



Hedley May

April 2017

Are FTSE's fishing in the wrong pool for female CFOs?

The Hampton–Alexander Review – Laying down the gauntlet

There are more women on FTSE Boards than ever before but progress on diversifying the UK's leading executive committees is far less easy to see.

In the same way as the Davies review set a five year timeline to meet the 25% target, the Hampton-Alexander Review has challenged the FTSE 100 to reach 33% female representation on the combined Executive Committee and their direct reports by the end of 2020.

They readily admit that “this will be stretching for many” but feel that a publically stated hurdle is needed to motivate such a dramatic change. However, digging below the headline numbers to look at gender representation in perhaps the most critical corporate function, finance, shows that reaching the target could be a challenge indeed.

Stuck in the slow lane?

The number of female CFOs in the FTSE 100 jumped from 6 to 11 between 2011 and 2012, but has remained stubbornly static ever since. There are only 12 in the FTSE 100 today which is down from a peak of 13 in 2015.

Perhaps more worrying is that of the 67 CFO appointments (recruited or promoted) over the last five years, only 10 have been women. Based on this rate of change the target of 33% female representation by 2020 looks unlikely to be reached in the CFO role.

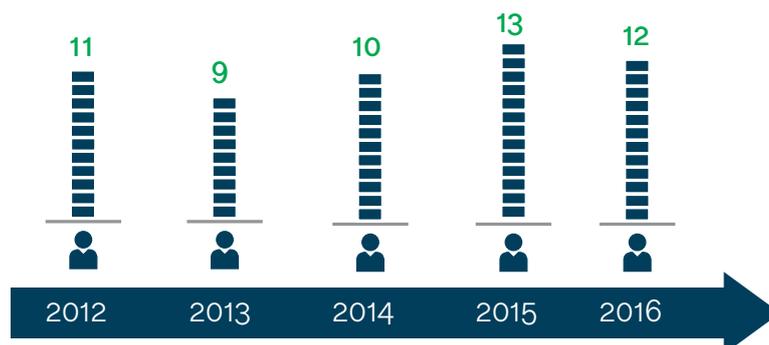
Is the “tried and tested” approach enough?

The scale of the task is even greater if you interrogate how FTSE 100 companies choose their CFOs. In recent years Boards have shown an increasing bias towards making lateral CFO appointments rather than promoting “step up” candidates from within. In the last four years the proportion laterally hired candidates has grown from 30% to nearly 70%.

There's no inherent bias in looking for external appointments, but Boards are showing a degree of caution in opting for “tried and tested” existing CFO candidates often plucked from other FTSE 100 companies or the upper portion of the FTSE 250.

While this may be understandable in an environment of considerable economic and political uncertainty, relying on this approach could disadvantage women because of their relatively low representation in the current pool of FTSE CFOs.

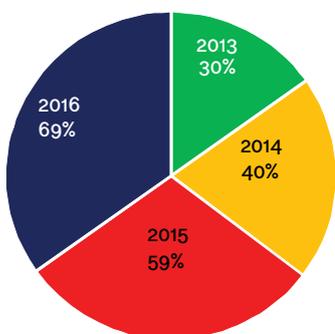
Number of female CFOs in the FTSE 100



Five years, 67 CFO appointments, 10 women

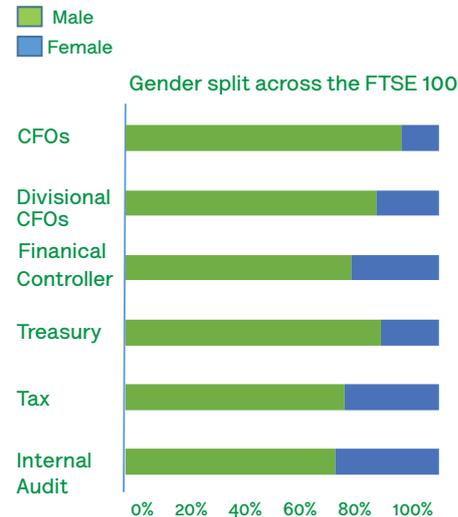
- Ashstead Group
- M&S
- Burberry
- Johnson Matthey
- Old Mutual
- Next
- Merlin
- Kingfisher
- Diageo
- Royal Dutch Shell

FTSE 100 CFO appointments Lateral hire candidates



Hedley May

April 2017



Boards need to step-up and take a risk

Of the four step-up FTSE 100 CFO appointments last year, two were women – 50%. This illustrates that the senior direct reports within the finance function may be a richer source of female candidates and it is worth noting that 28% of FTSE 100 Group Financial Controllers are female and 20% of Divisional CFOs.

Given so few CFOs in the FTSE 100 are women, more promotions from this deeper pool of Group Financial Controllers and Divisional CFOs could be the most effective route to increasing diversity at the highest level.

Gender diversity is also greater in some sectors than others. The vast majority (89) of group finance teams have a male bias – defined as three or more of the five senior positions being held by men.

But even this could be misleading as female finance talent is not spread evenly across the market. Of the 11 FTSE 100 group finance teams with a female bias, six of those companies produce consumer goods or services

So it is not hard for us to predict that female finance talent in the consumer sector should expect more headhunting calls if the Hampton-Alexander target is ever to be met.

An immense challenge!

To reach a 33% target at Group CFO level means finding at least 21 women (probably more to allow for natural attrition) most of which will need to come from a pool of 128 female Group Financial Controllers and Divisional CFOs.

This makes proactive career development and investment in these women absolutely critical while Boards must also be willing to buck the trend for conservative lateral hire appointments and take the risk on the best step-up candidates.

Put more simply, the culture and mindset of UK PLC has to change to create an environment where more of the next generation of highly skilled women have access to the most senior executive roles.

“

“It’s the responsibility of the company’s Board, CEO, headhunters and leadership team to encourage and enable a culture that provides aspiration, inspiration, support and opportunity for the women in their business to progress and reach the most senior positions.”

Alison Brittain, CEO Whitbread, Hampton-Alexander Review, November 2016

”

Hedley May – Functional Excellence

Hedley May is focused on senior appointments across corporate functions, covering the critical roles which ensure the smooth running of your business.

We are acknowledged experts in Legal, Compliance, Risk, Company Secretarial, Finance, Internal Audit, HR and Reward roles.

To find out more about how we can help you to recruit the best functional leaders, please contact Verity Smith or Nick Hedley on +44 (0)207 858 9444.

Alternatively, visit our website at www.hedleymay.com

Call us: +44 (0)207 858 9444
Visit us: www.hedleymay.com