

## **Gender balance and its impact on Board structure**

Yes, there are differences<sup>1</sup>

Despite women's lib, equal opportunities, glass ceilings and the like, men and women work well together when they co-operate and recognise their differences [a bit like a good marriage]. There are some areas where women are naturally stronger – functions which involve communication, nurturing and intuition. Men are naturally stronger in other disciplines, which include: risk-taking, competitiveness and the use of logic.

In exploring the dynamic Full Board of Directors, some functions fall naturally to one gender, some to the other and some may be the province of either. Additionally, there may be some natural selection dependent on the type of organisation or sector it is active in. For example, taking two extremes: the positions of Chairman and Sales & Marketing Director are perhaps more likely to be male dominated in engineering but female dominated in nursing.

### **Table 1. Considering the various responsibilities**

Chairman and Sales & Marketing are noted above as potentially industry specific

<b>Position</b>	<b>Male</b>	<b>Female</b>	<b>Either</b>	<b>Notes</b>
Managing Director	✓			A competitive role
CEO	✓			A competitive role
Company Secretary			✓	Communications and compliance
Finance			✓	Interpretation and advice
Personnel		✓		Managing people's expectations
Operations	✓			A driving role
Mapping		✓		A perceptive/communicative role
Values		✓		Feelings and sensitivities
Compliance	✓			A very focused role
Senior NXD	✓			Combative and competitive

### Balancing the Board for gender

Business is currently regarded as competitive, so it is normal for there to be a bias towards a male management structure. The Main Board will normally be fixed, because the individuals will have the culture and experience to maintain the momentum of the business [although some times this isn't always a good thing].

The principal gender balance will vary depending on industry sector for example:  
The engineer's Board may be composed of seven males: Chairman, Sales & Marketing, MD, CEO, Operations, **Compliance and Senior NXD**, and two females: **Mapping** and **Values**, (plus two of either gender). A ratio of about 75:25

The commercial nursing organisation could be composed of five males and four females, (plus two of either gender) a ratio of about 55:45.

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<sup>1</sup> For a very readable discussion please go to *Why men don't listen and women can't read maps* by Allan & Barbara Pease ISBN 0-75284-619-1

See also *Why Women Mean Business* by Avivah Wittenberg-Cox and Alison Maitland, ISBN 978-0-470-72508-5

## **Board gender structure according to the economic cycle**

### A very brief overview of the UK economic cycle

In more recent UK history, the economic cycle seems to be about ten years from a period with a good growth rate to a period of poor economic growth.

The notes below are a very brief introduction to the section that discusses the selection and balance of the Full Board of Directors. Many books and learned papers have been written about economic cycles and provide a detailed discussion

### The economy in the ascendancy

The growth in GDP is above inflation; export volumes, whether service, media, creative or manufactured are above import volumes and the government [of whatever colour] is investing in supportive infrastructure e.g. roads.

Some of the leading indicators for an upturn in the economy are:

- The consumer confidence index
- Increasing advertising spend
- Increase in housing activity [after a low period]
- Stock market returns

Most of these are of a medium-time duration and can only provide about six months notice of improvement. Some interpretation is required in identifying where things are positioned in the wider economic cycle

### The economy in decline

The other side of the economic cycle is the decline in GDP compared to interest rates and, for example, government investing in unnecessary infrastructure e.g. new town halls or administrative centres – keeping people busy whilst appearing to do something useful.

As during growth; there are a number of leading economic indicators. In particular:

- Decline in overtime
- Decline in advertising spend
- Decrease in housing market activity [after an active period]

These tend to be medium-term indicators; it seems there is a good long-term indicator associated with the US banking sector.

Looking back over recent past history, about three years ago (the trigger) there were some significant losses to the US operations of UK banks [especially in the agricultural regions]. More recently (Feb 2008) there was the offloading of doubtful debt from the US economy to other financial institutions, which appeared to signal an economic downturn, and by April 2008 the media were predicting economic melt-down.

If this is taken as an indicator of difficult time some years ahead and read against the trends and moving averages there is good reason to believe there are pointers to guide companies to change to reduce non-core activities and become leaner in their operations.

### Relevant gender differences

For too many years men and women have been either fighting one another or trying to be alike, and despite about two thousand years of 'civilisation' the inherent differences remain – derived from millennia of evolution – yet there is much greater strength in working together and collectively drawing on these differences

Of particular relevance here is the risk-taking profile. In general, men are more willing to take risks, otherwise how could they have hunted and caught wild animals; whilst women are more risk-averse and naturally protective.

## Managing the make-up of the Full Board

The various aptitudes and areas of responsibility have been noted above; the final piece of this jigsaw is to consider the gender balance.

In simple terms: when the economy is in decline, poor business decisions will be compounded because there is not the natural market growth to allow the business to recover. In such a circumstance [decline] the organisation should hold on to what it has, not take risks and become increasingly conservative – a natural feminine influence

When the economy is in growth, with surpluses; poor business decisions [risks] can often be absorbed in the natural growth going on in the market. In this circumstance risk should be encouraged and a male influence will predominate.

In the established company, the Main Board will be steeped in the culture of the organisation; members work well as a team and make decisions easily and quickly. To replace such a member with an equivalent could be a long and difficult task.

***The right gender balance can be met most readily by managing the balance of the Non-executive Directors*** who can be appointed with less impact on the overall management of the organisation, and at shorter notice periods.

## The balanced Full Board in a balanced economy

A starting point is required in order to develop the argument; this is taken as the Full Board during a period of economic stability.

As noted above, the gender of the Chairman and the Sales & Marketing Director may be industry specific, and the gender of the Company Secretary and Finance Director may be either.

In order to provide a gender balance start-point, the assumption is made that two of the functions noted above will be male and two will be female.

**Table 2. The balanced Full Board of Directors**

<b>Position</b>	<b>Gender</b>
<i>Industry specific/non-gender specific<sup>2</sup></i>	
Chairman	Male
Sales & Marketing	Female
Company Secretary	Male
Finance Director	Female
<i>Main Board functions</i>	
CEO	Male
MD	Male
Personnel	Female
Operations	Male
<i>Non-executive responsibilities</i>	
Mapping the changing world	Female
Values	Female
Compliance	Male
Senior NXD	Male
Overall balance: 60:40 Male/Female <sup>3</sup>	

<sup>2</sup> Stays in a ratio of 50/50

<sup>3</sup> Which is the legal balance now in Norway

### In times of economic downturn

At times such as this the female element might predominate to prevent undue risk-taking, conserve resources and maintain positive relations, particularly with staff.

It will also be advantageous to have additional female challenge to the Main Board and the recruitment of a female compliance officer would be a sound move.

As noted above, the Main Board will remain unchanged and for management purposes the gender non-specific posts stay the same.

**The challenge is to re-balance the Non-executive Board in a way appropriate to the prevailing economic climate.** The economic cycle can be industry specific; for example in times of economic decline alcohol and tobacco can do well as people seek comfort from the prevailing circumstances.

**Table 3. The Full Board in times of economic downturn**

<b>Position</b>	<b>Gender</b>
<i>Industry specific/non-gender specific</i>	
Chairman	Male
Sales & Marketing	Female
Company Secretary	Male
Finance Director	Female
<i>Main Board functions</i>	
CEO	Male
MD	Male
Personnel	Female
Operations	Male
<i>Non-executive responsibilities</i>	
Mapping the changing world	Female
Values	Female
Compliance	Male
Senior NXD	Female
Overall balance: 50:50 Male/Female	

It is also recommended that in times of economic downturn the Chairman and the Non-executive Board become more involved in the company to emphasise the gender balance.

The shift has been fairly minor in numeric terms but quite significant in terms of potential impact with **Intelligence (Mapping the changing world)** moving from looking for opportunities to looking for problems

**Mapping the changing world** can be difficult to fill, as the ideal person has been noted as the MD from a complementary organisation which is often a male dominated position – the ideal person could be hard to find.

### In times of economic uplift

This is the time that more risks can be taken and new initiatives instigated – as the rising economy should cushion any shortfall in decision-making or in product quality.

Now is the time to increase the male proportion of the Board.

The Main Board will remain unchanged and the balance be introduced through the Non-executive function (and possibly the industry-specific group, by introducing a greater male balance, perhaps through the Finance Director which is not considered here). This would produce a balance as described below:

**Table 4. The Full Board in times of economic uplift**

<b>Position</b>	<b>Gender</b>
<i>Industry specific/non-gender specific</i>	
Chairman	Male
Sales & Marketing	Female
Company Secretary	Male
Finance Director	Male
<i>Main Board functions</i>	
CEO	Male
MD	Male
Personnel	Female
Operations	Male
<i>Non-executive responsibilities</i>	
Mapping the changing world	Male
Values	Female
Compliance	Male
Senior NXD	Male
Overall balance: 75:25 Male/Female	

In order to provide gender balance in times of economic growth, the Non-executive Directors may co-opt a female member of the Main Board.

#### Some comments

The Main Board continues to be male dominated [in most cases] as business is currently considered to be aggressive, although some sectors [e.g. nursing] may be female dominated.

The shift in the Full Board as discussed here is quite small, involving only three positions out of twelve, yet the impact will be quite profound.

The argument is that men and women are not equal, but are equivalent; and it is recognised that people from either gender can be effective in the various roles. In our objective to stimulate thought and cause debate we make no apologies for the sweeping assumptions used in the discussion below

#### Gender balance according to circumstance.

<b>Economic circumstances</b>	<b>Senior Non-executive<sup>4</sup></b>	<b>NXD Composition</b>	<b>Overall Board composition</b>
Rising	Male	75% Male	75/25 Male/Female
Neutral	Either gender	50% Male	60/40 Male/Female
Falling	Female	75% Female	50/50 Male/Female

<sup>4</sup> The Chairman of the Non-executives is referred to as the Senior Non-Executive to prevent any confusion with the Company Chairman