Increasing diversity on public and private sector boards
Part I – How diverse are boards and why?

Dr. Ruth Sealy, Elena Doldor and Professor Susan Vinnicombe
International Centre for Women Leaders
Cranfield School of Management

October 2009
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Executive summary

The Government Equalities Office (GEO) commissioned Cranfield School of Management to examine the issue of diversity on boards of directors in the private and public sectors. The project sought to address two main questions:

- Why are there so few women and other under-represented groups on public and private sector boards?
- What is being done in order to increase diversity on boards?

The report is published in two parts: Part I considers the available evidence on diversity on boards. It examines academic and non-academic literature in the field, in the UK and internationally, and reviews available evidence concerning the factors accounting for the absence of diversity on boards. Part II maps out current practices aimed at increasing board diversity based on the review of evidence.

The review of evidence reviewed revealed a persistent under-representation of groups such as women, ethnic minorities and disabled people on both public and private sector boards. However, most evidence in the UK and internationally focused on gender rather than other under-represented groups.

There were three broad categories of explanations accounting for the lack of diversity on boards:

1. **Individual level** – No evidence was found that under-represented groups lack the skills or qualifications to be on boards. A perceived lack of opportunity for under-represented groups at board level may cause those individuals to lower their career expectations. Persistent and unconscious stereotyping of under-represented groups leads to biased perceptions of skills and aspiration.

2. **Interpersonal level** – Diverse candidates lack social capital and are often excluded from influential social networks, affecting access to boards. In addition, boardroom cultures can be inhospitable to individuals from under-represented groups.

3. **Appointment process** – This process remains open to subjective bias due to a lack of transparency about openings and unclear selection criteria, particularly in the private sector. Weak links between search consultancies and diverse candidates are also a problem in the private sector.
There are notable gaps in the evidence base on board diversity, including:

- other under-represented groups (reflecting ethnicity, disability, sexual orientation equality)
- public sector boards
- international comparisons
- the appointment process of non-executive directors,
- boardroom dynamics, and
- the effectiveness of initiatives to improve diversity.
Despite attempts to promote diversity in the workplace in the UK, there has been slow progress in the advancement of women and other under-represented groups onto public and private sector boards.

The Government is committed to increasing the representation of women and other under-represented groups, for example people from ethnic minority backgrounds or disabled people, at senior levels in both the public and private sector. This is for a number of reasons. Firstly, as the country moves towards economic recovery, it is imperative that our public bodies and private businesses are accessing the widest possible talent pool. Secondly, diverse boards better understand the needs of the clients and communities they serve. Thirdly, there is an obligation to ensure that there is strong and effective corporate governance. There is a danger of “group-think” if we allow boards to be comprised of individuals who share the same backgrounds, experiences and biases. Fourthly, the Government’s vision is of a fair and family-friendly labour market for both women and men, cannot be achieved if women who take on the majority of family responsibilities, are excluded from the highest levels of decision-making. Finally, there is a notable absence of women on boards, yet they represent half of the population. There is no lack of aspiration, education or experience among women, and the government must do all we can to remove the obstacles to their progression.

The Government Equalities Office (GEO) commissioned the Cranfield School of Management to review the levels of diversity on public and private boards, the reasons for this under-representation and what is being done to address this issue.

Background

In the wake of the current economic crisis and corporate failure, how organizations, whether public or private are being run has become the object of increased public scrutiny and debate. Boards of directors are one of the main mechanisms of internal governance of public and private sector organizations. Boards are composed of executive and non-executive directors. The boards of directors are intended to ensure that the interests of the management and the ‘shareholders’ are closely aligned, whether they are individual and institutional shareholders of private
corporations, or the state in the case of public boards (Kang, Cheng & Gray, 2007). Boards typically fulfill three main functions:

- legitimizing (enforcing legal requirements),
- directing (setting the overall corporate strategy) and
- overseeing executive management (ensuring competent and efficient management) (Billimoria & Piderit, 1994).

Governance experts state that board effectiveness depends upon a number of factors such as size and composition, board leadership structure, and corporate governance rating systems (Van der Walt, Ingley, Shergill & Townsend, 2006).

**Good governance**

An earlier round of corporate failure and governance scandals in the 1990s generated a wave of mistrust in corporations and their boards (Berman, 2008) and gave rise to corporate governance regulations from the Sarbanes-Oxley law in the USA in 2002, and the recommendations of Higgs Review and the Tyson Report in 2003 in the UK. The Higgs Review on the role and effectiveness of non-executive directors and the related Tyson Report on the recruitment and development of non-executive directors led to new guidance in relation to the management of companies and the need for transparency in the reporting of corporate governance (Singh & Vinnicombe, 2004). The Financial Services Authority requires companies listed on the London stock exchange to disclose in relation to the Combined Code (2000), how they have applied its principles and whether they have complied with its provisions. However, unlike the Sarbanes-Oxley Act whose recommendations are enforced by law, those of the Higgs Review remain as recommendations and companies face no penalty for non-compliance. The forthcoming Walker Review of corporate governance of banks presents another opportunity to highlight the lack of diversity at board level in this sector.

**The importance of diverse boards**

While media coverage of boards is quite recent, academics and policymakers have pointed out for a long time the lack of diversity on boards, suggesting that greater diversity of board members is likely to lead to better performing boards and corporations and in particular to increased corporate social responsibility (Campbell & Minguez-Vera, 2008;
At a time when pressure to increase the number of women and other under-represented groups on boards is rising, three questions loom:

- why are there so few of them on public and private sector boards;
- what is being done to increase diversity on boards; and
- how effective are any of the initiatives?

The full research project aims to address these questions by:

1. reviewing evidence of an up-to-date diagnosis of the status quo in terms of board diversity, including a thorough analysis of the challenges diverse individuals face on their way to boards (covered in Part I) and;
2. mapping out the effectiveness of initiatives meant to increase diversity on boards (covered in Part II).

The concept of ‘diversity’ is generally used to refer to the dynamics of difference and inclusion of different demographic groups in the workplace. Dimensions of diversity may include age, gender, ethnicity, disability, or sexual orientation. This project attempted to focus particularly on gender, ethnicity and disability as dimensions of diversity on boards. These constitute groups that have been systematically disadvantaged and under-represented in the workplace.

**Assessment of the evidence**

<table>
<thead>
<tr>
<th>Most board diversity research focuses on:</th>
<th>Limitations of board diversity literature:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Under-representation of women</td>
<td>1. Focus on women</td>
</tr>
<tr>
<td>2. Number of female directorships</td>
<td>2. Very few BME or disabled directors and very little research on them</td>
</tr>
<tr>
<td>3. Characteristics of few female directors</td>
<td>3. Scant research on appointment process</td>
</tr>
<tr>
<td>4. Characteristics of firms with varying proportions of female directors</td>
<td>4. Dominance of private board research over public boards</td>
</tr>
<tr>
<td>5. Generic barriers to women’s leadership</td>
<td>5. Limited evidence of initiatives or their effectiveness</td>
</tr>
<tr>
<td></td>
<td>6. Challenges of international comparisons with limited definitions of scope of private or public boards</td>
</tr>
</tbody>
</table>
Whilst there is empirical evidence available about board diversity, its scope is somewhat limited to the issues shown above (Burgess & Tharenou, 2002; Terjesen, Sealy & Singh, 2009). In addition, challenges exist around meaningful international comparisons due to a lack of definition of the term ‘public boards’. In this report the term ‘public board’ refers to the 18,500 appointments made to the boards of UK public bodies.

Whilst most academic research tackling board diversity is focused on women, numerous social groups (racial/ethnic minorities, disabled people, homosexuals) remain conspicuously underrepresented in decision-making in general and on boards of directors in particular, and this is also a gap in the literature (Konrad, Prasad & Pringle, 2006).

Monitoring and research on ethnicity is more common in the USA, where for historical reasons the issue of race is more salient in public awareness (Egan & Bendick, 2003). A Newsweek survey found that many European companies are reluctant to monitor race in the boardroom, finding it racist to even raise the question; only six of the largest 100 European firms contacted for the survey in 2001 reported having ethnic minority directors (Foroohar, 2002). One of the challenges in the UK workplace is that to a certain degree ethnic diversity is self-defined and some employees might not categorize themselves as minority members (Brammer, Millington & Pavelin, 2007). Similarly, monitoring and research on disability in the workplace is difficult because of the social stigma associated to it (Stone-Romero, Stone & Lukaszewski, 2006) and similar challenges of the individuals defining their disability. However, while some of the challenges faced by each minority group are unique, there are a number of common reasons explaining patterns of inequality in the workplace. Therefore, although the current review is heavily focused on women directors, the major obstacles identified by summarizing the literature are relevant to many members of under-represented groups who try to climb the organizational ladder (Konrad, Prasad & Pringle, 2006).
2 Methodology

Aims and objectives
This research project examines the issue of diversity on boards of directors in the private and public sectors. The main questions this project addresses are:

1. What are the current barriers that women and other under-represented groups face in attaining positions on public and private boards?
2. What initiatives are being conducted nationally and internationally to address this and with how much success? and
3. How effective have any of these initiatives been?

This report initially examines the status quo of diversity on boards through the available evidence concerning the factors accounting for the absence of under-represented groups on boards. In the second part of the research project maps out current practices aimed at increasing board diversity based on interviews with several international experts in the field. In drawing together the report’s conclusion, several suggestions are formulated for further action to increase board diversity in the UK.

Methods
Given the aims of the project we used a two-stage approach: rapid evidence assessment exploratory interviews with experts about initiatives to improve diversity on boards.

Rapid evidence assessment
The initial stage of the project included a Rapid Evidence Assessment applying the core principles and techniques of the systematic literature review, yet making concessions to allow the completion of the review in a shorter time scale. Electronic databases and published books were the main sources of academic literature. In addition to that we also examined publications written for practitioners and policy-makers. The following electronic databases were used:

- ABI/INFORM Global,
- Business Source Complete (EBSCO), and
- Google Scholar
Relevant keyword searches were conducted for each of the research questions listed. The table in Appendix 1 summarizes the criteria we used in order to select and assess the literature identified by searching electronic databases. In addition to key-word search in electronic databases, we also heavily used the snow-balling technique (or cross-referencing) to increase the efficiency of our search with the short timeframe. After adding literature using this method, we carried out the REA by examining a total of 123 references, out of which 74 were journal papers, 23 were reports, 6 were conference papers/unpublished theses, and 20 books/book chapters. The majority of the literature identified dealt with gender diversity on corporate boards. There was little academic literature on public boards, although these were covered more by public reports. We found little research looking at ethnic diversity on boards and almost no research examining disability on boards.

More details about the methods used to explore what is being done to improve diversity on boards in contained in method section of Part II of the research report.

**Limitations**

Limitations of the research include:

- The meaning of the term ‘public board’ is often unclear or undefined, sometimes referring strictly to state-owned enterprises and government departments, and other times encompassing jobs in politics, the judiciary or the voluntary sectors. For this report when reporting on the UK, as much as possible we use the figures for ‘public appointments’ – i.e. an appointment to the board of a public body. Figures taken from international research are also often ill-defined.
- This project was a time limited which limited the search for international literature on public and private sector boards covered in the report.
- The research is not exhaustive or statistically generalisable.
3 How diverse are private and public boards of directors?

As participation in the workforce by women and other under-represented groups has steadily increased in the last decades, many have gained access to lower and middle-level leadership positions in the workplace. Despite this encouraging progress, the presence of under-represented individuals in the highest-level positions of both public and private companies remains alarmingly rare. Striking inequalities are particularly observed on boards of directors. While the gender gap is most extensively documented, the scant existing research on other minority groups does not indicate what obstacles are most significant for various under-represented groups. In addition, existing research in work settings does not appear to explore the joint effect of belonging to more than one minority group, for example, being black and female.

Private sector boards

Corporate boards in the UK

Women

The UK is one of only a few countries who have been monitoring the presence of women on corporate boards for a number of years. Since 1999 Cranfield’s Female FTSE Report has provided data initially just on the corporate boards of the FTSE 100 companies but more recently has included information on up to 2,000 companies listed on the stock exchange (Table 2). It also looks at the ‘women in the pipeline’, on the executive committees of FTSE350 organizations.

Table 2: A comparison across UK stock exchange listings

<table>
<thead>
<tr>
<th>Index</th>
<th>Percentage of women on boards</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE 100</td>
<td>11.7%</td>
</tr>
<tr>
<td>FTSE 250</td>
<td>7.0%</td>
</tr>
<tr>
<td>FTSE AIM</td>
<td>4.9%</td>
</tr>
<tr>
<td>FTSE Small Cap</td>
<td>5.6%</td>
</tr>
<tr>
<td>FTSE Techmark 100</td>
<td>5.7%</td>
</tr>
<tr>
<td>FTSE Techmark All-share</td>
<td>6.2%</td>
</tr>
<tr>
<td>FTSE Fledgling</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Source: Female FTSE Report, 2008

1 Financial Times Stock Exchange 100 largest companies by market capitalization
The Female FTSE Reports indicate a slow pace of progress for women into corporate boardrooms in the last decade, from 6.9% female directorships on the FTSE100 in 1999 to only 11.7% female directorships in 2008 (Sealy, Vinnicombe & Singh, 2008). A report by the Equality and Human Rights Commission (2008) suggested that at the current rate of change, it will take more than 70 years to achieve gender balanced boardrooms on the UK’s largest 100 companies. And over time, the Female FTSE Report has also noted that the figures for female directors are worse in the smaller listed companies.

Other under-represented groups

In addition, only 27 out of FTSE100 companies have ethnic minority directors (Singh, 2007) and there is little ethnic diversity in UK corporations in general (Brammer, Millington & Pavelin, 2007). Sealy, Vinnicombe and Singh (2008) found only 4.7% ethnic minority directors on the boards of FTSE100 companies. Given that we found no journal articles exploring disability on corporate boards demonstrates a substantial gap both in the research and the presence of other minorities on boards.

Finance sector in the UK

For ethnic minority groups in the financial sector, the lack of the lack of diversity at top levels is caused by a lack of diversity at entry levels. In UK’s financial services in 2004, there were only one in twenty non-white employees, but two-thirds of financial service employees were women (Brammer, Millington & Pavelin, 2007). However, the vast majority of women occupied secretarial or junior administrative roles (Metcalf & Rolfe, 2009).

Within the banks on the UK’s Financial Times Stock Exchange (FTSE) 100 leading companies, today just 8% of board members are female. There are currently five banks in the FTSE100: HSBC who have three women on their board, Standard Chartered who have two and the group now known as Lloyds Bank have just one woman on their board. Barclays and Royal Bank of Scotland group have no women on their board. These numbers of women have fallen substantially since 2004, when there were eight banks in the FTSE100\(^2\), all of whom had women on their boards (Sealy, Singh & Vinnicombe, 2007). Not only have the actual numbers of women on FTSE bank boards gone down from 16 to just five, worryingly the percentage of women on those boards has significantly decreased from 12.8% to just 8.1% (Table 3).

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\(^2\) HSBC, Lloyds TSB, Abbey, Barclays, HBOS, Northern Rock, Standard Chartered and RBS
Table 3: Female board directors in FTSE100 banks

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of banks</th>
<th>No. of banks with women on boards</th>
<th>Total number of women on boards</th>
<th>Percentage of women on boards</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>8</td>
<td>8</td>
<td>16</td>
<td>12.8%</td>
</tr>
<tr>
<td>2008</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

Source: Female FTSE Reports, 2004 and 2008

International corporate boards

Regardless of sector or cultural context, boards of directors are notoriously male-dominated. According to a pan-European study carried out in 2008, the average private sector corporate European board is composed of about 15 members, out of which 1.5 are women (European Professional Women’s Network, 2008). On average, there are only 9.7% women on the boards of the top 300 European corporations.

The Scandinavian countries of Norway, Sweden, Denmark and Sweden are identified as the Front Runners. Norway in particular has achieved an impressive 40.2% women on boards due to vigorous quota legislation, since January 2008, stipulating that a minimum 40% of board members should be of either sex. A failure to comply leads to sanctions, including delisting of the company and removal from the Norwegian stock exchange. Norwegian quota requirements apply to public limited companies and despite initial concerns from businesses and women, Norway is in many ways a success story (for more details see Case study below). Not only did the percentage of women on boards sharply rise, but their performance on boards has dispelled to a great extent opposing arguments related to women’s shortcomings (Hoel, 2008).

In terms of other European countries, the next cluster is composed of the Netherlands, UK, Ireland and Austria, whose percentage of women directors ranges from 12.3% to 9.2%. Several others have about 7% women directors on boards on average. Finally, at the bottom are Italy and Portugal, with 2.1% and 0.8% women on boards respectively. It should be noted, however, that the pan-European study looked at only 300 companies in total, from 17 countries, with an average of just 17 companies per country. However, there was a range of just 6 companies per country to over 50. These small numbers can skew the results – for example, the figure given for the Netherlands here is 12.3%. But in a study looking at the full 113 Dutch listed companies on the Euronext Amsterdam exchange in 2008, the figure was just 5.7% (Luckerath-Rovers, 2009).
It should be noted that comparisons between countries are imprecise as the size of the top 100 companies in New Zealand or Portugal is very different from that of similar companies in the US, Canada, or the FTSE100. Across most Western economies, the further down the listings one looks, the worse the representation of women on boards becomes (Sealy, Vinnicombe & Singh, 2008; Joy, 2008).

Non-European economies

US – In the US women hold 14.6% of board seats among the Fortune 500 companies (Joy, 2008). Other minority groups are even less represented at the highest echelons of organizations. In the Fortune 500 companies, ethnic minorities hold about 7% of board seats (Minority Business Roundtable, 2009) and ethnic minority women hold 3.2% of board seats (Catalyst, 2008).

Australia – In Australia, the recently published 2008 census counted just 8.3% women on the corporate boards of the country’s top 200 companies (EOWA, 2009), a decline from 8.7% in 2006 (Ross-Smith & Bridge, 2008). Similarly, in New Zealand a census found that in 2007 there were only 8.6% women directors on the boards of the top 100 private sector companies (Human Rights Commission, 2008).

Canada – In Canada’s top FP500 corporations, there were 15.1% women directors in 2007 (Burke & Leblanc, 2008). Interestingly, whilst Canada’s percentage of women on boards is similar to that of the US, their numbers of women in Chief Executive Officer (CEO) positions are significantly higher. In the US, 15 of the Fortune 500 companies have female CEOs whereas the comparable figure in Canada is 27. However, in 2007, still 40% of the FP500 companies had no women on their boards.

Finance abroad

As the current financial crisis requires an increased intervention of central banks in shaping monetary policy and stabilizing financial systems at national levels, there is a rising public interest in the boards of financial institutions. Whilst in 2003 there were 6.7% female governors of European central banks, since 2007 governors of European central banks have been
exclusively male. Within the European Union, there are only 16.9% women on average in the highest decision-making bodies of Central Banks. In six EU member countries, decision-making bodies of central banks are formed exclusively by men (European Commission, 2009).

**Public sector boards**

**Public boards in the UK**

Although disparities are also apparent on boards of directors in the public sector, overall these boards tend to have a better representation of women and people from other minority groups. In the UK, “a public appointment” is an appointment to the board of a public body. These public bodies provide a range of important services, funding arts, sports and science, providing essential health care, safeguarding the environment, promoting human rights and protecting the interests of consumers (Government Equalities Office, 2009). In the UK, there are approximately 18,500 public appointments, and as of March 2008, whilst women make up half of the working population, 33.3% of public appointments were held by women. Other groups were similarly under-represented: appointees included 5% disabled people, even though 14% of the working age population has a disability, and 5.7% ethnic minorities held appointments (from 11% of the working population) (Government Equalities Office, 2009).

Whilst there is still progress to be made, diverse representation appears across many levels of the public sector; and although outside of the scope of this study, anecdotal evidence suggests that for women, one reason for this is different work practices; for example, less of a long-hours culture and a greater possibility of either part-time or flexible full-time work arrangements.

Gender inequality in the public sector begins with differential participation in elected political bodies and persists in public administration roles. The low representation of women in political life and the civil service affects the pipeline to public appointments. Throughout Western societies, parliaments tend to be male-dominated. A report by the European Commission (2009) showed that the UK counted only 19.7% women Members of Parliament and about 23.9% women in the top jobs of public and voluntary sectors (Equality and Human Rights Commission, 2008).
International public boards

Table 4 shows that in some other countries, state-owned enterprises (SOEs) are achieving parity at a faster pace as a result of proactive equality measures taken by governments. This table is indicative and presents the proportion of women on private and public sector boards by country, where data is available.

Table 4: International comparison of proportions of women on private and public sector boards

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportion of women on private and public sector boards</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Private</td>
</tr>
<tr>
<td>Norway</td>
<td>40.2% (OSE)</td>
</tr>
<tr>
<td>USA</td>
<td>14.6% (Fortune 500)</td>
</tr>
<tr>
<td>Canada</td>
<td>15.1% (FP500)</td>
</tr>
<tr>
<td>UK</td>
<td>11.7% (FTSE 100)</td>
</tr>
<tr>
<td>Europe</td>
<td>9.7% (Top 300)</td>
</tr>
<tr>
<td>Spain</td>
<td>9.1% (IBEX35)</td>
</tr>
<tr>
<td>Australia</td>
<td>8.3% (ASX 200)</td>
</tr>
<tr>
<td>New Zealand</td>
<td>7% (NZE)</td>
</tr>
</tbody>
</table>


Please note that this table is indicative as definitions of public and private sector boards vary internationally. See also earlier note on international comparisons.

In 2006, New Zealand’s SOEs counted 35% female board directorships, standing in sharp contrast with the country’s private corporations, where women represented only 7% of board members (Hawarden & Stablein, 2008). Today women represent just less than a quarter (23%) of New Zealand’s public service chief executives, despite the high proportion (56%) of women employed in the public sector (Human Rights Commission, 2008). In Canada, women’s presence on SOE boards was as high as 42% in 2008, compared to 15% women on corporate boards (Burke & Leblanc,
2008) and in Norway a law from 1985 ensured that by 1997 two out of five public committee positions were held by women (European Professional Women’s Network, 2006). However, again, it is often unclear in some of this research what the definition of public sector is within each country, thus making international comparisons difficult.

Private and public sector board comparisons

Besides pro-active legislation, these gender differences in representation between the public and private sector are also due to more flexible working cultures in the public sector, across many countries, allowing women to accommodate family responsibilities. However, these public sector senior positions are usually much lower paid than their private sector equivalents.

More recently, however, positive effects of women’s representation in public leadership are being noticed in Australia, where senior figures within the private sector are beginning to accept the value of public sector board experience following the reorganization of many public sector organizations along more private sector managerial lines (Jane Bridge, interview, August 2009). There was very little other evidence written about individuals crossing between the boards of private and public sectors. Interestingly, in the UK, newly appointed female directors on the boards of FTSE100 companies were found to have more multiple sector experience (i.e. public and third sector in addition to private sector) than men (Singh, Terjesen & Vinnicombe, 2008). However, such experience often goes undetected by search consultants in the private sector look for board directors, who only tend to look for those with similar private sector experience (International search consultant, interview, August 2009).
4 Why is there a lack of diversity on private and public sector boards?

Reviews of international research into the progress of women and other minority groups onto the boards of directors confirm that this persistent gap in both the private and public sector is a global phenomenon (Vinnicombe, Singh, Burke, Billimoria & Huse, 2008; Eagly & Carli, 2007; Kellerman & Rhode, 2007; Singh, Vinnicombe & Terjesen, 2007). As with any complex social problem, the causes of the gender gap in power are multifaceted and often difficult to discern. Here we identified three core theoretical perspectives which help to account for the under-representation of women and other groups on boards:

- **individual level** – examining the characteristics of women on boards or the under-represented candidates. Two main types of arguments have emerged regarding under-represented groups:
  1. they are not interested in taking on board roles; and
  2. they lack the qualifications or the skills these roles require.

- **interpersonal level** – suggesting that women and other under-represented groups lack the social networks and relationships needed to access board positions and integrate board dynamics with ease.

- **appointment process** – suggesting that the problem is not related to the lack of available candidates, but to the process by which directors are appointed on boards. These processes allow the current power elite (dominated by white males) always to hire in their own image, thus failing to tap into a more diverse pool of talent.

**Individual factors**

**Aspiration**

**Assumption: The reason behind the dearth of women in the most senior positions of organizations is that ‘women lack ambition’.

In a major study surveying thousands of professional women (those working at a predetermined ‘professional grade’ of private corporations) across the US, UK and Europe, 48% of professional men reported themselves as ‘extremely ambitious’, whilst only 35% of professional women have a similar self-perception. The same survey also pointed out that amongst highly qualified individuals only 15% of women aspire to positions of power, as opposed to 27% men (Hewlett, Luce, Shiller & Southwell, 2005). Such figures can be used to conclude that women are intrinsically less ambitious than men.
These perceptions are fueled by media headlines across the Western world about women ‘choosing’ to leave the corporate world at mid-senior management level, the assumption being they go home to look after their family. This followed a now much-cited article in the New York Times about ‘The Opt-out Revolution’ (Belkin, 2003). The problem with such assertions is that it places the ‘blame’ for the lack of diversity on boards firmly at the feet of the women who are choosing to leave, discouraging others from taking responsibility for, or addressing the issue.

Other evidence suggests that the perceived lack of opportunity causes under-represented individuals to adjust their expectations and reduce their ambition. In the past 10-15 years there has been substantial academic evidence from many Western economies showing that decisions to leave among women managers are significantly related to a perceived lack of opportunities within organizations (e.g. Stroh, Brett, Reilly, 1996; Sealy, 2009). In addition, with increased understanding behind women ‘opting-out’, more recent research shows contradictory evidence about women and ambition. For example, a recent survey of women directors in UK’s FTSE100 and FTSE250 companies found that 80% women aspire to non-executive directorship roles (Sealy, Vinnicombe & Singh, 2008). Similarly, a Catalyst report (2008) found that most men and women in senior line positions of Fortune 500 companies (77% and 82% respectively) aspire to be CEO.

A McKinsey report (2007) found that around three-quarters of French women believed their career development was paved with obstacles, in comparison to only half men who shared this view. Although women face many similar barriers to men as they advance to senior levels, they also report gender-specific hurdles such as:

- exclusion from informal networks,
- masculine workplace cultures,
- stereotyping and
- prejudice (Catalyst, 2004).

This indicates that women are highly aware of the additional challenges of furthering their career. And in a study of gender diversity in law firms, in the US, Ely (1994) found that differences in women’s representation at the highest organizational echelons shaped perceptions of career obstacles and opportunities among lower level women.
A lack of role models

The absence of female role models in the workplace was identified as a developmental barrier for women employees in several studies (Rosin & Korabik, 1995; Catalyst & Opportunity Now, 2000; DDI/CIPD Leadership Forecast Survey, 2005). The paucity of female role models in top leadership roles makes it more difficult for women to identify with success (Sealy, 2009).

The lack of role models, coupled with women’s acute perception of the obstacles lying ahead of them, diminish their aspirations to make it to the top (Liff & Ward, 2001). In addition, not only are women aware of how difficult it is to penetrate and integrate boards of directors, but they are also more concerned about the lack of board diversity than their male counterparts (Sheridan & Milgate, 2003). The perception of ‘macho boardroom cultures’ may deter a woman from aspiring to a board position, not because she doubts her capability, but because she does not like the environment in which she would have to work (Singh, 2008; Sealy, 2009).

Women are not inherently less ambitious than men. Any analysis of differences in individual ambition cannot be divorced from the social or organizational context that nurtures (or fails to nurture) that ambition. Women’s aspirations to sit on boards of directors are naturally calibrated by the perceived chances of this occurring. Low opportunities seldom lead to great expectations.

Skills and ability

Assumption: women lack the relevant knowledge, skills and expertise to sit on boards of directors.

Traditionally, the explanation for a lack of women and other under-represented groups attaining so few positions on boards of directors, has been the ‘lack of pipeline’, i.e. insufficient numbers of qualified individuals in the pipeline (Tharenou, 1999). Human capital theory proposes that individuals increase their value to organizations by acquiring knowledge, skills, and credentials through education and experience (Judge, Cable, Boudreau, & Bretz, 1995). Whilst women have historically developed human capital to a lesser extent than men, the opposite now appears to be the case in many Western countries (Singh & Vinnicombe, 2004; Singh, Terjesen & Vinnicombe, 2008; Gressy, 2009).
The current situation, across a large number of countries, is that women who are on private boards of directors are more highly qualified than men (Singh, et al, 2008). The pipeline theory is losing credence as evidence increasingly shows that there is an available pool of talented female directors.

Although based on a relatively small sample, Table 5 sets out characteristics associated with newly appointed female directors in the FTSE 100.

**Table 5: Key characteristics of newly appointed female directors of FTSE 100 firms**

<table>
<thead>
<tr>
<th>Newly appointed female directors of FTSE 100 firms are:</th>
<th>Less likely to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>More likely to:</td>
<td></td>
</tr>
<tr>
<td>1. Have multiple sector experience (public, private, voluntary, governmental)</td>
<td>1. Have Chief Executive or Chief Operations officer experience</td>
</tr>
<tr>
<td>2. Hold MBA degrees</td>
<td></td>
</tr>
<tr>
<td>3. Have international experience</td>
<td></td>
</tr>
<tr>
<td>4. Greater variety of previous board experience</td>
<td></td>
</tr>
</tbody>
</table>

From Singh et al (2008)

A noticeable fact is that the majority of female directors newly appointed in 2007 had already held board seats in FTSE100 companies. This suggests that these women are extremely experienced and capable as directors and have build reputations that facilitate their re-appointment (Singh et al, 2008). Whilst the assumption is that the recycling of this small group of women directors is due to a shortage of qualified candidates, the evidence suggests it is due to a chronic inability of recruiters to identify new appropriate under-represented candidates.

**Internationally**, a longitudinal study of board diversity in the UK and Norway also revealed that as the proportion of women on corporate boards increased in both countries over time, particularly in the run-up to the Norwegian quota, there was no drop in the human capital of female directors appointed (Grosvold, Brammer & Rayton, 2007). In terms of tenure, in both UK and US gender differences between directors in the pipeline tend to be of about two years on average, yet 40% of (primarily male) Fortune 500 CEOs believed that women have not been in the pipeline long enough (Catalyst and Opportunity Now, 2000). In terms of qualifications, women holding directorships on the boards on Fortune500 corporations in the US were also found to be as qualified as male directors (Peterson & Philpot, 2007).
A recent study in Finland found that while female board professionals mention gaining relevant experience and demonstrating credibility as key to increasing the presence of women on boards, they also believe that this cannot be accomplished without changing the attitudes of influential men (Pesonen, Tienari & Vanhala, 2009).

Examining the public sector, Powell and Butterfield (1994) examined the recruitment process for senior executive service in a US Federal public sector agency and found that female candidates were better positioned than male candidates on all criteria relevant for referral to the final decision-maker and selection. Yet, although panels referred women more often than men, this did not result in a greater proportion of women being selected for these positions. These findings suggest that more attention needs to be paid to the recruitment methods used in the final stages of the selection process for boards seats.

Interviews are still the most frequently used method at this stage, in public and private sector boards, despite evidence that they are less reliable and more prone to unconscious bias than other selection methods (Nelson, 2004).

Evidence from comparisons between male and female directors’ work experience and education suggest that women

• do not lack human capital overall and
• they may have broader, more diverse experience than their male counterparts.

Embracing diversity on boards means capitalizing on the unique set of skills and perspectives each board member brings at the table. It is up to nomination committees and search consultants to identify and leverage this talent (Sealy et.al, 2008).

**Biased perceptions of skills and ability**

*Stereotypes*

As demonstrated above, despite substantial evidence that under-represented groups are as qualified and experienced as their white male counterparts, the assumptions that they are not still persist. Academic research both in the gender field and in the areas of assessment and development has long shown that there is a constant gender bias in the appraisal of skill and merit. This bias is caused by persistent gender stereotypes – generalizations we make about men and women as groups
or the characteristics we mentally associate with each gender group. Below are examples of gender stereotypes. These male and female stereotypes are presented in Table 6.

<table>
<thead>
<tr>
<th>Female stereotypes</th>
<th>Male stereotypes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Women are helpful and kind</td>
<td>1. Men are self-reliant and dominant</td>
</tr>
<tr>
<td>2. Women are people-oriented</td>
<td>2. Men are task-oriented</td>
</tr>
<tr>
<td>3. Women are interpersonally sensitive</td>
<td>3. Men are ambitious</td>
</tr>
<tr>
<td>4. Women ‘don’t have what it takes to be leaders’</td>
<td>4. Men are more fit for leadership</td>
</tr>
<tr>
<td>5. ‘Women take care’</td>
<td>5. ‘Men take charge’</td>
</tr>
</tbody>
</table>

From Eagly & Carli (2007), Catalyst (2005), Heilman (2001)

In terms of the working environment these stereotypes are still very prevalent today. An attitude of “think manager, think male” has been recorded in sound academic research across time and national borders. Internationally, the view of women as less likely than men to possess the characteristics required for management has held consistent for the past 30 years (Schein, 1973; Schein & Muller, 1992; Schein, 2001; Schein, 2007). It is still a commonly held belief among male management students in the USA, the UK, Germany, China and Japan (Schein, 2007).

**Consequences of stereotypes**

Both men and women are influence by gender stereotypes. It means that they can be poor at identifying and using expertise in the workplace. In particular, women’s expertise is often not recognized, and not developed, especially in male-type roles, leading teams to under-perform despite having the necessary skills (Phillips & Thomas-Hunt, 2004).

The consequences of stereotyping are:

1. **If women are not assumed to be senior management material**, at whatever level of consciousness, they will not be given the opportunities, the ‘stretch assignments’ required to demonstrate their full potential to take on a director’s role.

2. Sex stereotyping of managerial jobs in particular has been extensively documented in the UK and abroad. It can foster considerable barriers for women in terms of selection or promotion into high-powered
roles, as it means that men’s managerial skills might be over-rated and women’s skills might be under-rated. \textbf{Identical leadership behaviours are perceived and valued differently depending on whether they are displayed by men or by women} (Heilman & Chen, 2005). For instance, while interpersonal fairness is expected from both male and female bosses, women are penalized more harshly for behaving unfairly (Caleo & Heilman, 2009) and only male bosses are rewarded for being interpersonally considerate (Loughlin, Arnold, Crawford, 2009). This suggests that by virtue of their gender role, women are expected to be naturally considerate and caring towards others, but that such behaviours are not deemed worthy of reward when displayed by female bosses (Heilman & Chen, 2005). Since gender stereotypes cast doubt on women’s ability to succeed at director level, particularly in male-dominated environments, to get onto boards women must provide unambiguous proof of their competence.

3. Not only are women judged to be less likely to be successful in male-typed jobs, but evidence \textbf{women are actually disliked when they do succeed in these roles} (Eagly & Karau, 2002). Evidence from experimental psychological research is increasingly suggesting that women who are successful in traditionally male areas are perceived as more socially insensitive, interpersonally hostile and unlikeable than men who are successful in the exact same role (Liff & Ward, 2001; Heilman & Okimoto, 2007). This is both likely to affect those making hiring decisions for director roles and also creates barriers within women themselves, if they cannot identify with the female directors they see (Parks-Stamm, Heilman & Hearns, 2008; Sealy 2009).

4. Finally, a subtle consequence of gender stereotypes is the fact that recruiters \textbf{unconsciously tend to alter competence criteria to fit their biased judgments}. For example, in traditionally male jobs, if a typical candidate and a non-typical candidate offer different but equally important skills, the assessor will give more weight to the skills demonstrated by the typical candidate, regardless of what those skills are (Uhlmann & Cohen, 2005). This type of bias is particularly prevalent when the assessment criteria are vague (Alimo-Metcalfe, 1994) and has tremendous implications when it comes to the selection of new board members. The process of selecting new board directors has often been criticized precisely for not relying on clear criteria (Higgs, 2003).
A major outcome of these consequences of stereotyping is a **double-standard when assessing candidates for board positions**. Singh et al (2008) found a much higher bar was applied to under-represented groups to reach board-level in the UK, and likewise Hillman, Cannella and Harries (2002) found that female and African-American directors sitting on the boards of US Fortune 1000 companies are more likely to hold advanced degrees. The fact that women and ethnic minority members are held to higher standards of competence than white men is supported by both field and experimental research (Shackleford, Wood & Worchel, 1996; Lyness & Thompson, 2000; Bell & Nkomo, 2001).

It is the accumulation of these stereotyping effects that can create barriers both in the minds of those recruiting directors and also those considering applying.

**Interpersonal factors**

**Social capital**

Some studies suggest that social capital is more important than human capital in helping managers advance their careers (Luthans, 1988). Social capital refers to the relationships between people and the mutual obligations and support that these relationships create (Brass, 2001). Informal networks are vital to organizations as they facilitate knowledge sharing and create social ties. Career progression, particularly to board-level positions, relies on access to the organization’s informal networks in order to keep informed about opportunities beyond the formal channels and to gain support from powerful allies or mentors. Developing sufficient social capital is crucial to being accepted as a potential board director.

Although relationships are key to having access to resources or career sponsorship, both women (Singh & Vinnicombe, 2003; Eagly & Carli, 2007) and other under-represented groups were found to be often excluded from these relevant informal networks (Baker, 1995; Peterson, Philpot & O’Shaughnessy, 2007). **Women are often less effectively networked than men in the workplace** (Burt, 1998) or develop networks that are less instrumental in advancing their careers (Ibarra, 1997).

At higher organizational echelons, power is concentrated in male-dominated networks. Integrating these networks is difficult for women and other under-represented groups, as they often tend to center around masculine activities such as golf or after-hours drinks. Women from ethnic minority groups face even greater challenges because both gender and race
set them apart from the white male power elite (Catalyst, 2006). However, the specific challenges of social capital for those who are both female and from an ethnic minority, whilst established in the US, requires further research in the UK (Atewolegun, 2009). In addition, other than what can be extrapolated from social capital studies on other under-represented groups, little is known about specifically about the social capital of disabled people and how it might affect their prospects of a board position.

Social capital is signaled differently in various cultures. In the early 2000s, UK female board directors of FSTE companies were more likely to have a title than male directors, whether academic (Dr, Professor), aristocratic (Lady, Honorable) or civic or political (Dame, Baroness), though this is less the case nowadays (Sealy et al., 2007). In the US, women signal upper class status by being an Ivy League university graduate (Mattis, 2000). In Jordan, women directors are frequently connected to the controlling or founding family of the business (Singh, 2008). In Australia, newly appointed female directors have long-standing, close relationships with other female directors (Sheridan, 2001).

One of the challenges for women, in particular, is how building social capital is perceived. Unlike the requirement to build human capital, which women take on board, women were found to eschew self-promotion and impression management (Singh, Kumra & Vinnicombe, 2002) and to avoid organizational politics (Mainiero, 1994; Perrewe & Nelson, 2004). These strategies are instrumental in building reputations in the workplace and forging social ties valuable for career progression.

A partner in the board practice of an international head-hunter told the project team that capable senior women are not visible enough:

“by the time they come to see me about getting a board position, if they are not already very well known within their sector, it is too late.”

The challenge of boardroom cultures

As well as formal structures, boards have unwritten ‘rules of the game’ which translate into shared habits, language and meaning and create boardroom cultures (Singh, 2008). Whilst a great deal of academic research tends to focus on elements like board size, structure and composition when studying boards, practitioners attach greater importance to ‘soft’ elements such as the quality of board meetings, information sharing and critical debates (Van den Berghe & Levrau, 2004). The relationships between
board members considerably influence the effective functioning of boards (Roberts, McNulty & Stiles, 2005).

Corporate boards in particular have a reputation for being ‘old boy’s networks’, with competitive behaviours, a long-hours culture and informal events often related to masculine activities (Eagly & Carli, 2007). Executive boards are renowned for their argumentative atmosphere and politicking (Ward, Lankau, Amason, Ng, Sonnenfeld & Agle, 2007). This can make it particularly difficult for women and other non-typical board members to build relationships that might prove beneficial to their careers, both in terms of getting onto the boards and to their integration on boards. When boardroom cultures are perceived to be male-oriented and unwelcoming of others, this will deter women and under-represented groups from applying for these positions (Singh, 2008).

Board cultures create an image (real or perceived) of success that under-represented groups do not want to or cannot identify with (Sealy, 2009). Westphal and Milton (2000) found that ethnic minority directors sitting on boards exerted less influence on strategic decision-making. However, their influence increased when they held directorships on other boards or when they shared common social ties with the board majority via membership on other boards, enabling them to create the perception of similarity with the majority.

Women and other under-represented groups walk a fine line between having to blend within the mainstream power elite to gain credibility and yet being expected to leverage their unique skills on boards (Sheridan, 2007). At the same time, many studies of team dynamics show that there is threshold of openness to difference and diversity and that excessive (real or perceived) differences may create tensions in teams (Lount & Phillips, 2007; Lau & Murningham, 1998; Van Knippenberg & Schippers, 2007).

Not enough is known about the experience of women and other under-represented groups as board members and further investigation into the ‘black box’ of board behaviour would certainly be instrumental in understanding the obstacles women and other under-represented groups face once they do get on boards (Huse, 2008).

“Token” theory, originally identified by Kanter (1977) and confirmed by over 30 years of academic research, applies to any “other” group who are in a minority of less than 15%. Because they are so rare, “tokens” are often seen as representative for their social group and are more likely to be judged in light of gender, racial, or other stereotypes, thus facing
pressures that the predominant group members (often white males) do not experience. It can mean that making effective contributions to the group is particularly difficult. Individuals working in this environment everyday are often unaware that the difficulties they are experiencing are down to the dynamics of the group rather than themselves as individuals (Sealy, 2009). Recent robust academic research has recommended that a critical mass of at least three women or “others” on boards is needed so that boards can truly embrace diversity (Kramer & Konrad, 2006; Erkut, Kramer & Konrad, 2009).

“….in a group of 10, if you have at least three people that are the same, then you actually have a platform to speak from and be heard… for most of us, literally we’re the only woman in a group of 20 (men). …So if you agitate you’re being an emotional female, if you’re angry you’re being a bitch, if you cry you’re being weak. But if there were three or four of you, then you actually get heard.”

(Senior Female Managing Director, Global Investment Bank, age 44)

The financial sector culture

Organizations in the financial sector are known to have cultures that are difficult to penetrate and integrate for under-represented groups (Tempest, McKinlay & Starkey, 2004). Whilst a more diverse workforce has been joining the financial sector in increasing numbers over the past two decades, the more lucrative positions on the bank trading floors and in boardrooms are still very much seen as male territory (McDowell, 1997; Ozbilgin & Woodward, 2004). There is a significant concentration of women in the lower ranks of financial organizations, with fewer career opportunities and lower financial benefits (Metcalf and Rolfe, 2009). High-profile employment tribunal cases have been evident involving City of London finance houses, revealing “the existence of an endemic sexualised culture of male dominance…and persistent sex discrimination in the sector” (Ozbilgin & Woodward, 2004; p. 682). In addition, there appears to be little evidence of the banks’ progress to meet the requirements of the 1970 Equal Pay Act (Metcalf and Rolfe, 2009).

Despite an official discourse of equality and diversity, members of the managerial elites hold firm views about what constitutes an ‘ideal worker’, often involving around-the-clock, unconditional commitment to the job and a masculine management style (Cames, Vinnicombe & Singh, 2001) that trickle down into exclusionary practices and crystallize into organizational cultures (Ozbilgin & Woodward, 2004).
Risky business

Examining the US mutual fund industry, Ruenzi and Niessen (2009) found that although men and women had similar performance, women received significantly smaller funds to manage, suggesting that they might be stereotyped as less skilled. This restricts the likelihood of women’s promotion to the most senior levels as such decisions were based on the sizes of funds managed. Interestingly, they also found that women tend to trade less and display more cautious and consistent investment styles as compared to men. Women’s different appetite for risk (Byrnes, Miller & Schafer, 1999), and the suggestion that women may be more risk aware (as opposed to risk averse) is likely to translate into different board decisions once enough women do make it on boards, in the finance sector and elsewhere. Ironically, this forms the basis of arguments for why there should be more women on financial boards, particularly in the aftermath of the global financial crisis.

Investment banks

A recent study of six global investment banks in London found that at Managing Director (MD) level, the highest corporate grade in the bank below board level, the majority of divisions (with the exception of support staff, e.g. HR) had only 3-15% female MDs. Interviews were conducted with 33 of these women and they were asked about their future career aspirations. Approximately half of the interviewees expressed reservations about what was possible, due to what they saw above them. For example, Penny a senior MD felt that whilst she would like to continue up the hierarchy, it was extremely unlikely to happen. For her, the next level would be to join the Executive Committee of this substantial global bank, on which there were currently no women. But with 95% male MDs, only 5% female MDs and two other female friends who would also be contenders, she did not believe she would get it, “though I would really love to”. She expressed a hope that for those women coming up behind her, if they could be part of a pool of 15-20% female MDs, then they could believe they would stand a better chance.

With a large emphasis on individualized performance-related pay in many sections of the bank, aggressive, domineering behaviours were accepted as a normal part of working life. All of this pointed to cultures that not only do not have many senior women, but may also give the impression that they do not welcome senior women, unless they conform to this more masculine style (Sealy, 2009).
Factors related to the appointment process

The process by which directors are appointed on boards is under increased scrutiny among academics, practitioners and policy-makers. This is particularly the case for non-executive directors, who are appointed from outside, as opposed to executive directors, who are promoted onto boards from within the company.

In the UK, the Higgs report (2003) was a milestone in this respect. It attributed the lack of diversity amongst NEDs on corporate boards to the excessive reliance in the appointment process on informal and opaque practices involving a few members of a male-dominated elite. According to the report, most NEDs sitting on corporate boards were recruited through personal contacts or friendships. Corroborated with previously quoted research showing that under-represented groups have less extensive and instrumental professional networks, this illustrates once more why the potential and ambition of women and under-represented groups are not on the radar of key decision-makers, making it less likely that they will make it on to public and private boards of directors.

Transparency of the selection process

Hiring in ones’ own image

In order to increase the transparency of the selection process, it has been recommended that UK board appointments be led by independent nomination committees (Higgs, 2003). However, international research shows that this process is not immune to bias either. Major studies on Fortune 300 and Fortune 500 companies show gender biases (Bilimoria and Piderit 1994) and racial biases (Peterson, Philpot & O’Shaughnessy, 2007) in board committee memberships. In a longitudinal study on 413 companies on the Fortune 500 list, Westphal and Zajac (1995) found that newly appointed directors tend to be demographically similar to CEOs and to incumbent board members. This demonstrates the notion of ‘hiring in ones’ own image’, which has been confirmed by substantial research in management considering both gender (Ibarra, 2004) and ethnicity (Martins, Milliken, Weisenfeld & Salgado, 2003). A Heidrick & Struggles report (2008) found that larger and more diverse nomination committees tend to tap into a more diverse pool of candidates. To our knowledge there has not been any research into UK private companies comparing the (lack of) diversity on nomination committees and the diversity of new board members.
However, in the public sector, in a substantive study of local authorities in England and Wales, Nelson (2005) found that women who were getting to the last two or three candidates for Chief Executive roles were rarely getting the position. The research showed that the electing individuals’ perception of shared meaning or psychological similarity with the candidate was an important factor in their determination of ‘fit’ and who gets the job. In other words, at the last hurdle, it was the candidate who was most similar to those making the hiring decision who got the position.

**Explicit skill requirements**

As a reaction to these biased and exclusionary practices, there have **calls to make the appointment process of corporate directors less subjective**, particularly by making skills and qualifications more explicit (Burgess & Tharenou, 2002; Ragins & Sundstrom, 1989). Whilst public appointment positions are publicly advertised often with a list of specific, relevant requirements for the role, in the private sector board directorships are rarely formally advertised. When they are, the adverts often consist of a wish-list of generic abilities, rather than specific skills identified as lacking from within the current board of directors. When briefing the search consultancy, the chairman (98.6% of FTSE350 chairs are male) may have been very vague in his specifications, believing that ‘it’s all about fit’ and ‘I will know him when I meet him’. When selection criteria are vague or generic, subjectivity plays a bigger part in the selection process which allows more unconscious bias to occur (Alimo-Metcalfe, 1994). This disadvantages women and other under-represented groups, for all the reasons discussed above concerning stereotypes. One of a very few pieces of recent academic research in the UK on FTSE 350 companies found that **only a minority of nomination committees focused on predefined descriptors of high performance**; the consequence being that traditional subjective methods of director selection and induction prevail (Dulewicz & Herbert, 2008).

One of the biggest challenges concerning the appointment process of directors to corporate boards is the lack of a clearly defined grid of needs at board level. By clearly defining specific skills gaps amongst the whole board of directors, the appointment process becomes more objective and a better board of more diverse skills and experience would be created. We found no evidence of research having looked at what these specific skill differences were and how they varied between private and public sector boards. Nor did we find any evidence about directors being able to move,
or struggling to move, between public and private sector boards. There was some evidence of senior individuals from the private sector joining public sector boards, and this will be discussed further in the initiatives section below.

Advertising and availability

Lack of awareness of available directorships is another challenge for under-represented groups. A study examining the lack of diversity in UK’s public appointments found that a third of 659 respondents interviewed in the pipeline reported that they were not aware of public appointment opportunities (Common Purpose, 2009). Many also mentioned that going through the excessively bureaucratic application process was a discouraging factor.

Selection for public boards may appear to be more transparent than in the private sectors, as public bodies are obliged by law to advertise openings on governmental web sites or the national press. However the Common Purpose report also found that respondents were aware of positions they believed had been filled before the actual application and selection process had begun.

Private directorships are under no such obligation to be advertised. The 2008 annual Female FTSE Report strongly recommended that all directorships in the private sector be advertised. However, this would not make the process immune from just being a compliance exercise. Informal conversations with board members of major UK private companies, for this report, confirmed the often arbitrary nature of actual board selection procedures, and that search consultants would often be informed of named individuals the Chairman wanted to see on the shortlist.

In addition, directorships are often handled by search consultants. In the private sector, search consultants have very limited contact with under-represented groups, for example few women at Executive Committee level of FTSE 100 companies (an obvious talent pool) reported having been approached by search consultants for potential NED appointments (Sealy, et al 2008). This may partly be due to some of the social factors discussed above, but academics across Western economies speculate it is also due to the ‘risk averse’ nature of their business. There is very little evidence of the real (as opposed to perceived) role of search consultants in the director appointment process and this is an area for future research.
A 2009 report of the UK Public Appointments Commission found that adverts for directorships might be off-putting for women due to the male-oriented criteria that focus on board commercial and business experience and disregard public sector experience. Descriptions stressing ‘softer’ skills such as sharing, inspiring are much more appealing for women than excessive commercial jargon.
SUMMARY
There are three major types of explanations generally used to account for the lack of diversity on boards:

1. Individual characteristics
   • Assumption that women and other under-represented groups do not aspire to board directorships
   • Assumption that women and other under-represented groups lack the necessary skills to sit on boards

We found no robust evidence to support these two assumptions, and provided evidence to the contrary. There is a wealth of research in the fields of management and psychology suggests that persistent gender and racial stereotypes create biased judgments about the competence of under-represented groups aspiring to get onto boards.

2. Interpersonal characteristics
   • Assumption that women and other under-represented groups lack the social capital to get onto boards
   • Assumption that women and other under-represented groups have difficulties integrating due to board cultures unable to accommodate diversity.

There is strong evidence that these informal, relational factors which are essential in gaining access to boards and successfully integrating board dynamics tend to put minorities at a disadvantage. More research that examines board dynamics is needed.

3. Appointment process
The main obstacles that put women and other under-represented groups at a disadvantage include:
   • a lack of awareness of available directorships
   • language and the framing of directorships
   • weak links between search consultants and minorities
   • lack of diversity on current boards and nomination committees
   • unclear selection criteria
   • unconscious bias in the selection process
Lack of evidence

The majority of the literature on diversity on boards concerned gender. There were a few evidence sources relating to ethnicity and there was almost no information on disability. Therefore, the findings reflect these gaps of knowledge and refer extensively to the case of women on boards.
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Appendix I – Criteria for selection and appraisal of the literature in the rapid evidence assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Decision</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Topic</strong></td>
<td><strong>– Diversity on boards/ Women on boards/ women leaders</strong> (emphasis on aspects related to human capital, social capital and reputational capital)</td>
<td>These broad research areas are key to understanding the challenges of women on boards and tap into the research aims of the project.</td>
</tr>
<tr>
<td></td>
<td><strong>– Corporate and public governance</strong> (emphasis on the directorship appointment process)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>– Diversity management practices (emphasis on women directors)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Sources</strong></td>
<td><strong>Journals</strong> from all databases mentioned. Only peer-reviewed and at least 2 stars journals.</td>
<td>In order to ensure academic rigour, the academic work identified was upheld to quality filters by excluding one star journals. For this purpose, we relied on Cranfield’s SOM journal ranking. These rankings are in line with the criteria used in UK’s 2008 Research Assessment Exercise.</td>
</tr>
<tr>
<td></td>
<td><strong>Reports</strong> published by internationally-acknowledged political bodies or consultancy firms.</td>
<td>This non-academic literature on best practices to increase gender diversity on boards was selected and appraised based on its source. Examples of reliable sources in this respect include the European Commission, UK government agencies (GEO, EHRC) Catalyst, McKinsey, or Accenture.</td>
</tr>
<tr>
<td><strong>Method</strong></td>
<td>Quantitative and qualitative</td>
<td>We had no reason to impose restrictions on this aspect for the REA process.</td>
</tr>
<tr>
<td><strong>Nature of research</strong></td>
<td>Theoretical and empirical</td>
<td>Although empirical data concerning women on boards is of primary interest, theoretical papers were also considered when they synthesized empirical research in the field.</td>
</tr>
<tr>
<td><strong>Time</strong></td>
<td>Papers/reports published after 1995</td>
<td>This publication threshold was chosen to allow examination of rich yet up-to-date literature on the topic, in the given the timeframe of the project. Some key papers selected by cross-referencing were published before 1995 though.</td>
</tr>
<tr>
<td>Criteria</td>
<td>Decision</td>
<td>Rationale</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Location &amp; industry</td>
<td>All</td>
<td>We aimed to be as inclusive as possible, examining research carried out within the UK and internationally, in both public and private sectors.</td>
</tr>
<tr>
<td>Quality of the research</td>
<td>Theoretical</td>
<td>Clear positioning in a given body of literature or discipline, explicit identification of the theories or models used, comprehensive review of relevant literature, discussion of limits of the theoretical frameworks used.</td>
</tr>
<tr>
<td>Methodological</td>
<td></td>
<td>Appropriate research design to address the research question, adequate sample size, details about the data collection technique, rigorous reporting and clear presentation of the results, conclusions supported by the results and the sample, overall consistency between the aims, method, results and conclusion of the research, discussion about the limitations of the study and the implications if the results.</td>
</tr>
</tbody>
</table>
How diverse are boards and why?

Part 1 – How diverse are boards and why is there a lack of diversity on boards?

October 2009

Dr. Ruth Sealy, Elena Doldor and Professor Susan Vinnicombe

International Centre for Women Leaders
Cranfield School of Management

Government Equalities Office
9th Floor
Eland House
Bressenden Place
London SW1E 5DU

Tel: 020 7944 0601
Email: enquiries@geo.gsi.gov.uk
www.equalities.gov.uk

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