

# Are Boards changing?

An in-depth analysis of non-executive appointments, promotions and departures on FTSE 350 Boards in 2021

Part of the Boards of the Future series | By Moira Benigson





# Introduction

---

This report is the second in the Boards of the Future series from The MBS Group.

The first, published last year, contended that the role and composition of the Board must be fundamentally reimagined, without losing sight of its core oversight and governance responsibilities. Based on years of reflection and conversations with more than 100 Chairs and NEDs, the report suggested that to achieve a deeper meaning of governance, companies must embrace a new NED profile and optimum Board composition.

The five principles for the Board of the future – defined by Moira Benigson, Chair and Founder at The MBS Group – can be found opposite.

Achieving the Board of the future is not a quick fix – but if forward-thinking Chairs apply this lens to every new Board appointment, then gradually the Boards of today will begin to resemble the Boards of tomorrow.

This report looks specifically at non-executive roles on the Board and seeks to examine how Boards are changing. It is based on in-depth analysis of all non-executive changes made to FTSE 350 Boards during 2021, including appointments, internal promotions and changes, and exits from Boards. By analysing and comparing these groups, and measuring them against our five principles, this publication assesses the progress made towards future-fit Boards in UK public businesses.

Some principles – the need for veteran industry talent or digital experience, for example – are easy to measure. Others, like the suitability for acting as a role model, are more difficult.

So are Boards changing? This research finds that there are some encouraging signs of progress – especially in the number of women on Boards – but that change is not happening fast enough. Today's Chairs must make bold NED appointments to stay ahead, remain relevant and seize the opportunities of tomorrow.

## **The Board of the future fosters diverse thinking**

Combining directors whose backgrounds and experiences – both professional and personal – are varied and wide-ranging results in better conversations, more innovation and creative problem solving.

## **The Board of the future truly grasps digital, data and technology**

Boards that incorporate genuine domain knowledge – from those who speak the language of technology and can translate it for their fellow Board members – are better equipped to challenge the business, and are clear-eyed on the risks and opportunities of digital, data and technology.

## **The Board of the future is grounded by veteran industry experience**

Directors with deep sector experience – through multiple economic cycles – provide critical ballast, ensuring the Board doesn't lose sight of the fundamentals, and can apply past lessons to future challenges.

## **The Board of the future understands a company's place in the big picture**

The Board's ability to think broadly and beyond the commercials – on ESG, on the zeitgeist and on future trends – helps businesses secure their place by connecting with consumers, retaining relevance, and assuring a long-term future.

## **The Board of the future recognises its directors as individual role models**

Today's Boards are more visible than ever. Appointing directors who mirror the company's values and reflect its customers and colleagues has the power to set the tone from the top and inspire.

# Key findings

## Context and methodology

In 2021, more than 80% of FTSE 100 Boards made non-executive Board changes, and 67% of FTSE 250 businesses made Board changes. In total across the FTSE 350, just over 550 appointments were made last year – roughly in line with the previous two years.

For this report, we analysed these changes made to FTSE 350 Boards, looking at:

- Newly appointed NEDs
- Newly appointed Chairs and SIDs
- Internal position changes and promotions
- NEDs who exited, and
- Chairs and SIDs who exited

This research is a comprehensive analysis of non-executive roles in the FTSE 350, not including executives who sit on the Board, such as CEOs or CFOs.

By analysing these groups of individuals, taking into account gender, age, nationality, functional background and sector background among other areas, we have assessed the progress made in 2021 towards the Boards of the future, measuring changes against our five principles. This report also looks at consumer-facing businesses in the FTSE 350 specifically, to draw comparisons where necessary.

## A note on the visibility of diversity data

As outlined in the first Boards of the Future report, it is critical to consider every aspect of diversity and inclusion – including gender, race and ethnicity, age, disability, LGBTQ+ and social mobility, among others – when building a Board.

This report, however, focuses its analysis of diversity primarily on gender. This is because data on the diversity makeup of individual board members who joined the FTSE 350 in 2021 is not publicly available or verifiable. Providing personal information on race and ethnicity or sexual orientation, for example, is not currently required of those who join public Boards in the UK. And nor is it a simple thing to do: requiring people to provide sensitive personal information is fraught with ethical issues.

However, data collection is an important step in driving change. Mandatory gender pay gap reporting and the visibility of gender diversity data – so far unmatched in other areas – has driven progress on the number of women on Boards.

Where data does exist, it shows that gradual progress is being made. On race and ethnicity, for example, The Parker Review has found that 89 companies in the FTSE 100 have met the target of appointing at least one director of colour by 2021. In the FTSE 250, 55% of companies have achieved the target of appointing at least one director of colour by 2024.

The lack of available data on individual directors across all businesses does not dilute the responsibility of, or the opportunity for, Chairs to make diverse appointments when looking at their own Board. At The MBS Group, for example, during the course of 2021, 26% of our placements and 24% of our shortlisted candidates were from an ethnically diverse background across all of our non-executive Board mandates.

## ON GENDER:

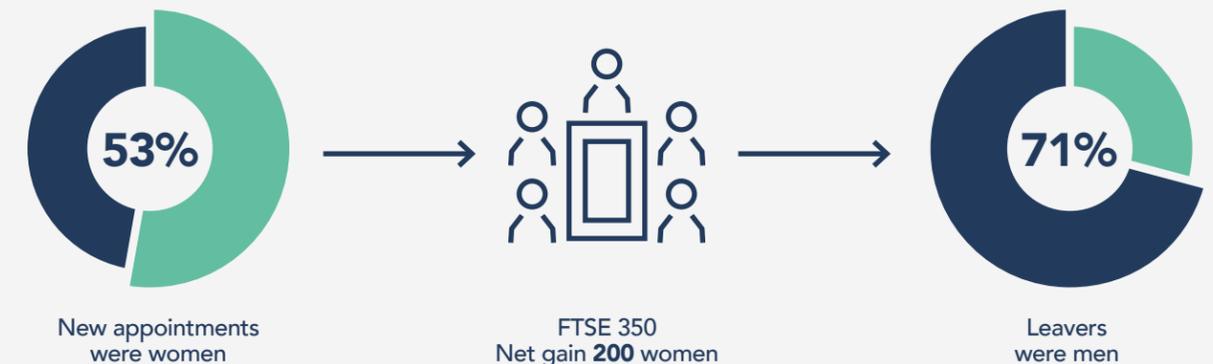
### Gender diversity is improving on Boards

The number of women on non-executive Boards is increasing. Women made up more than half (53%) of all new Board appointments in 2021, and at the same time, men made up 71% of those who exited Boards. As a result, there was a net gain of 200 women on the FTSE 350.

On the FTSE 100 specifically, 56% of new appointments were women, and 67% of leavers were men. On the FTSE 250, 52% of new appointments were women, and 74% of those who exited were men.

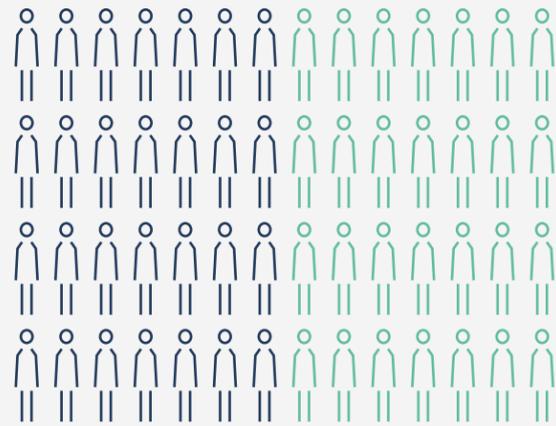
Today, the split of women to men in non-executive roles on FTSE 350 Boards sits at 43%/57%. 2021 also saw the most significant change to the proportion of women on Boards compared with previous years. Last year, women made up 53% of all FTSE 350 NED appointments, compared with 43% in 2020 and 41% in 2019.

#### WOMEN WERE APPOINTED TO FTSE 350 BOARDS AT A HIGHER RATE THAN MEN



## If the current appointment and turnover rate continues, gender parity on FTSE 350 Boards could be reached within two years

### GENDER PARITY WILL BE REACHED ON THE FTSE 100 BY 2023 AND ON THE FTSE 250 BY 2024



Based on the number of non-executive directors currently sitting on FTSE 100 Boards, if the appointment and turnover rate of 2021 were repeated in 2022, we would see a perfect 50:50 balance of men to women in one year. FTSE 250 Boards would achieve gender balance in less than two years. The near 50:50 gender split in new appointments indicates that improvement can be sustained in the long term (a much higher proportion of women joiners would have indicated that companies were taking drastic measures that rectify the current gender imbalance but cannot be sustained). Moreover, we can expect men to continue to step down from Boards at a higher rate than women over the next few years, given that the longest-serving NEDs across the FTSE 350 are men. Men make up 67% of NEDs who have served for more than five years, and 64% of those who have been serving for more than three years.

## Improvement has not been reflected at the most senior levels: four out of five Chairs roles went to men in 2021...

According to the 2022 FTSE Women Leaders Review, there are 48 women Chairs in the FTSE 350. While this represents long-term improvement, men were appointed into Chair positions at a far higher rate than women in 2021. In 2021, the vast majority (80%) of new Chair roles in the FTSE 350 went to men. In the FTSE 100, just over two thirds of Chair appointments went to men, a figure which increases to 89% on the FTSE 250.

A look at the requirements for Chair roles goes some way to explain the slow pace of change in this area. Chairs very often have prior CEO or CFO experience – 84% of Chairs appointed in 2021 do – but only 7% of CEOs and 17% of CFOs in the FTSE 350 are women, limiting the pool of available talent. Similarly, years of Board-level experience is understandably the norm,

but five years ago, only 23% of FTSE 350 Board seats were held by women. Narrowing the candidate pool further, almost half (48%) of new Chairs have prior experience as a Chair. Of those who don't, the majority have recent CEO experience in a FTSE 350 business.

### 4 OUT OF 5 CHAIR ROLES IN THE FTSE 350 WENT TO MEN



## ...and men were made a SID on the FTSE 350 at double the rate of women

Across the FTSE 350, men were appointed into senior independent director roles at double the rate of women in 2021. A serious lack of women SID appointments in the FTSE 250 skews this figure: three-quarters of all SID appointments in the FTSE 250 were men, whereas the FTSE 100 appointed as many women as men.

### MEN WERE MADE A SID AT DOUBLE THE RATE OF WOMEN



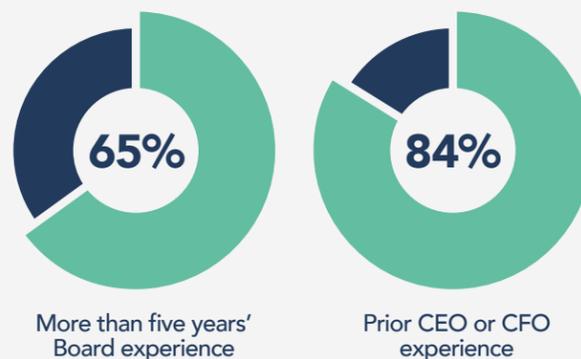
**ON CHAIR APPOINTMENTS:**

## The Chair profile remained consistent

The Chair profile remained consistent, with businesses appointing Chairs who have CEO or CFO and Board-level experience.

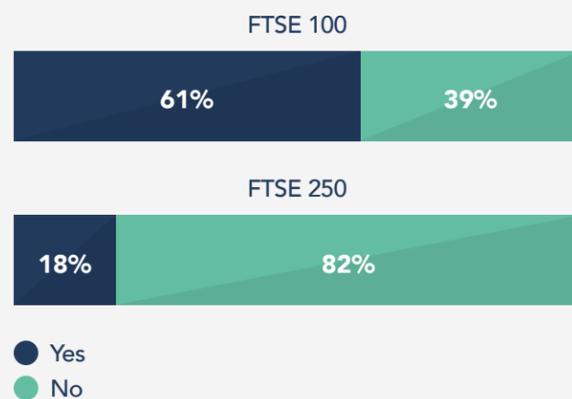
Across the FTSE 350, just under two-thirds of new Chairs have more than five years of Board experience, and around a quarter have more than five years of FTSE 350 Board experience specifically. Moreover, 84% of new Chairs have prior CEO or CFO experience.

**MOST NEW CHAIRS HAVE YEARS OF BOARD, CEO AND CFO EXPERIENCE**



## FTSE 100 businesses appointed Chairs primarily from within their current Board

**WERE CHAIRS APPOINTED FROM WITHIN THE CURRENT BOARD?**



There were 51 Chair appointments across the FTSE 350 in 2021. In the FTSE 100, more than 60% of Chairs were promoted internally from within the Board, compared to only 18% of FTSE 250 Chairs.

**ON FUNCTIONAL BACKGROUNDS:**

## The cohort of NEDs who joined FTSE 350 Boards was more functionally diverse than the cohort of NEDs who left

Anecdotally, we know that Boards in the FTSE 350 are gradually diversifying to include a more varied spread of functional expertise.

In 2021, for example, there was a third more functional backgrounds among those who joined FTSE 350 compared to those who left. In particular, our research shows the gradually diminishing prominence of

banking and finance. In the FTSE 100, more than half (56%) of the NEDs who stepped down come from the banking or finance function, compared to 45% of new appointments. This is more pronounced in the FTSE 250, where 60% of leavers in 2021 have a background in banking or finance compared with 47% of new joiners.

**THOSE APPOINTED TO THE FTSE 350 WERE MORE FUNCTIONALLY DIVERSE THAN THOSE WHO LEFT**



## Only one in ten new NED appointments have digital experience...

Only one in ten (10.3%) of all NEDs appointed to the FTSE 350 in 2021 have digital experience. However, the proportion of NEDs with digital experience looks to be increasing: directors with digital experience were added to FTSE 350 Boards at a higher rate than they exited.

**ONE IN TEN APPOINTMENTS TO THE FTSE 350 HAVE DIGITAL EXPERIENCE**



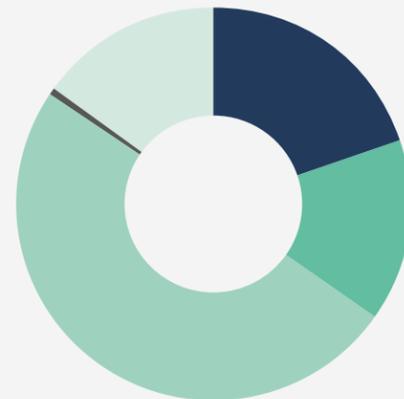
## ...and there is scope for far deeper domain expertise

Our research shows that many of the NEDs with digital experience appointed to the FTSE 350 in 2021 may not be best placed to sufficiently understand and scrutinise digital transformation and growth strategies, or to translate digital issues for their fellow Board members. To assess this, we looked at the specific backgrounds of the new NEDs with digital experience.

More than half (52%) of the NEDs with digital experience appointed to the FTSE 350 last year held a non-digital role in a digital business, and therefore may not have the skills necessary to provide deep domain expertise. This is a particularly pressing issue in the FTSE 100, where more than three-quarters (77%) of new NEDs from a digital background fall into this category. Moreover, just 20 appointments across the FTSE 350 in 2021 have current or previous experience in the roles of Chief Information Officer, Chief Technology Officer, Chief Data Officer or Chief Digital Officer.

In consumer-facing businesses, 11% of new NEDs have digital experience in 2021, a low figure in a sector where the speed of digital adoption often determines success.

**MOST NEW NEDS WITH DIGITAL EXPERIENCE HELD NON-DIGITAL ROLES**



- Digital/tech role in a digital/tech business (>2yrs)
- Digital/tech role in a non-digital/tech business (>2yrs)
- Non-digital/tech role in a digital/tech business (>2yrs)
- Investor in digital/tech businesses
- Experience board member in digital/tech businesses (>5yrs)

## ON EXPERIENCE:

### Consumer-facing businesses appointed proportionally more former CEOs than the rest of the FTSE 350...

DO NEW APPOINTMENTS HAVE FORMER CEO EXPERIENCE?

CONSUMER BUSINESSES



FTSE 350



● Yes ● No

Just under half of the new NED appointments appointed to consumer-facing businesses last year have prior CEO experience. Across the FTSE 350, only a third of new NEDs have previously served as a CEO. This is broadly consistent across the FTSE 100 and 250.

### ...but proportionally fewer NEDs with veteran industry experience

DO NEW APPOINTMENTS HAVE VETERAN INDUSTRY EXPERIENCE?

CONSUMER BUSINESSES



FTSE 350



● Yes ● No

Our research found that more than a third of new Board appointments in the FTSE 350 have veteran industry experience, here defined when an NED's core sector experience matches the sector of the Board they are joining. However, we found that consumer-facing businesses appointed proportionally fewer NEDs with veteran experience than the rest of the FTSE 350. Across the entire index, 37% of the NEDs appointed in 2021 had veteran industry experience, compared to just 20% of those joining consumer-facing Boards.

## Nearly 40% of new appointments in 2021 are first-time FTSE 350 NEDs

Of all new appointments in 2021, two-fifths have not held previous NED roles in the FTSE 350. This cohort is diverse: more than half (53%) are women, with representation from more than 18 nationalities.

NEARLY TWO-FIFTHS OF NEW BOARD APPOINTMENTS ARE FIRST-TIME NEDS

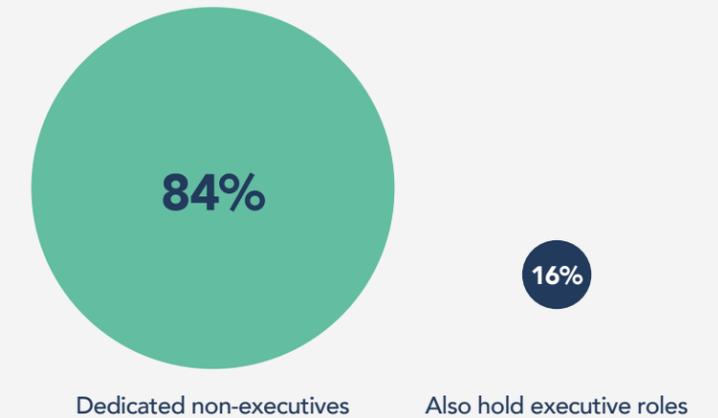


## ON BANDWIDTH:

## The majority of NEDs appointed in 2021 are dedicated non-executives...

ONLY 16% OF NEW APPOINTMENTS TO THE FTSE 350 ARE ALSO SERVING EXECUTIVES

Across the FTSE 350, only 16% of new NED roles were filled by people additionally serving in executive roles. This figure is higher in the FTSE 100, where 20% of those appointed also hold executive positions. Around 9% are serving executives within the FTSE 350. On the FTSE 250, 13% of NEDs appointed are also serving executives, and 2% in a FTSE 350 business.



## ...and there is no evidence of widespread overboarding among new NED appointments

NEW APPOINTMENTS TO THE FTSE 350 HAVE AN AVERAGE OF TWO BOARD POSITIONS



Over the past few years, director Board service has become a major area of focus, with some global organisations voting against director nominees who have too many additional executive or non-executive directorships. However, our research found no evidence of widespread overboarding among new appointments to the FTSE 350: in both the FTSE 100 and FTSE 250, NEDs appointed in 2021 have an average of two public Board positions.

# Are we appointing the Boards of the future?

At The MBS Group, we contend that companies should rethink the composition of their non-executive Boards to be equipped to face future challenges and address consistently evolving business priorities.

Last year, we set out five core principles which Chairs should consider when looking at the composition of their Board as a whole, which can be found in the introduction to this report. It is impossible to conclude whether today's Boards reflect these principles based on 2021 appointments exclusively – but by looking at the trends in the data we can explore if Boards are being built in line with our philosophy.

## The Board of the future fosters diverse thinking

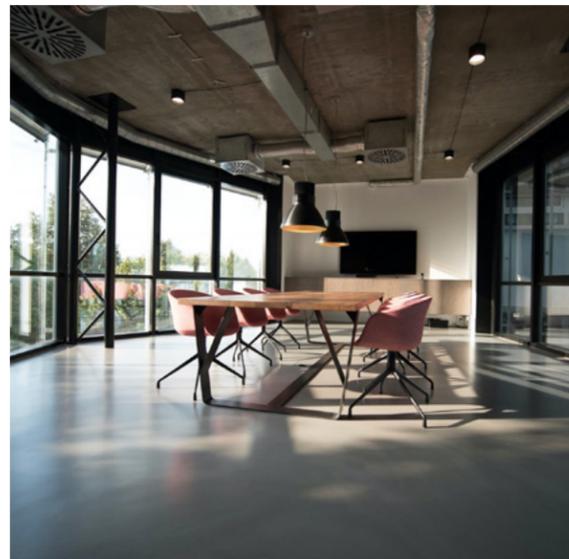
Our data shows that FTSE 350 Boards are becoming more diverse across gender, nationality and functional background – but that change isn't happening fast enough.

Across the FTSE 350, women represented more than half (53%) of all new NED appointments in 2021. Based on the current turnover and appointment rate, there will be gender parity on FTSE 350 Boards in less than two years if this trend continues. However, women remained underrepresented in Chair and SID appointments last year, with four out of five Chair positions going to men.

On function, there was a third more functional backgrounds among those who joined FTSE 350 compared to those who left. Boards are also becoming gradually more international. Of the NEDs who joined FTSE 350 Boards in 2021, 56% were British, compared to 70% of those who left. Another critical lens is age, which has remained consistent.

## The Board of the future truly grasps digital, data and technology

This report finds that digital expertise is increasing on FTSE 350 Boards – but too slowly. Only one in ten new appointments to the FTSE 350 in 2021 have digital experience. Moreover, more than half (52%) of the NEDs with digital experience have gained that experience from holding non-digital roles in a digital or tech business. As such, they may not be best placed to sufficiently understand and scrutinise digital transformation and growth strategies, and translate digital issues for their fellow Board members. This is a particularly pressing issue in the FTSE 100, where more than three-quarters (77%) of new NEDs from a digital background previously held non-digital roles.



## The Board of the future is grounded in veteran industry experience

In the FTSE 350, just over a third of all NED appointments in 2021 had veteran industry experience – defined when their core sector experience matched the sector of the Board they had joined. This is a less common feature in appointments to consumer-facing Boards, where only 20% of all new NEDs had veteran industry experience in 2021.

## The Board of the future understands a company's place in the big picture

The most effective Boards will not only be able to support and scrutinise the executive on business-specific issues, but will also be able to consider policies through a political, environmental, social and ethical lens. It is difficult to quantify whether the NEDs appointed to FTSE 350 Boards in 2021 will be able to ask the right questions and consider issues within their wider context.

One factor to consider is the presence of public-sector experience on a board, which can bring a longer-term outlook. Similarly, bringing in NEDs with specific expertise in ESG can help organisations look beyond immediate commercial considerations. There are a number of notable examples from 2021, such as the FTSE 250 consumer business which hired an NED with more than thirty years of public sector experience.

## The Board of the future recognises its directors as individual role models

Appointing non-executive directors is also about setting the tone for the business, showcasing what sort of talent is valued and creating role models for the wider workforce. Measuring new Board appointments against this principle is equally challenging, but there are some relevant examples of appointments which reflect this philosophy. In February 2021, for example, a FTSE 250 food manufacturer appointed a former sports player who is an anti-racism and LGBTQ+ advocate to its Board.

# About Us

## About The MBS Group

The MBS Group is a leading sector-specialist executive search firm advising all consumer facing industries. Clients consider us to be the partner of choice when searching for critical leadership roles that make a difference. We work at Board level and on executive positions across all functions of strategic importance. For more information, visit [www.thembsgroup.co.uk](http://www.thembsgroup.co.uk)

## Our Boards expertise

Our breadth and depth of experience across all consumer-facing sectors and beyond gives us the ability to offer a creative perspective on the strategic leaders of a business. We think businesses thrive on diversity of experience and we are unafraid to think boldly. Clients of all types – be it listed, privately-owned, private equity-backed or not-for-profit – and of varying sizes trust us to deliver the most effective Boards.

## **The MBS Group**

3 Primrose Mews  
Off Sharpleshall Street  
London, NW1 8YW

+44 (0) 20 7722 1221  
info@thembsgroup.co.uk

[www.thembsgroup.co.uk](http://www.thembsgroup.co.uk)

## **Moira Benigson**

Founder and Chair  
moira.benigson@thembsgroup.co.uk