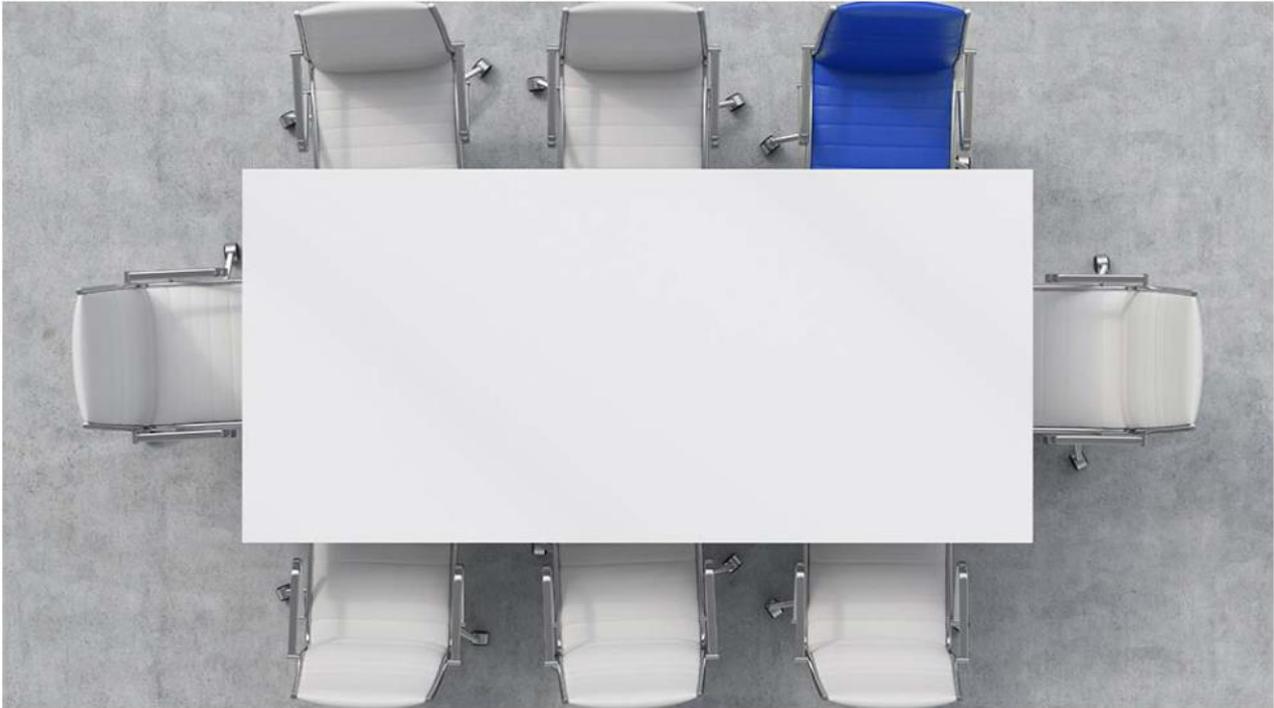


## Boardroom diversity: Working class men losing out to women

by [Jo Faragher](#) 21 Jul 2021



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**Working class men could be losing out on top roles as organisations race to recruit more women to meet diversity targets, a report from the Financial Reporting Council has suggested.**

The FRC's report on [diversity in FTSE 350 companies](#) found that while there had been a significant rise in the number of women on boards (36% on FTSE 100 boards and 33% on FTSE 250 boards), this could be to the detriment of low socio-economic status (SES) men.

It said: "We also found a significant positive correlation between respondent SES and the percentage of women on the board... Those findings, when combined with the findings that a) high SES is negatively associated with length of service on FTSE boards, and b) there have been increasing numbers of women being appointed to boards, could suggest that the increasing number of women is being achieved by appointing high SES women in place of low SES men."

"In other words, we have to ask the question whether we are replacing one underrepresented group with another."

The FRC added that it did not have sufficient data to confirm this explanation, but that it was a trend open to further research, to "investigate to what extent one type of diversity is being traded for another inside boardrooms".

The report emphasised the need for organisations to be direct with executive search companies on delivering diverse shortlists, particularly in light of recent research showing that [two in five recruiters](#) do not record the diversity of their own firms.

It said: "One NED went as far as to proclaim, 'get rid of the bloody head-hunters', and that it is naïve to think that they are thinking out of the box when they have their own diversity problems."

Some respondents reported occasions when headhunters had failed to provide shortlists with women or ethnic minority candidates and had to be pressed to continue their search. Giving search firms time to identify a good selection of diverse candidates can help, the report advised. Although one example included a chairman declaring "I don't want to see any men, I don't care if they're Jesus Christ" when asking a firm to draw up a shortlist

Despite the increase in women in senior roles, board directors are still typically white males with degrees from a small number of elite universities, the FRC found. There has also been a minimal shift in the percentage of female executive directors on FTSE 100 boards as many have been recruited to non-exec roles.

The proportion of women in executive and chair roles has only increased from 1% to 3% over 20 years, the FRC pointed out.

On race, the FRC cited figures from the Parker Review showing that 59% of FTSE 350 companies did not meet the target of having at least one director from an ethnic minority background.

The report, put together with London Business School, also found that while there was strong buy-in to the benefits of board diversity, most organisations rate personality type as the most important factor in creating more diverse and effective boards.

## **Diversity means profitability**

It concluded there was a link between significant gender diversity on boards and profitability, but that levels of ethnic diversity were so low it was impossible to draw quantitative conclusions.

Fifty-five per cent thought this to be most important, followed by gender (11%), age/experience (10%) and functional expertise (8%). Seven percent thought class background was most important, while just 1% said race.

Sir Jon Thompson, CEO of the FRC, said the body wanted to see "companies which thrive in the long term and both benefit the economy, society and reflect its make-up".

"I want to see boards invest time and energy in making diverse appointments not to achieve a target but because it will have a positive impact on their business. The UK Corporate Governance Code makes it clear that boards appointment should promote diversity and we want to see nominations committees reporting on progress.

"I am pleased that this research supported the need for companies to set clear targets and report against them as a means to improving diversity, this is included in the Code but in many companies only set targets for gender or to a lesser degree ethnic diversity."

Dr Randall S. Peterson, academic director at London Business School's Leadership Institute and Osman Anwar, director of research firm SQW, added: "Board diversity should be a priority for every organisation. Successful boards care because they want to perform as a team in service of their organisation, and in service to the world.

"The findings of the report remind us what is at stake: diversity is not just a numbers game with regards to who is on the board, how board members interact really matters. We hope this report will stimulate new thinking and action on how all groups can genuinely feel included and supported at the 'top table'."

A paper launched earlier this month by a group of City regulators has suggested that senior leaders should have their [pay linked to progress](#) on diversity and inclusion.