Diversity and Increasing Gender Parity on the Board

Commitment by the board to improving gender parity: There is strong commitment across the board to achieving gender balance because they feel this will improve the performance of the company. The commitment can be demonstrated through being proactive to increase representation on the board through the external advisory board mentioned above and increasing female candidates for board positions mentioned below. The company's managing director has personal experience of discrimination and became interested in unconscious bias as a result of this. Her experience has been the driver for developing the company's approaches to tackle gender imbalance. This leadership influences both formal and informal practices. To the company informal practices are as important as having written policies in place.

Increasing female board members: Generally they look for board members when they require particular talents or skills. This is determined by regular reviews of the board to ensure they have the right talent to achieve their goals. In the last 5 years the board increased from three people to seven as the company has grown. The

company has been proactive about looking for female board members. They have used both internal and external recruitment. Most of the new female members were promoted into the role and so their track record was evident. Others were invited to join the board because they had particular perspectives or skills that the company felt would be useful to have on the board. All of the female candidates had the skills, experience and market expertise required which included being able to work in a team, being a strategic thinker, good people management skills and a good understanding of the commercial environment, sharing the company's values and valuing clients and customer experience. The director interviewed felt there is a tendency for some females to be more critical of themselves than men and find it more difficult to identify their strengths.

The experience of the managing director is pertinent here. She joined the board 4 years ago when she became the managing director. She was interviewed by two women and knew that the then CEO and MD were women and this made the idea of joining the company attractive to her. The main factors that helped her attain a board position were her experience, skills, abilities, values and people's belief in her when she was recruited. She has also had a lot of informal support in her career and a mentor who helped her to see her value and strengths. She has also had the benefit of many positive role models to follow.

When she first joined the board she did face some challenges around learning the board's *'language'*, understanding what was expected of her as a board member and around adapting her style of working to that of the board's to ensure that her voice was heard. She has gradually learned to overcome these challenges through experience.

Interventions and Supports

The director participates in a range of initiatives that are focused on developing women in the workplace including Women's Enterprise Scotland, Women into Work, strategic groups within the Scottish Government and Changing Chemistry which is a peer support group. She began to be interested in achieving gender balance around 6 years ago when she missed out on a promotion because the person chosen was recruited not on merit but because he was a member of an *'old boys club'.* She had not encountered this kind of discrimination before and felt that she wanted to get involved in taking action to counter gender discrimination. These networks have provided her with lots of examples of good practice and allowed her to see the positive impact on the performance of companies which have a diverse senior leadership. She has used this experience in her own company. Her involvement in these networks has also offered her a lot of peer support.

Additionally the director has participated in the Institute of Director's mentoring scheme and board shadowing schemes which has helped her increase understanding of boards and how they operate. All of these initiatives have helped her to build her network, which can be useful, in turn to assist other women in business.

Key Points

1. Achieving gender parity is seen as critical to the success of this company, as it helps them to be more entrepreneurial and get closer to their customers.

2. At the moment the board is imbalanced – there are more females than males. However, they still have diversity of thought and an all-round perspective on issues.

3. The company has a number of policies and practices in place to support equality and to support people of all protected characteristics to progress in the company.

4. This case study suggests that the factors that are important to successfully achieving gender balance include having a strong awareness and focus on the issue of diversity and regular review of approaches to achieve diversity. This includes collecting data on diversity to give them an accurate picture of how well they are doing.

5. It is also important to have strong and committed leadership. They feel they have a very forward thinking leadership team who believe that having diversity in the workforce, management and board gives the company a competitive advantage.

Case Study G

Background

This case study is an international recruitment company specialising in executive recruitment and professional services. There are 75 employees. The board has six individuals, two of whom are female. There is no information about how many of these are executive directors and non-executive directors.

The issue of achieving gender balance and broader diversity is important, but the main concern is that the company recruits the right individual for the job in terms of their skills and performance which is more important than their gender. There have been no differences between men and women on their board in terms of the ways that they fulfilled their roles.

The company believes it is the responsibility of boards to seek to improve gender balance and ensure both genders have an equal opportunity to become board members.

Challenges around Achieving Gender Balance on the Board

Within the company there are no gender barriers to being recruited onto the board as long as the candidate has the experience and skills the board is looking for. Although the recruitment sector workforce is predominately female, very few women progress to board level so the company is not generally typical of the sector as the owner is female and there is one other female board member. The lack of women progressing to senior management in the sector can make it difficult to find females with the experience and skills they need at board level. In the last 5 years they have recruited new board members, but they had no female candidates and they could not find a female with the skills and capabilities they were looking for despite proactively looking for one.

Company Policies and Practices

The company has a number of policies or practices to increase equality and diversity including the following.

Promoting Equality and Diversity

The company has a range of policies and practices to promote equality including an equality and diversity policy which covers the workforce, senior management and the board.

Developing the Talent Pipeline: The pipeline activity supports male and female employees equally. An important part of this is a mentoring programme that has been established recently. This is focused on employees at divisional management level to help them develop their skills. Employees have mentoring meetings with the managing director to discuss operational issues every 6 weeks. The aim is to help these managers see their role differently and to see how they could improve their performance. Although the company recognises not all of the mentored employees will progress to director level, they have had good results from this programme, with the staff involved taking more ownership of their work, improving their decision making and having a clearer idea of their role. This kind of mentoring support is considered quite unique for the recruitment sector.

An interviewee taking part in the mentoring felt it provided a great opportunity to work with the managing director who is well regarded in the industry. The mentoring has had a number of positive impacts on the employee, as she felt more confident about her abilities and was more aware that she might have the ability to progress further in her career. In this way it has been inspiring and motivating. It has helped her to recognise her strengths and weaknesses and how to improve her performance. She has taken on more responsibility and feels she is more able to plan her work in a more strategic way. The critical factors in the success of the mentoring have been that she feels the mentor has taken time to develop an understanding of the ways that she works and to tailor the mentoring so that it can develop her strengths.

This kind of mentoring may help more females to think about progressing to board level. For example, this interviewee was at an early stage in her career, and although she was not thinking about board membership she did think that it was something that she might potentially consider *'further down the line'*. She felt that the main obstacles to achieving this included how she might be able to balance the demanding role of a board member with family life. Additionally, lack of experience and working in an industry which is fairly male dominated at management level could act as barriers. The interviewee also had a sense that despite some progress boards continue to be male dominated and would prefer to recruit other males although she pointed out *'this is my perception, it might not be reality'*.

Board meetings: They aim to make board meetings work well for all genders. The activities and events the board undertakes are open to all. There are good working relationships across the members: *'we don't see the personal characteristics just the skills and capabilities'.*

Processes for recruiting new board members: In the past the main method of recruitment of board members was through senior managements' and other board members' networks and there was no formal interview process. For example the female board member was an employee and was earmarked for the board because she had the skills and capabilities that the company was looking for and a good understanding of what the role would require. She got a lot of support from the other board members during the recruitment process and during her initial period on the board. This would still be an important method for recruitment and there would be no barriers to women being recruited through these methods. In addition they have recently appointed an external talent manager to find new board members as they want to enhance the capabilities of their board. The main skills and experience they are looking for are knowledge of the market place and a good track record in terms of generating revenue.

Interventions and Supports

They have not used any external supports to help improve broader diversity or gender balance on their board.

Key Points

1. Achieving gender parity at board level is seen as important in this company within a broader framework that encourages equality and diversity at all levels of the company, but it is not an issue that is given a great deal of attention.

2. Ensuring that the company recruits the right individual for the job in terms of their skills and performance is more important than their personal characteristics. Therefore, within the company there are no gender barriers to being recruited onto the board as long as the candidate has the experience and skills the board is looking for.

3. Within the company's sector there are some difficulties finding women with the experience and skills they need at board level.

4. Although the company has no specific policies and practices to achieve gender balance at board level they have some policies and procedures which support the progression of people with a range of personal characteristics including developing their internal talent pipeline through mentoring.

Case Study H

Background

The company is in the food manufacturing sector. It has 586 employees with the majority located in Scotland on a range of sites. The workforce is approximately 60% male and 40% female. There are ten individuals on the board and one of these is female. Eight of the directors are executive directors and the remainder are non-executives.

Despite this imbalance, the company recognises the benefits of gender balance and broader diversity. Their board is diverse in terms of skills and age with a wide age range among the directors. More generally equality and diversity are extremely important to the company because they want to be seen as an equal opportunities employer as they have a diverse workforce. They believe promoting equality and diversity leads to better employee engagement and communication and more tolerance. This improves employee relations and in turn creates better working conditions for the entire workforce. Supporting equality and diversity is part of the company's core values. At senior management level there is growing awareness of how having equality and diversity can bring benefits for the business including increasing creativity and innovation as diverse groups make the best decisions. This in turn creates a commercial imperative for diversity as it will help the company to be more forward looking and successful. It also fosters a culture of engagement which can lead to better employee relations, lower staff turnover and greater productivity. It also has a positive impact on the company's profile.

They believe it is the responsibility of companies to improve gender balance and broader diversity. Board members and senior managers should lead by example and drive the idea that equality and diversity are important from the top down. However they recognise that not all companies view diversity as an important issue so there needs to be some external pressure on boards to consider this. Companies should be required to report on gender pay gaps and how many women and people with other protected characteristics they have on their boards.

Challenges around Achieving Gender Balance on the Board

The main barrier to achieving gender balance is the difficulty they have finding female potential board members. This is a problem across their industrial sector as there are generally fewer females in management and board positions. Within the industry, there is a need to encourage more women to think about aspiring to boards and to think about this earlier in their careers. In their experience, women are less likely to put

themselves forward for board positions as they are more likely to question their ability to do the job compared to males. They need encouragement to consider going for a board position.

They have tried to recruit more female board members in the last 5 years but despite a thorough and lengthy process (discussed in more detail later in the case study) to try to find female candidates, they have had few coming forward and male candidates have generally been of higher quality. They would like to see more female candidates applying for board positions, but feel that this may mean they do not get the skills and breadth of experience they need for their board. The issue is a circular one: having more women on the board could enhance their reputation in the recruitment market place which might in turn attract more women looking for a management position as they would see that there is a possibility for promotion.

Company Policies and Practices

The company has taken a number of steps to enhance equality and diversity and achieve gender balance in the company including on the board. These include the following.

Promoting Equality and Diversity

The company has a range of policies to support equality and diversity including a diversity and inclusion policy, a flexible working policy and an equal opportunities policy. These cover managers and employees. At the most fundamental level the company's values of respect, integrity, trust and excellence should inform the behaviour of the whole workforce and shows how they can expect to be treated and in turn how they should treat others.

They also put employees through diversity training. When recruiting for senior position they specify to the search companies that they would like to have candidates from diverse backgrounds and different genders although the search companies find it difficult to identify female candidates. They feel that they could do more to raise awareness of unconscious bias among senior managers as this has a profound impact on underlying assumptions which in turn influences decision making. Tackling this could help support progression of people through the organisation to increase the pool of internal candidates they have for senior positions.

The company is seeking to develop the culture of the company so that it is a fundamental expectation that all employees will be treated with respect. They believe this will reduce staff turnover, achieve better productivity, attract better candidates when they are recruiting and this in turn will increase the quality of their management candidates.

Introducing Flexible Working: They also have a number of practices that support people achieve a work – life balance such as flexible working policies, and arrangements to work from home. If women take time out of the labour market to have a family they do not have the chance to develop breadth of experience and this can help to mitigate this by retaining female staff.

Promoting Equality and Diversity and Increasing Gender Parity on the Board

Changing gender profile of our business leading to more females in senior management positions: In the light of difficulties identifying quality candidates they feel that the best approach is to develop their own talent. They aim to increase the diversity of the workforce at the entry point and then develop their own people to give them the capabilities to become senior managers and eventually progress onto the board.

A number of initiatives have been put in place to achieve this. For example, they have established a leadership programme for people who they feel have potential to be senior managers. This is a diverse group in terms of gender. They recognise that each of the people on the programme will need individualised support to address their particular developmental needs and so the programme provides a mix of group activities and individual support through coaching. This should help to develop their internal pipeline, and although it is not tackling gender imbalance overtly, they feel that they will achieve greater balance as an indirect consequence of the programme as women are being supported through it.

Feedback from participants indicates the programme provides good developmental opportunities, helps give managers better insight into their performance and ways of working, and provides a good base to progress. Nevertheless they feel they would need to provide more specific training for people to progress onto the board which would involve helping them develop more commercial awareness and financial skills as a greater depth of knowledge of these aspects of business is required by board members.

An interview with a female manager indicated there are still some perceived barriers to board membership. For example, this manager was interested in being a board member but now did not think it was realistic because she has caring responsibilities outside of work and these have changed her priorities as well as limited the time she feels she would need to devote to being a board member. She perceived that the board members have to work long hours and she is not able to work more than full time hours. She does not believe that she faces

other barriers as she feels she has the skills and abilities to be a board member if she was on an internal pathway. She has not taken part in any networking or support events as these tend to be in the evening and she is not available at that time – the perception is that these are not very accessible.

Processes for recruiting new board members: They use an executive search agency to recruit new board members. When recruiting the main skills and attributes sought include expertise in relation to the role they will play on the board, emotional intelligence, sharing the company's values and having the right cultural fit and leadership qualities. It is very important that the candidate is able to take a broad perspective on the issues facing the company. When they tried to recruit recently fewer than 10% of the candidates were female and the gender balance of the board has stayed the same over the last 5 years. The main difference between male and female candidates was that the females tended to have a narrower breadth of experience and were less willing to re-locate or commute to Scotland. This is not to say that there are no women in the industry with the skills and experience required. The current female board member has been on the board for 6 years. She was invited to join the board around 5 months after she joined the company as a senior manager. At the time the board was seeking someone with specific expertise around managing people and the board member had this experience. However, she had been a board member elsewhere so had broader previous experience which was also important for the board and helped secure the position. The broader experience included being a chartered company secretary and a strong understanding of corporate governance and the role and responsibilities of a company director. She was keen to join the board and saw it as an opportunity and a challenge. However, more generally they feel the food manufacturing industry is not attracting female talent and this is having an impact on the number of quality female candidates being promoted to senior management and joining boards.

Setting Targets: They have no diversity targets for the workforce, senior management or the board. However, the monthly board report contains information about gender balance and some age characteristic and whether employees are part of the UK or non UK workforce at a company level so there is some monitoring of some characteristics. This is only reported at the board level.

Interventions and Support

The company has engaged with the Scotland Food and Drink Skills Academy which offered a number of programmes with Women in Work funding as there was a realisation that women are underrepresented at senior level in this industry. Women in their production management

and farming parts of the business were supported to undertake women in leadership programme. The feedback from the participants was positive and they reported that the course had increased their confidence in their own capabilities and confidence to take the next step in management. It also changed their immediate managers' views about their role and abilities. However, the funding for this was only short term.

Key Points

1. This company sees achieving gender balance and broader diversity across the company as a whole and in the board as an important issue that can lead to better employee engagement and communication which can, in turn enhance employee relations. Diversity also brings business benefits increasing creativity and innovation and better decision making, greater productivity and a positive impact on the company's profile.

2. The main barrier to achieving gender balance at board level is a difficulty finding female potential board members. This is a problem across their industrial sector as there are generally fewer females in management and board positions. They have found it difficult to recruit females with the skills and experience they need.

3. The company has implemented a number of policies and practices to enhance equality and diversity including implementing equality and inclusion polices, introducing flexible working, encouraging more females to apply for senior management positions and supporting females on their internal pipeline.

Case Study I

Background

The company provides business development and commercialisation support to new businesses mainly in the life sciences sector. There are 6 employees based at two locations in Scotland. The company has seven board members. Four are executive directors and 3 are non executives. Two of the board members are females.

Seeking gender balance and broader diversity is seen as an important issue in the company as they believe diverse boards are more effective and more able to develop different ways of thinking about issues. Therefore they are proactive about seeking equality and diversity on their board through looking to support talent within the business and also looking for talented people from underrepresented groups through their contact and networks. They feel these groups are an '*untapped resource which needs to be utilised more widely and effectively*' because although a lot of people from these groups work within the sector, few progress to management or board levels. Having the required skill set is still the most important factor when selecting new board members, but achieving a diverse board is the second most important factor. It has also influenced the work that they do and they make the case for diversity now with the nascent businesses they work with.

The company believes it is primarily the responsibility of boards to achieve gender balance, but it is helpful if the public sector endorses the benefits of gender balance. They felt that the Scottish Government could also use tools like procurement to encourage companies to think about how to improve the gender balance and broader diversity of their boards.

Challenges around Achieving Gender Balance on the Board

The main barrier they face to achieving greater gender representation on the board is that as a small company there are limited positions on the board for non-executive directors. However, they think that they could improve their practice here by amending the structure and tenure of their board. However there is some inertia about this because they have low board turnover.

More generally in the life sciences sector, the main barrier is that many boards still prefer to appoint people that they know and have worked with in the past and this can make it difficult for women in the sector as the commercially orientated life sciences sector is predominantly a male

dominated environment, with few women reaching strategic management levels even if they are a large proportion of the workforce. It can be difficult to challenge companies if they do not see the benefits of gender balance. There can be few female candidates for board positions or females do not have the industry-specific skills and experience they require.

Company Policies and Practices

The company has a number of policies and practices that are relevant to promoting equality and diversity and gender balance including the following.

Promoting Equality and Diversity

They have an equalities policy covering employees and the ways that they will work with the companies they support.

Promoting Equality and Diversity and Increasing Gender Parity on the Board

Commitment by the Board and Chief Executive to improving gender parity: The company's founder has shown strong leadership in the development of skills for board membership. The board member interviewed had recently attended an international leadership course and achieving equality and diversity was a key part of the philosophy of the course. This had influenced her to instil the same philosophy in the company.

Changing gender profile of the business leading to more females in senior management roles: The company believes that it is important to make a contribution to developing talent in their sector by supporting people to develop the skills they need for senior management and board membership. This includes offering support to females and people from other groups. One of the ways they do this is by offering graduate placement programmes which includes shadowing their board. In the recognition that it can be quite difficult to get board experience and to encourage more people to put themselves forward for board positions, they have offered people from the companies they are developing opportunities to shadow their board. They feel this is particularly useful for younger people as it helps them to understand board processes. They feel that there is a gap in understanding of governance and few opportunities for people to see boards in action. 'People need to see the nuts and bolts of being on a board'.

There is also commitment to developing their internal talent pipeline so that employees can progress to director level if they have the talent and skills. This can involve providing personal development opportunities

and mentoring. They have been able to recruit females with these talents and skills and provide mentoring and peer support to prepare them for taking on board roles. This approach was used to recruit their 2 female board members.   Both employees of the company showed they could make a contribution at board level and demonstrated the skills they were looking for which included legal and financial knowledge and skills and capability to have insight into academic and industry aspects of the sector as well as a good cultural fit with the company.

The board member interviewed was one of these individuals. Prior to coming onto this board she applied for other board positions but felt her young age, lack of experience in the private sector (although she had been on the board of a couple of charities) and to an extent '*the old school tie network*' prevented her being recruited. This was frustrating. Among the companies she applied to there appeared to be *'no buy-in to diversity at the top level'* and in some cases the *'board was seen as a social club with resistance to opening it wider'.* In this company diversity and developing talent are valued. This helped her achieve a board position.

Several aspects of the way that the board operates help to support participation of people with different backgrounds. There is *'no dominant male culture'*; the board meets at 5pm to take into account people's caring commitments; all activities and events are inclusive; and there is no *'pressure to socialise'*.

Setting Targets: They have no targets for representation of any characteristics although they are considering whether this might be useful in relation to the companies they are helping to build. It is most likely that any targets set initially would be focused on gender initially.

Interventions and Supports

They have used a consultancy that helps companies look at gender balance and this experience has helped them to develop their approach and to be more proactive about promoting gender balance in the companies they work with and helped them feel more comfortable about promoting the importance of the issue.

The board member interviewed was a Saltire Fellow before she became a board member. She felt this was a transformative experience and helped her make a transition from the public to the private sector. The experience helped to embed within her the idea of the importance of diversity. In her cohort of Saltire Fellows there was complete gender balance and during the course she saw many women in board roles.

The board member has received external support to help her fulfil her position as a board member including a Scottish Enterprise course '*Investing in Women*' which aims to develop leadership and provides training on the role of the board and how to work effectively as a board member. This helped her to better understand her contribution to the board and how to be more effective. However, she felt this kind of training is fairly limited in scale and in general the training opportunities available to all board members could be increased. In particular opportunities to shadow board members and access to mentors would be helpful to increasing diversity and gender balance on boards.

Key Points

1. Seeking gender balance and broader diversity is an important issue in this company leading to several benefits including a more effective board.

2. They are taking a proactive approach to achieving gender balance within their own board and are also active in encouraging companies in their sector to think more about the benefits of diverse boards.

3. The nature and size of the board can create some barriers as there is low turnover and limited non-executive positions. More generally in their sector there is limited acknowledgement of the benefits of diverse boards. Few females put themselves forward for board positions and may not have the industry specific skills and experience that are seen as important.

4. The company is tackling these challenges by supporting women to get board experience and helping them develop the skills they need to be recruited to boards.

Case Study J

Background

Case study J is a recruitment company that specialises in international placements in financial roles. It has 22 staff – all based in Edinburgh. There are currently two directors – one female and one male – who own the company. A senior (male) member of staff also has share options in the company (that would become shares at the time of a management buy-out or sale of the business) and is being supported to progress towards a board level position. This individual currently attends senior management meetings (where the majority of strategic decisions are made). This indivdiual is currently under 30 – making him relatively young for a potential board member.

The company was founded in 2000 by one of its two current directors. Prior to starting the business, she had run a division of a large recruitment consultancy firm. This was going through a management buy-out and as part of this process, senior management were put through an assessment process. She was identified as the most entrepreneurial of the senior managers and this, coupled with the success of her division, led to her being asked if she would consider becoming a director of the company. Having considered the offer, she decided that whilst she was ambitious to move into this kind of role, that she would rather do this by setting up and growing her own firm. The second director became a minor shareholder in 2001 through an investment in the business and acted as a 'silent partner'. In 2005, he began to work in the company on a full-time basis and to attend board meetings. They believe that part of their success lies in them having very different skills and expertise.

Prior to the recession, the company's workforce was almost 80% female. However, staff turnover has lead to a more equal gender balance now – the workforce is currently 50% female and 50% male. Whilst the company has not actively sought to influence the ratio, they feel the current balance works well. Reflecting the nature of their work, a number of current and previous staff members are non-UK citizens or have previously lived abroad. Whilst this is not a protected characteristic, the diversity that this creates helps support a culture of openness. A range of staff members were interviewed as part of the case study and most highlighted the diversity of backgrounds of staff as being beneficial to the organisation as a whole, with this being seen as helping to bring different perspectives and skills to the company. It is seen as being particularly helpful given the diversity of the clients they work with internationally.

Challenges around Achieving Gender Balance on the Board

The board currently has gender parity – with two board members, one female and one male. However, this is not something they have explicitly sought to achieve and instead reflects the ownership of the business.

Over the medium to long-term, the current owners would like to be able to exit the business – ideally through a management buy-out. To help facilitate this:

- All staff members have a career progression pathway – and the potential for them to progress into any job within the organisation is communicated by the Managing Director on a regular basis. Staff are encouraged to take part in training and development activities, with time scheduled weekly for staff to review internal training materials (including manuals, DVDs, presentations, etc.). In addition, the company makes use of external training with staff members encouraged to identify training that meets their needs and ambitions.

- A current senior member of the team is being supported to develop his skills and expertise as a senior manager so that he has the skills required to take up a board position in the event of a management buy-out. He has been awarded share options for achievement of targets – and is working towards securing additional share options. Similar opportunities to gain share options and receive support will be available to other staff once they reach a similar stage.

Over the medium to long-term this will affect the composition of the board. As the founder and a female, the Managing Director would like the company to have good gender representation at the management and board level in the future – but this will depend on:

- Aspirations of staff to reach senior management or board positions and the progress they make towards achieving the targets and goals they are set.

- Wider societal issues – for example, how willing men are to take parental leave and/or to take on caring responsibilities.

A number of staff – considered by the Managing Director to have the potential to reach board level – were also interviewed. As well as including women, these included a number with other protected characteristics.

- In general, they felt that there were no or limited barriers to them reaching board level – either with the company or the sector more generally. The recruitment sector was generally felt to be one that rewarded achievement – making it easier to progress regardless of personal characteristics.

- However, many felt that they were only at an early stage in developing their career and recognised that their progression may be constrained by other factors – including their own ambitions.

Company Policies and Practices

The company does not have any formal equality or diversity policies. However, they feel that as a recruitment agency working for large multi-national firms, staff have a good understanding of equality legislation and requirements, with their understanding supported by regular attendance at 'cultural briefings' hosted by clients and from having experience of working with a diverse pool of candidates. The Managing Director was able to highlight two specific examples where they had recruited and supported staff with a protected characteristic (other than gender). In both cases, they had recruited this candidate because they were the best person for the job.

Promoting Equality and Diversity and Increasing Gender Parity on the Board

The company examines what supports each staff member needs on an individual-by-individual basis. As such, there are no standard processes or procedures in place to:

- Prepare staff to take on more senior management or board positions.

- To promote equality and diversity of board membership. As outlined earlier, the opportunities to progress to senior management and board roles (in the event of a management buy-out) are open to all staff. This, combined with being a small company, means they feel they do not need specific policies in this area.

At the moment, one (male) member of staff is being supported to take up a more senior management role – and to be ready to take up a board role in the event of a management buy-out. The supports offered to this individual help illustrate the types of support the company is willing to offer. The supports include:

- Appointing an external mentor to support their development. The mentor is highly respected within their industry. They are contracted to support the company one day a month – with half of this dedicated to mentoring and the other half to attending senior management meetings and supporting the directors.

- On-going mentoring from the Managing Director on a day-to-day basis.

- Accessing a range of training – including from the Recruitment Employment Confederation (REC) and APSCo, professional bodies for the recruitment sector.

When this member of staff initially joined the company, they had no previous experience in the sector and have worked their way up from an entry-level role. Through the company's structured career progression pathways, other members of staff also have the possibility of reaching senior management and board level in the same way.

This individual felt that the mentoring in particular had helped him develop his management and leadership capabilities. The value of mentoring had been to:

- Give him an opportunity to 'step back' from their day-to-day role and reflect on how he can make his most effective contribution to the business.

- Offer development that is tailored to him as an individual.

- Get a wider perspective. As it can be difficult to 'know what you do not know', the external mentor has helped him identify areas where he needed to develop his skills that he would not otherwise have considered.

A number of staff members highlighted that the organisation often took on young people (often into their first job) and trained them up. Given that all staff have the potential to reach senior management and board level, this company's approach is very open to relatively young professionals reaching these levels – and potentially provides lessons for improving diversity on the 'age' protected characteristic.

Interventions and Supports

Whilst neither of the current board member has ever received any formal support for becoming board members, they engage in a wide range of networks and have accessed relevant training through these bodies (for example, IoD, REC and APSCo) and business support services through organisations such as Scottish Enterprise and Scottish Development International. In particular, as owner/managers of a small

business they feel that networks (such as Enterpreneurial Scotland) can be useful in getting peer support.

In relation to support from Scottish Government, they felt that the priority should not be in relation to board composition but in supporting companies to be successful and in minimising the legislative burden on them.

Key Points

1. This business has a gender balanced board – reflecting the ownership of the business. This highlights the importance of encouraging female entrepreneurship, with female owner-managers playing an important role in increasing the visibility of female board members.

2. Management buy-outs provide an opportunity to increase the number of women on boards.

3. Mentoring has proved to be effective in developing the skills and capabilities of a senior manager within this company to take up a board role at the management buy-out stage. This has been organised by the company itself – rather than through a programme or project. Whilst this candidate is male, this approach could be adopted by other companies in helping improve their gender balance.

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	Date	Changes
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