



## Gender diversity and board engagement

‘Reflecting on the question of how to prove the impact of gender diversity on corporate boards, we at Lintstock realised that we were ideally placed to contribute to this debate. Drawing on our unique set of qualitative and quantitative data drawn from years of board reviews, we decided to conduct an evidence-based investigation into male and female directors’ engagement ... providing substantive evidence in an area that has all too often been based on anecdote.’

*Philip Sydney*

## Engineering great decisions

‘Infrastructure projects have gained a reputation for failing to deliver on their original expectations. According to the Infrastructure and Projects Authority, the Association for Project Management, and the National Audit Office, many issues stem from the failure of insufficient or unsuitable governance arrangements. The Infrastructure Governance Code seeks to remedy these problems by establishing effective governance.’

*Miles Ashley and Alistair Godbold*

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## Feature

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# Gender diversity and board engagement

**Philip Sydney** provides an evidence-based review into male and female director's engagement demonstrates what diversity can deliver in the boardroom.

The growth of gender diversity on corporate boards is one of the great success stories in UK corporate governance in recent years. The rapidity and enthusiasm with which many boards have embraced gender diversity – from 9.5% female representation across FTSE 350 boards in 2011 to 40.2% in 2022 – is remarkable, surpassing by some distance the Hampton-Alexander Review's recommended target of 33% of women on FTSE 350 boards, and meeting the overall 40% goal set by the FTSE Women Leaders Review three years ahead of its target date in 2025.

As these figures suggest, there is clear recognition of the benefits of gender diversity on boards. As big corporates experience ever-increasing scrutiny from politicians, regulators, the media and the general public, against a backdrop of intensifying social and political instability, there is widespread awareness of the need for boards' compositions to reflect the stakeholder universe they serve and the wider society in which they operate. As the latest edition of the FTSE Women Leaders Review warns, 'when a company and its leaders look out of touch, investors, customers and employees take note, and take action', and this will have tangible consequences at companies' AGMs – some investors are reportedly preparing to vote against boards with sub-40% female representation, even before the 2025 deadline.

Over and above external considerations, it is widely acknowledged that gender diversity, along with diversity in other forms, brings benefits in the boardroom through contributing to boards' diversity of thought and background, discouraging groupthink. In the course of board review exercises there are regular examples of male and female directors consistently engaging differently on aspects of board performance – it tends to be the case, for example, that female directors will be the ones to broach tricky issues such as CEO succession.

It is not easy, however, to produce hard evidence to validate these observations. The strict atmosphere of confidentiality in which corporate boards operate makes it difficult to obtain first- or even second-hand insight into how male and female directors engage within the 'black box' of the boardroom, meaning that the impact of diversity is often only measured at a remove (through tracking the relative financial performance of companies with diverse boards, for example).

Reflecting on the question of how to prove the impact of gender diversity on corporate boards, we at Lintstock realised that we were ideally placed to contribute to this debate. Drawing on our unique set of qualitative and quantitative data drawn from years of board reviews, we decided to conduct an evidence-based investigation into male and female directors' engagement. The resulting study, published earlier this year in

partnership with the 30% Club, demonstrates what diversity can deliver in the boardroom.

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*Evidencing the Contribution of Gender Balance to Board Effectiveness* is based on the Lintstock Governance Index – a set of over 60 metrics that tracks the relative strengths and weaknesses of boards, putting their performance in context. Leveraging the data contained within the Index, we split out the responses of male and female directors in some 100 recent UK board reviews, examining the nuances of their qualitative and quantitative assessments of performance. In doing so we could – on an entirely anonymous basis – take a data-driven approach to the topic of gender diversity in the boardroom, providing substantive evidence in an area that has all too often been based on anecdote.

### What diversity delivers

At a high level, the data demonstrates that male and female directors engage in complementary ways, contributing to more holistic board oversight. While male and female directors' quantitative ratings of board performance are broadly similar – showing that there is a high degree of consensus across boards as a whole – female directors gave a broader spread of ratings, and tended to give slightly lower ratings on average; this indicates both that women's expectations of their boards are more exacting and that they are more willing to recognise good performance with a higher rating.

The relative level of engagement with the board review exercise is also an interesting point of divergence, with female directors

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on average contributing 32% more than their male colleagues when invited to provide written feedback. This figure suggests that women are more open to reflecting on performance and providing recommendations for improvement, which is also borne out when looking at directors' assessment of their own individual performance in their roles: when reviewing their own performance women are more likely than men to offer specific suggestions on how their contribution could be improved, whereas male directors are more likely to propose training for the board as a whole.

Beyond their engagement with the board review survey itself, there were also trends in the data that give an indication of differences in the way male and female directors engage in and around the boardroom. Female directors were notably more likely to express satisfaction with the length of board packs, for example, in contrast to male board members' requests for more concise materials, and women were more than 30% more likely to request more or longer board meetings. When viewed alongside their higher level of engagement in board reviews, it seems that female directors are more willing to invest time in maintaining board oversight.

## Focus and oversight

Through reviewing the qualitative data in our sample, it is possible to trace differences in where male and female directors engage, as well as how they engage. There were areas of board performance where women engaged noticeably more than men, and vice versa, suggesting that gender balance rounds out board oversight and promotes fuller coverage of the many topics on boards' growing agendas. As an example, when assessing strategy women devoted greater focus to overall strategic clarity and the enablers of performance (eg stakeholder engagement), while men were more inclined to focus on the specifics of their company's strategic plan and the shape of the business.

Female board members appear to take a bigger-picture approach – this is reflected in a tendency for women to engage more on emerging issues, which also tend to be the areas in which boards struggle the most. People oversight is one example of these topics: the expectations of boards in this area have evolved significantly in recent years, and succession, talent management and employee engagement typically rank near the bottom of the Lintstock Governance Index – women were more than twice as likely to identify the need to focus on people development.

## Looking ahead

As increasing numbers of FTSE boards achieve the 40% target set by the *FTSE Women Leaders Review*, attention is turning to ways of maintaining diversity: a key recommendation of the latest *Women Leaders Review* is that companies should 'aim to maintain the representation of both men and women at, or above a minimum 40% threshold' (a recommendation

which could, counterintuitively, raise difficulties for the handful of companies whose boards currently do not conform to this recommendation through being over 60% female).

At Lintstock we are currently conducting a study for the All Party Parliamentary Corporate Governance Group on the impact of the two recent 'non-financial crises' – Covid-19 and the war in Ukraine – on boards, to be published later this year. As part of our research we asked FTSE directors how they felt that the focus and expertise of boards should adapt over the coming years, in order to provide the most effective stewardship against a backdrop of increasing uncertainty. The responses so far often make reference to diversity – unsurprisingly given its prominence as an issue in recent years – but in interesting ways that suggest the conversation in this area is developing.

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There was a sense among respondents that while no-one wishes to roll back the progress made in achieving greater diversity of gender and ethnicity on FTSE boards, recent years have underlined the importance of ensuring sufficient diversity of viewpoint and expertise as well. As boards face growing agendas and an increasingly challenging macroeconomic environment, there will be a continued need to balance diversity of representation with functional diversity and diversity of experience, to ensure that they have all the tools in place to maintain effective oversight of the business – though we anticipate that this will cease to be an 'either/or' question as efforts to promote diversity in leadership teams and throughout the wider workforce continue to bear fruit.

*Philip Sidney is a Senior Associate at Lintstock, a London-based corporate governance advisory firm specialising in board effectiveness reviews.*

*On 14 June at 8.30am (UK), Lintstock is hosting a one-hour webinar discussing our research into gender balance, where we will be joined by a panel of experts including Hanneke Smits (Global Chair, 30% Club) and Denise Wilson OBE (CEO, FTSE Women Leaders Review).*

*For more information, or to obtain a copy of 'Evidencing the Contribution of Gender Balance to Board Effectiveness', please contact Lintstock Partner Neil Alderton at [na@lintstock.com](mailto:na@lintstock.com).*

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### Conclusion

The industry will be significantly challenged as it necessarily transitions from a focus on 'outputs' to one centred on 'outcomes'. This shift will require a comprehensive change and the balancing of long-term value creation and the broader societal benefits of infrastructure projects, rather than merely concentrating on short-term deliverables.

The Infrastructure Governance Code provides a much-needed framework for effective governance in major infrastructure projects. By addressing gaps in good practice and incorporating lessons learned from past projects, the Code offers a comprehensive guide for project boards and stakeholders to deliver infrastructure project outcomes with enhanced efficiency, productivity, and sustainability.

The widespread adoption of the Code's principles and practices promises to revolutionise the way infrastructure projects are planned, delivered, and managed, ultimately benefiting society as a whole.

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They are Chair and Deputy Chair of the Infrastructure Client Group Project 13 Governance Development Group.

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