Board diversity management in FTSE 350 – so close and yet so far: reflections and the way forward

Book or Report Section

Accepted Version

Goyal, R. and Kakabadse, N. (2025), Board Diversity Management in FTSE 350 – So Close and Yet So Far: Reflections and the Way Forward in Ozbilgin, M and Erbil, C. (Eds.) *Research Handbook on Global Diversity Management*, Chapter 7, pp. 91-106.

Abstract

This chapter reflects on much celebrated, yet modest accomplishments made in gender diversity on boards of top listed companies in the UK. Through interactions with corporate elites, the study provides suggestions for the way forward. We find that for boardrooms, diversity management accomplishments are mainly limited to only FTSE100 companies, and there too, in the Non-Executive Director positions. The Executive Director positions, Committee reporting positions, Chairs and CEO roles remain overwhelmingly male-dominated, and the Gender Pay Gap is even worse than Europe's average. We find that to address these concerns, emphasis needs to be on the 'experience' of the directors instead of only demographic attributes; Secondly, the intersectionality of experience needs to be aspired in boards. Thirdly, bias continues to be deeply embedded and impacts gender balance, and therefore needs to be addressed with voluntary targets focusing on gender-skewed hierarchies/roles. Finally, female Directors may be under unduly harsher scrutiny, which is hampering their natural leadership style, depriving boards from benefitting from diversity optimally.

Introduction

The rationale for promoting board diversity - defined as the ratio of women to men on boards (Rao & Tilt, 2016), is two-fold – a sound business case for promoting board and firm performance; and social justice (Goyal et al., 2018). In the Anglo-American corporate governance regimes, the business case rationale of board diversity is emphasised (e.g., in the UK Corporate Governance Code - FRC, 2018).The purpose of highlighting the business rationale of board diversity is to persuade the corporate sector to invest in diversity management proactively (Ferreira, 2010). This rationale argues that with an increased representation of women and other diverse communities on their highest decision-making bodies, firms will give favourable signals to the internal and external stakeholders (Kakabadse et al., 2018). Favourable signalling is expected to enhance a firm's reputation and hold it in good stead with regulatory agencies, customers, and existing and potential employees (Grosvold et al., 2007).

Accordingly, several countries have taken measures to promote gender diversity on corporate boards, often through coercive, legally mandated quotas as adopted in Norway, Spain and Iceland (Goyal et al., 2023; Rao & Tilt, 2016). Other approaches to diversity management in boards include requiring companies transacting with the government to have gender balance across hierarchies (e.g., in the US) and promoting gender diversity through soft law of voluntary quotas, as adopted in the UK (Davies & DBEIS, 2011). In the UK, gender diversity on boards of FTSE 150 companies is now 38%, there are no all-male boards in FTSE350 companies, and the critical mass of 33% female Director is observed on almost boards (Egon Zehnder, 2022; Spencer Stuart, 2022a). In addition, government-backed reports have advised that nomination committee Chairs, Board Chairs, CEOs, Board search companies, investors and Financial Regulatory Council take measures to ensure that female executives receive training and opportunities to rise to leadership positions (Hampton & Alexander, 2016). Also, progress on gender-balanced Boards and the leadership ranks in FTSE 350 companies is a critical corporate governance issue.

The social phenomenon of *homophily* (Ertug et al., 2022) suggests that with improved gender diversity on boards, the firm should have a higher representation of women across hierarchies. H*omophily* – defined as homogenous social networks made through a more critical contact among similar individuals, is one of the fundamental principles of organisational behaviour (Barnes et al., 2017). Although often discussed as an explanation for gender homogeneity in leadership ranks (being male bastions), the phenomenon also supports the assumption that higher representation of women in boards would lead to more effective diversity management across hierarchies. Thus, a significant increase in board diversity in the largest listed companies should have led to more equitable gender representation in leadership and across lower hierarchies. Moreover, the change observed in the gender composition of boardrooms, arguably for the business case of gender diversity, should also have led to lowering historical barriers to leadership faced by women and resulting in a change in culture and attitudes.

However, despite a multi-pronged approach to improve board diversity – through legislation, soft law, regulatory recommendations, and even with support from the corporate elites, financial equity for women and their equitable representation across hierarchies remain elusive. There are only 12.5% female Executive Directors, 8% female CEOs, 15% female CFOs and 9% female Chairs in top listed companies in the UK (Egon Zehnder, 2022). Additionally, women continue to be denied financial parity with a high Gender Pay Gap (hereafter GPG) – impacting senior and older women more and working mothers the worst across sectors and industries. Thus, despite much celebrated (often modest) success in gender diversity on boards in non-Executive positions (38% in 2022 as compared to 12.3% in 2011), representation of women in Executive Director positions, roles associated with influence & power (i.e., Chair and CEOs), and financial equity remain a distant dream (Spencer Stuart, 2022a).

In order to understand the reasons for such endemic gender inequality in the UK's largest firms – a country with a developed economy and with the rare distinction of having been led by three female Prime Ministers, and how this situation can be redeemed - we speak with board members of top listed companies. In this article, we adopt a reflective approach to reviewing the milestones achieved and contemplating the way forward. We find that nothing works like regulatory intervention for making leadership hierarchies gender-balanced, particularly when a change in historic attitude and culture is required. We also find that the unconscious bias again women is deeply embedded and needs to be addressed comprehensively, potentially requiring expanding the remit of voluntary targets to all leadership hierarchies in listed companies. Furthermore, to fully tap the benefits of board diversity in decision-making and boards" capability, boards need different personal and professional experiences represented on boards. Correspondingly, companies need to incorporate intersectionality of diversity instead of standalone diversity attributes in Directors. Finally, the study suggests that female Directors and other leaders who have made it to leadership positions are under harsher scrutiny, which hampers their leading natural style and contribution.

The rest of the chapter is structured as follows: we first discuss different institutional contexts with a special focus on the UK corporate governance regimes and describe gender diversity management in leadership hierarchies in FTSE150 companies. Afterwards, with the help of the latest statistical information on achievements in gender diversity management, we identify the main areas that remain stagnant. Next, identifying the research gap, we address the research questions – a) how the full potential of diversity management can be tapped; and b) how gender management measures can be made effective for roles above and below boardrooms. We then describe the data collection and analysis methodology and report the findings, analysing them with the extant literature, concluding the chapter with contributions and suggestions for future research.

Institutional Contexts – The UK

The UK has made significant headway in promoting women's representation in boardrooms, without coercive legal mandates, but through a collaborative, business-led approach to improving gender diversity and with the active participation of the corporate sector (Goyal et al., 2018). The UK governance regime adopts the business case rationale of board diversity, the measurable (e.g., firm performance and an improved national GDP) and immeasurable (e.g., favourable reputation and positive signalling to stakeholders) benefits of board diversity (Sealy et al., 2016; WoB et al., 2015; Hampton-Alexander, 2016). The motivation for a diversity management approach for boards of top listed companies is summed up in the Hampton-Alexander review (2016) - a more gender-balanced corporate leadership would lead to an additional 5-8% increase in the GDP.

Although actively promoted since Cadbury Code (1992) and included in the UK Corporate Governance Code (hereafter the Code [FRC, 2018]), concerted and closely monitored measures to promote board diversity have been initiated since 2011. With Davies' report (2011) and annual reviews, Davies' 5-year review (2015) and a range of practitioners' publications (e.g., Spencer Stuart, 2022), the ambit of those recommendations has been consistently widened and deepened, reinforcing the commitment to the cause. In addition, with the most recent and wide-ranging reform recommendations Hampton & Alexander review (2016) assigns the responsibility of taking due measures are taken to create a healthy pipeline of qualified and competent women in all hierarchies of the largest listed companies to board Chairs, CEOs, nomination committees Chairs, Investors, and Board search companies.

In the UK, the aversion of the corporate sector to government intervention is now well-recorded (Goyal et al., 2018). The corporate sector has supported and contributed to the cause (e.g., The 30% Club). Other stakeholders, such as women's networks (e.g., Women on Boards [WoB]) and investors (e.g., The Investment Association), have also joined the movement towards composing boards with merits and equal opportunities (FTSE Women Leaders, 2022). As a result, in 2022, for which the latest status is available, in the top 150 listed companies of the UK (often referred to as FTSE150 companies), gender diversity on boards is 39% (Spender Stuart, 2022). Other accomplishments include at least 33% gender diversity on boards of all FTSE350 firms (it was a government-backed voluntary target), no all-male boards, and an increasing representation of women in other leadership roles (DBEIS & Berridge, 2021). Moreover, 15 FTSE100 boards achieved more than 40% gender diversity (FTSE Women Leaders, 2022).

However, the progress, though relatively impressive and achieved in just over a decade, does not seem to change culture and attitudes, eradicating discrimination and inequality; which was also the spirit of corporate governance reforms on board diversity. There is significant scope for improvement in several areas with a gaping GPG and gender homogeneity in positions of power (e.g., CEO and Chair) and executive hierarchies. Even though board gender diversity has approached 40% (approximately, for all board positions), deep fishers are observed when it comes to women's representation in ED roles only 15% [SSUKBI, 2022]). The progress has been achieved through voluntary targets government-backed voluntary targets with an underlying threat of coercive legal mandate if the corporate sector did not respond (Davies & DBIS, 2011). FTSE 150 companies have recorded a 160% increase in gender diversity on boards in the last decade (2012-2022), a 900% increase in the number of female Chairs and a significant 150% increase in female Executive Director numbers, even if the absolute progress continues to remain modest (Spencer Stuart, 2022a).Please see table 1.

Table 1 Gender diversity on FTSE150 boards

WOMEN DIRECTORS	2022	2017	2012	5 year change	10 year change
% women directors: all	39%	25%	15%	56%	160%
% women directors: non-executives	53%	35%	19%	54%	186%
% women directors: executives	15%	9%	6%	66%	150%
Female chair	13%	5%	1%	190%	926%
Female CEO	11%	5.4%	4.7%	106%	136%
Companies with at least one female director	100%	99%	84%	1%	19%

Source: Adapted from Spencer Stuart UK Board Index, 2022

Also, FTSE100 companies (the target of the recommendations in 2011) still have only 33% gender diversity in a leadership role (Executive Committee & Direct Reports to the Executive Committee combined), with FTSE250 lagging at 31%, and FTSE350 even have 16 all-Male Executive Committees in 2022 (FTSE Women Leaders, 2022). A related concern is an abysmally low number of female Chairs (13%) and female CEOs (11%), per the latest practitioners' publications. In its 5-year review published in 2021, there were still 16 'One & Done' with just one female Director on the board, which is stagnating gender diversity to a mere one token woman (DBEIS & Berridge, 2021). Even in 2022, one-fifth of FTSE350 companies were missing their board gender diversity targets, almost half of the FTSE350 companies were missing their female leadership targets, and 62% of leadership roles were still being given to men (FTSE Women Leaders, 2022).

Additionally, the UK corporate sector continues to suffer from a severe gender pay gap (hereafter, GPG), worsening for the older age category of women and mothers (Oppenheim, 2023). Women in the UK are expected to work without remuneration, for almost two months every year, on account of GPG being 15%, and worse for annual bonuses and full-time employed women (Kowalewska, 2023).GPG deteriorates further for the top 10% earners as women in that category earn merely 77 pence to £1 compared to men, effectively working for almost three months without remuneration each year (ONS, 2023). The inequity in remuneration and the resultant impact on unequal participation of women in the workforce and leadership roles are costing the UK economy 5% - 8% in annual GDP (Hampton & Alexander, 2016). Despite a proven and measurable business case of gender parity at the workplace, gender diversity, albeit achieved, to a limited extent, in the largest companies in the UK, has failed to lead to a change in attitudes and culture in the last 25 years (Beecham, 2022). Even with the revised (voluntary) targets of 40% gender diversity on FTSE100 boards, as recommended by the Financial Conduct Authority guidelines (Makortoff, 2023), the systemic change in financial equity remains a distant dream for women in the UK.

The status of women in leadership roles and parity in their remuneration has further declined in the COVID-19 pandemic years in the UK (Beecham, 2022; FTSE Women Leaders, 2022). The status in other European countries has not been satisfactory, albeit several countries adopting a legally mandated quota approach (see table 2).

Table 2 Gender diversity on boards – Global comparison

Parameter	UK	US	France	Norway	Western Europe	Asia	India	Global
At least one woman %	**100**	99.3	100	100	99.8	83.9	97.5	93.4
At least two women %	**100**	95.9	100	100	95.7	45.4	66.3	78.3
At least three women %	**94.1**	76.6	**100**	**100**	88.9	17.5	23.4	59.8
At least four women %	**72**	37.9	**98**	83.3	69.4	7.1	9.1	35.6
Boards seats held by women %	**38.1**	30.4	**45.3**	40.7	35.5	14.8	18.7	26.9
Female NEDs%	**43.8**	33.7	**49.1**	41	39.6	18.7	22.1	31.1
Female EDs %	**12.5**	6.9	13.3	0	**15.2**	7.4	8.4	9.4
Female CEOs%	**7.9**	6.7	11.1	**20**	7.6	5.1	7.7	6.3
Female CFOs %	**15.3**	20.1	8.9	**50**	16.7	16.8	2.7	18.3
Female Non-Exec Chairs (EC) %	**8.9** **0**	8.1 (3.7)	10 (3.7)	**37.5** (n/a)	10.6 (2.5)	5.1 (3.9)	5.7 (11.1)	8.4 (3.7)

Source: Compiled by the Authors from Egon Zehnder Global Diversity Tracker 2022

Table 2 shows that accomplishments in diversity management through legally mandated quotas are exemplary, sustainable and across hierarchies, as shown in the case of Norway. Finally, here is a brief overview of gender diversity progress updates in European countries.

Institutional Contexts – Europe

The role of institutional governance regimes in shaping corporate policies in countries, is well-recorded (van Veen & Elbertsen, 2008). In countries with historic state ownership of companies (e.g., Norway), the corporate sector is more amenable to government intervention (Goyal et al., 2018). In the broader context of the European continent, countries, starting with Norway in 2003 (effective from 2008), have adopted different diversity management approaches for the boardrooms of corporate entities. Reuters (2022) reports the status as follows. Eight countries which are members of the European Commission (hereafter EU) have legally mandated quotas, including Belgium, France, Italy, Germany, Austria, Portugal, Greece, and the Netherlands (Diebold, 2022). Additionally, ten countries (Denmark, Estonia, Ireland, Spain, Luxembourg, Poland, Romania, Slovenia, Finland, and Sweden) prefer a soft law approach, with varied mechanisms but stopping short of coercive quotas. The remaining nine countries (Bulgaria, the Czech Republic, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, and Slovakia) have desisted from taking any significant action (Diebold, 2022). The status of gender diversity across hierarchies in European countries also falls much short of equality. Consequently, the European Parliament in late 2022 passed legislation requiring gender diversity of at least 40% in NED positions and 33% in ED positions by 2026 (see table 2 above).

Accomplishments on both accounts, GPG and gender diversity management in executive positions of leaders, continue to be far from balanced in most European countries. The average GPG in European countries is still 13%, with the lowest (0.7%) in Luxembourg and the highest in Latvia - 22.3% (European Commission, 2020), indicating that irrespective of legal and regulatory regimes and varied diversity management practices, financial parity for women is far from accomplished. In a review of the status of German boards in 2020, it is reported that although 94% of firms complied with the mandatory quota law, the companies which showed the lowest gender diversity (16.7%) and the highest gender diversity (55.6%) on their boards, were exempt from the quota law (Spencer Stuart, 2020b). Also, despite a quota regime which only 93% of companies comply; the ratio of gender diversity on Management Boards continues to be a mere 13.5%, with only two female CEOs (Spencer Stuart, 2020a).

An academic, peer-reviewed, cross-country analysis of France, Country and the UK (Bennouri et al., 2020) finds that a mandatory quota regime is more effective in promoting women on boards and improving the quality of boards for higher effectiveness. Before adopting mandated quota requirements, independent organisations such as European Women on Boards (EWOB) have led the cause for more gender-balanced boards for a decade (Gaudiano & Denise, 2022). It is, therefore, clear from empirical academic studies and practitioners' accounts that neither government-backed voluntary targets nor government-mandated quotas, as long as aimed at the top leadership positions, result in the trickling-down of gender equality across hierarchies. These measures, although effective for boardroom diversity where they are desired, do not improve gender diversity in either upper (e.g., Chair positions) or lower verticals (e.g., executive roles). There is an inherent resistance to change, even after the business case of diversity is empirically proven and widely acknowledged. In the European Commission, several member countries have resisted the EU's hard quota approach to gender diversity management on boards since 2012 (Gaudiano & Denise, 2022). Even after the mandate for gender diversity in NED and ED roles has been announced, several countries, including Sweden, Slovakia, Hungary, and Estonia, have expressed their displeasure in the name of jurisdiction and dilution of merit in board appointments (Kern & Radosavljevic, 2022).

In other institutional contexts, the status varies but is seldom satisfactory. For example, in the US, whilst the representation of women in Independent Director roles is now 46% in S&P 500 firms, the overall ratio of women in Director roles is even less than one-third, and only 14% of Chairpersons are women (Spencer Stuart, 2022a).

Our study: The Way Forward

We interview 57 stalwarts of corporate governance – Board Chairs, Company Secretaries, Chief Executives and Non-Executive Directors of top listed companies. All participants in the study have experience with more than one board and different board roles. We ask questions on two themes – reasons for continued gender-skewed leadership hierarchies, despite the government's push and corporate sector's response for higher gender diversity, and how to address the impasse in gender homogeneity in executive roles and positions of power and reduce GPG. We first report the findings for how diversity discourse can be made comprehensive for improving boards' capability. Subsequently, participants provide a two-fold formula for addressing both gaps in diversity management, as discussed in this section.

Diverse experience matters more than diverse demographic attribute

Participants who have seen board diversity at work and how it can be tapped for favourable board capability and outcomes emphasise that a diverse perspective improves board effectiveness and decision-making. Hence, the discourse on board diversity needs to incorporate a broader definition of diversity, one which is based on a diverse experience. Acknowledging that gender can be a different experience, participants insist that it should be one of the experience-led perspectives and not the only route to obtaining diversity on boards. One study participant explains that despite diverse religious values, the experience of living with a diverse ethnic community will also have a bearing on the Directors' perspective; however, the full potential of diverse expertise can only be obtained by a different lived experience.

"We get it wrong when we think of it as I need a woman or a man [on board]. Or I need a black person, a brown person, a red person, a green person [on board]." But you can have a black person and then a white person who has the exact same values and the exact same upbringing. How is that diversity? There's obviously some, because we all go home to our communities, which were probably different. And I understand that a boardroom looking different, with different ethnicities would probably represent some diverse cultural values, religious values, different upbringings and ethnic values. But we have to go beyond just the colour [of skin] or gender. A woman who has grown up in the same place as all the men on the team, will not provide the correct diversity. So, we have to get the diversity of thought, values, and of experience, which are, of course, much harder to see. (Respondent C)

A diverse lived experience also has a deeper impact on stakeholders and, hence, more effective signalling than mere observable diversity attributes. A participant, who has been a non-executive Director and Chief Technology Officer for a global company, and leads a programme at a prestigious university, explains that experience-based diversity attributes may attract candidates from diverse communities who may foresee a vibrant future for themselves in those organisations:

"I live in (name of the city), which has a very diverse population. I would say that most of our employees are either of a minority or immigrant status. So, this woman I brought to the university she's lived in Africa for ten years. Her husband is an immigrant to this country. And they [students] just lit up, it was just like, 'Oh my gosh. And she went to Harvard, and she has a great job and if she can do these things? So, I also can do these things,'. And part of me was like, "But you could do it the whole time,". But, they're like, 'You're a white lady, so good job. But that's different than my experience.' So, seeing that like first-hand really does bring it home how important diversity is, even if it is in a picture, even if I don't know the people, but I see the colour of people's skin and their gender, it really does make a difference to people, so. (Respondent D)

The central theme emerging from the study is that individuals' experiences are unique, and those experiences make their contributions distinct. The participants suggest two main solutions to address the research question of how diversity can be managed in executive leadership roles and positions of power. First is the need to address the unconscious bias with more concentrated diversity management in hierarchies and roles, which needs special attention; and second, allowing the female Directors to shine without an unfair and harsher critique of their accomplishments; which is being experienced by several of them.

A broader board diversity should be the aim, but we have to start somewhere

The study findings suggest that whilst there is a need to promote gender diversity across all leadership hierarchies, boards need diversity of thought which can be achieved by bringing in a range of experiences on boards. However, having learnt from the experience of gender diversity management, organisations must ensure that the critical mass of minority communities provides better output with more active contribution and engagement. One of the participants lauds the call of the Parker review (2016) and adds as follows:

"If you've put just one diverse person on a board, you've almost set them up to fail, unless they have a very strong guide, coach, or mentor with them. However, putting two or three there automatically ups the opportunity for success. At [company name], we were pushing the board

to add a person of colour or background other than European white. That also meant that we had to soon follow thereafter with a second. I like that theme of 'Beyond one' [of the Parker review, 2017], that's really good. It's gonna strengthen the corporate structure, strengthen the success of these organisations, bringing in people of varied backgrounds, who come in with more confidence, knowing that they have a chance in the corporate world, versus, 'oh, it's a white haven of success, and I'm not, I don't fit'." (Respondent A)

Participants in the study consider gender-diversity management as the first of several steps to make boards effective corporate governance tools because, as participants claimed, *"we need to start somewhere'.* A corporate elite with experience in leading global organisations as the CEO, chairing boards, and advising regulatory agencies in the Civil Engineering industry articulates the need to support the cause of gender diversity as a stepping-stone, as follows:

"And for me, there was no doubt that a mixed gender board was just the better place to before the reasons that I mentioned – atmospheric, dynamics, decision-making judgements. And culturally, a better place to be. And that case is not difficult to make, for the reason that half the population. You can't exclude half the population when you need the best of the best. And when the barriers started to come down, people saw the talent that was there, and then it gathered momentum in its own right. There is now a growing sense that we need to improve ethnicity [mix]. I think the case is sound, even though you are dealing with a smaller pool." (Respondent B)

The EU gender quota law has also been critiqued for its singular focus on promoting gender diversity on boards and overlooking other demographic/experiential attributes, such as ethnic diversity (Kern & Radosavljevic, 2022). Besides, the inclusion of gender does not necessarily mean the exclusion of ethnic minorities. Women from across professional experiences, nationalities, ethnicities, ages, cultures and other attributes can be appointed if companies have an inclusive approach to diversity management. Besides, the case of gender diversity leading to an enhanced representation of other minorities is proven (Singh et al., 2008). Our findings suggest that organisations need to now aim at obtaining intersectionality of experience instead of focusing on a few standalone diversity attributes, such as gender, even though the beginning of change has been made with gender diversity management.

Unconscious bias needs addressing – comfort with the uncomfortable

Participants in the study explain that gender management practices and board nominations are more formalised now, than a decade ago. All successful companies are presently trying to address any unconscious bias or vestiges of workplace discrimination and enhance their reputation. Appointing external consultants in appointment processes is the norm now. A participant with experience on global boards shares as follows:

I think most leading organisations use external consultants for this [screening] process, and they always have someone at any interview panel session who's really a diversity, inclusion and equity representative. To ensure that there's no unconscious bias, they're bringing in outside help. The panel focuses on that there's a fair assessment of everybody who's on the interview panel on the scoring matrix. And that has helped enormously. But ultimately, for a team to work well, they have to respect one another and be comfortable working together. And that dynamic is an emotional dynamic. If there's a disconnect, people do not make their full contribution. (Respondent E)

Whilst the efforts made by leading organisations to try and address any unconscious bias in recruitment processes are lauded by the participants, attention is also drawn to the bias that exists but is seldom addressed. Organisations conduct unconscious bias training for employees to inculcate a more supportive, inclusive and facilitating workplace. However, hidden biases, which can be due to a different socioeconomic background, educational institutes, and geographic region (which reflects in' people's accents), may also make it uncomfortable for those aspiring to rise to leadership roles; and those in leadership roles. Participants claim that not feeling comfortable in one's surroundings due to prevalent biases often overlooked prevents potential candidates from aspiring for those roles and/or contributing fully to their roles. On the other hand, those from elite circles who hold leadership roles may be uncomfortable with the prospects of others who have had a different background and experience joining in. However, to reduce inequalities and gender imbalance and for moving forward, developing comfort with the sense of being uncomfortable is needed. The participant continues:

"And there is a disconnect sometimes because people sound different, approach things differently, or go to different universities. People share. They felt completely out of place

because they had come from a comprehensive school. And the majority of people there had come from public schools. It [having a comprehensive school education] was an impediment [in those circles]. If you don't feel comfortable, it's an impediment to how well you can perform. And people don't talk enough about these issues. So, they say that they have put systems or recruitment processes in place to avoid potential bias. But at the end of the day, these are often the unspoken things that never get put onto paper. That people tend not to want to hire somebody, they feel they might be uncomfortable with. And we all have to be uncomfortable to make a change. We have to become uncomfortable, and that's the only way it moves forward. We learn from it, and then we are ourselves much better and more capable of doing better things by being uncomfortable." (Respondent F)

Effective boards of leading companies are championing the cause of board diversity across countries because they see the tangible and intangible impact of a higher gender diversity, such as an inclusive culture and diverse perspectives (See Akimoto et al., 2021; Spencer Stuart, 2022a, 2022b). However, a few standalone diversity attributes, such as gender and ethnicity, may not help tap the diversity potential if a significant aspect of diversity, e.g., socioeconomic background, is not incorporated. Literature on social categorisation and homophily argue explains the phenomenon of decision-makers and leadership candidates feeling uncomfortable with those who are different. The socioeconomic background of Directors has a significant bearing on their perspective (Goyal et al., 2017). The study's findings suggest that the experience of a privileged background is as lasting as that of challenging socioeconomic background, creating discomfort between both groups. However, the participants argue there is a need to be comfortable with that sense of discomfort in order to storm and norm towards effective decision-making. Both group members need to make an effort facilitated by organisations instead of perpetuating class hegemony (Zahra & Pears, 1989), which would prevail without active organisational intervention.

Continued gender skewness in the leadership roles and at the CEO and Chair positions, despite government support for higher gender diversity and a proven business case, suggests that the problem causing the gender imbalance is deep-seated and not being addressed with the intensity and focus, as needed.

Don't judge too harshly – some failures, just as successes, are an inevitability

Participants in the study report that scrutiny is much harsher on female Directors and other leaders, with higher expectations to deliver tangible results. Participants report that there is a learning curve that all Directors, irrespective of their gender and training, negotiate. As a result, not all decisions would always meet the expectations of all stakeholders. When made to perform under closer and more critical scrutiny, female Directors are not able to adopt their natural leadership style and contribute optimally.

"We did start to see women in leadership in the last 10, 12 years, and boards changed, which has been, to the benefit of the corporation. Although there are instances your eyes cringe when you see a woman put in and she just fails horribly, and you're like, 'oh, I don't want the one bad apple impact', but it's an inevitability. You can't just expect every woman to be a hundred per cent successful. Because women who were our leaders, too, felt they were being scrutinised. We were all under a lot of pressure. When we get a chance to discuss it and are not in the middle of the fishbowl, we acknowledge it. And for black women it is even doubly or triply difficult. It's very hard for them in leadership roles because the scrutiny is more there. We don't always allow black women any mistakes. To learn from their mistakes, or maybe just any woman of colour, forget just black, Asian or LGBTQ." (Respondent G)

Making boardrooms more gender diverse can lead to more effective gender diversity management across hierarchies through homophily. As can be seen from the low representation of women in hierarchies and roles which have escaped the attention of government-backed programmes (e.g., executive leadership and CEOs/Chair roles), a completely voluntary approach to gender diversity promotion may be an enigma. Therefore, when women are offered a position, often when men are not willing to take up those assignments, often categorises as the glass-cliff phenomenon (Ryan & Haslam, 2005), they are under increased pressure to deliver tangible results. In a study, Chair appointments in FTSE 350 companies report that during the pandemic, when several companies suffered poor performance on account of economic inactivity, there was an upsurge in appointments of female Chairs (Sangha & Goyal, 2022). Our study suggests that such appointments could be precarious, attracting harsher scrutiny on female Directors (and other leaders) and putting them under disproportionate pressure, clamping their leadership style. Organisations benefit from' women's unique contributions because of their distinct leadership approach. When undergoing a harsher critique, they may fall back to the masculine leadership approach, which would defeat the purpose of gender diversity management.

Discussion

Whilst academics are still debating the impact of board diversity on firm and board performance and coming up with equivocal results (e.g., Kumar and Zattoni, 2016), the government agencies, the practitioners, who experience the impact of board diversity first-hand, have moved on. Despite having achieved moderate successes in diversity management efforts with more female Directors in boardrooms, the need is not to sit on their laurels but explore the business case of diversity to its full potential. With a reflective approach to milestones achieved and challenges ahead, this article provides deeper insights into how to make diversity work through homophily, and a more humane evaluation of women's contribution. Furthermore, we argue that such government-backed intervention, as adopted in the UK, would tap the potential of diversity with a higher percentage of female Chairs and CEOs. As Evelyn Regner, one of the proponents of the EU quota directive, claims, when women are leading the way, it makes companies stronger and stronger companies are critical for the financial, environmental, safety-related and health-related well-being of companies (Kern & Radosavljevic, 2022). We argue that a similar (voluntary|) target-driven approach may also be warranted for the leadership roles where women lag despite progress made in board diversity.

Our study suggests that for women, the social phenomenon of homophily may not apply unless supported by proactive multi-pronged measures to be taken by the regulators and practitioners of corporate governance. In addition, the reflective insights provided in the chapter may help practitioners devise and review their diversity management practices.

Reference:

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