



## THE FTSE 100 CHAIRMAN

How the face of board leadership has changed over a decade

The role and influence of the FTSE 100 chairman has grown significantly in recent years. So it is no surprise that the face of the modern chairman is less predictable and a little more diverse than a decade ago. Far more is expected of boards today than was the case and the same is true of chairmen. As leaders of the board and not the business, chairmen may prefer to stay out of the limelight, but they are increasingly held to account by regulators, government, media and the public for the part they play in anything from board composition and diversity to the handling of CEO succession, executive pay and business performance.

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## Introduction

The style of board leadership has also changed. It used to be that chairmen either provided robust leadership from the front or existed merely as ceremonial figures. Now, chairmen are required to co-ordinate a board of strong non-executive directors and, when things go wrong, be ready to slip into directive mode. Greater versatility is required. Today's FTSE chairmen needs to bring time, business experience, personality and maturity to the role.

Spencer Stuart's UK Board Practice has compared the experience and backgrounds of the FTSE 100 chairmen in 2014 to the chairmen who were leading FTSE 100 boards in 2004. Our goal was to see how chairman profiles have changed over the last decade and to draw conclusions about the changing nature of board leadership.

Our broad observation is that a more heterogeneous group of people are in charge of British boardrooms today, coming from far more diverse backgrounds than 10 years ago. The following statistics provide clear evidence of where the shifts have taken place.

## Age & diversity

### AGE

56<sup>.8</sup>

2004  
AVERAGE

60<sup>.4</sup>

2014  
AVERAGE

The average age of chairmen has risen from 56.8 to 60.4. This age increase may demonstrate the need for greater seniority, wisdom and experience in this critical role, but it may also be a reflection of the broader backgrounds of today's chairmen.

## FOREIGN NATIONALITY



UK boards are among the most internationally diverse in the world and it is not surprising that the number of foreign chairmen has grown from 19 in 2004 to 28 today. The footprint of many FTSE 100 companies has become more international as has the shareholder base. It is interesting, however, to note that the vast majority of foreign chairmen come from the US, Europe and South Africa and there is not one chairman from Asia.

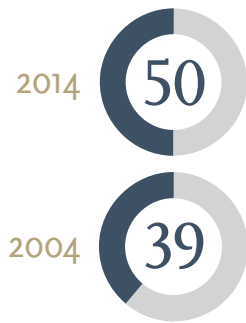


## GENDER

In 10 years there has been little progress in the number of women appointed to the role of chairmen, despite a significant shift in the number of female non-executive directors. In 2004 there was one female chairman in the FTSE 100 and that number rose to three in 2014 with the appointments of Sarah Bates (St James's Place) and Susan Kilsby (Shire). They joined Alison Carnwath (Land Securities), who for over three years had been the only female chairman of a FTSE 100 company. We anticipate that the number of female chairmen is set to rise over the coming decade as members of the current generation of female non-executive directors establish themselves as credible candidates.

The pressure on boards to become even more diverse will continue to grow over the coming years. In order to maintain the highest quality of directors in FTSE companies, far more needs to be done inside organisations to enhance the opportunities for women and ethnic minorities to progress to senior executive roles. Companies must seek to identify and reduce the constraints that prevent women from acquiring the skills and experience that will equip them for board leadership roles in the future. Today, only 15.8% of FTSE 100 executive committee members are women, compared with 29.9% of non-executive directors.

## Experience



### PRIOR CHAIRMAN EXPERIENCE

The number of current FTSE 100 chairmen who have chaired a listed company board in the past has increased from 39 in 2004 to 50 in 2014. This is consistent with the higher average age of chairmen, is a further indication of the complexity of the role and reflects the benefits that boards and management gain from chairmen who have successfully steered their organisations through a prolonged economic crisis.

### CEO EXPERIENCE



The number of FTSE 100 chairmen who are former company CEOs has gone down from 63 in 2004 to 51 in 2014.

Today's generation of chairman includes members of the legal and accounting and management consulting professions, as well as former bankers, diplomats and divisional CEOs. Chairmen are just as likely to be appointed for the intrinsic qualities that will make them outstanding board leaders in today's environment than for their proven experience running a major listed company. Whereas many of these chairmen might have found it hard to break into FTSE 100 board leadership roles a decade ago, they are proving themselves to be well suited to the role.

It is interesting to note that only 38% of FTSE 150 CEOs have non-executive directorships with other listed companies, suggesting that for the majority of CEOs, the day job is too demanding to allow them to spend time outside the company. Over the long term, there is a need for aspiring chairmen among the executive community to develop their skills as non-executives and spend time observing other chairmen than their own. For this reason, the declining number of CEOs who sit on outside boards may be cause for concern.

**CEO TO CHAIRMAN**



There has been a dramatic fall in the number of chairmen who were previously CEO of the same company, down from 22 in 2004 to 2 in 2014. This is a direct consequence of the recommendation in the UK Corporate Governance Code that a CEO should not become chairman of the same company and demonstrates that almost all chairmen meet the criteria of independence at the time of their appointment.

**CFO EXPERIENCE**



The number of FTSE 100 chairmen who are former CFOs has risen from 11 in 2004 to 16 in 2014. Aside from the obvious reassurance that investors will get from having a highly financially literate chairman at the helm, this statistic reflects the changing role of the CFO inside leading companies. Today's CFOs are more likely to have been exposed to more parts of the business and to have acquired a broader range of strategic and general management skills which equip them well to lead a board. They will also have developed strong influencing skills both on the board and within the executive committee which are extremely useful in the boardroom. In 2014, 31% of FTSE 100 CFOs sit on outside boards as non-executive directors and we believe that more CFOs will rise to the level of chairman in future.

**SENIOR INDEPENDENT DIRECTOR EXPERIENCE**



The number of chairmen who have been a senior independent director (SID) has increased from 31 in 2004 to 56 in 2014. This is a natural consequence of the growing recognition of the positive role the SID can play. At first seen as an unwelcome alternative locus of power, especially by many chairmen, the SID is now welcomed as senior adviser to the chairman, a useful independent link between non-executive directors and the chairman and of course the point person on chairman succession.

**JOINING THE BOARD PRIOR TO APPOINTMENT**



It has become increasingly common for chairmen to join the board for up to 12 months before stepping into the role. In 2014, 44 chairmen had done so, compared with only 19 in 2004. This is a sign of the professionalism with which SIDs are managing the chairman appointment process by giving new incumbents more of a chance to bed in than used to be the case.

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## Conclusion

Today's FTSE 100 chairmen are more experienced, more diverse and better prepared for the role than they were 10 years ago. The route to the top has altered significantly. That chairmen are drawn from a broader universe bodes well not just for board governance but for business at large.

### **ABOUT THE AUTHOR**

Will Dawkins leads the UK Board Practice. He focuses on the appointments of chairmen, nonexecutive directors and chief executives in a range of industries, including finance, technology, manufacturing, business services, media and consumer goods. He also undertakes board evaluations and works in the UK and internationally. Prior to entering executive search, he worked for 23 years in a variety of posts for The Financial Times.

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Our global Board Practice helps boards around the world identify and recruit independent directors and provided advice to chairmen, chief executive officers and nominating committees on important governance issues. In the UK, we lead the highly acclaimed Directors' Forum in partnership with London Business School. This programme highlights best practice in the UK's boardrooms through a sophisticated role play involving senior players from FTSE 100 boards, together with top advisers, including Brunswick, Citigroup, J.P. Morgan Cazenove, KPMG, Linklaters, McKinsey and Deloitte.

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