

New look women directors
add value to FTSE 100 Boards

THE FEMALE FTSE REPORT 2005

by
Dr Val Singh and
Professor Susan Vinnicombe OBE

With a Foreword by Tessa Jowell

Secretary of State for Culture, Media and Sport and Cabinet Minister for Women

Centre for Developing Women Business Leaders
Cranfield School of Management

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 **Women Directors
on Boards**
Changing the face of UK Business

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FOREWORD



In 1999, Professor Susan Vinnicombe and Dr Val Singh compiled the Female FTSE report. For the first time we knew how many women were on the boards of the top UK 100 companies. Their study showed that almost half the companies in the FTSE 100 had no women directors. In all, women accounted for less than six per cent of the total number of directorships.

Today, the Government is delivering on its commitment to support good corporate governance on UK boards. In taking forward the boardroom agenda we ran a series of roundtables with leading business figures to tackle the issue of diversity in the boardroom. I am pleased to report that over 30 FTSE chairmen have now signed up to a mentoring scheme to encourage more women to apply for directorships.

But crucially, we have also put in place a substantial package of measures to support all women in the workplace: the minimum wage, flexible working, better maternity and paternity leave, and we will soon take forward the recommendations of the Women and Work Commission. Having more women in senior positions is an important factor in closing the gender pay gap but we must also look at maximising the skills of women at every level, to improve their chances in the labour market. Maximising women's skills in the economy could bring economic benefits worth up to 3% of the GDP – a number equal to the total value of UK exports to Germany. Tackling occupational segregation and the gender pay gap isn't just the right thing to do because of fairness, it makes economic sense.

It is excellent news that this year's Female FTSE report shows that 78 of the top 100 companies now have women directors on their boards. However, there is still a long way to go. Overall, women still hold only just over 10% of directorships, and only 3.4% of executive director posts.

I would like to thank the Cranfield team for producing the Female FTSE Report 2005. Studies such as this prove that the greater diversity of experience women bring to the board, is redefining the criteria which Chairmen/CEOs apply to their boards.

Real progress is being made in addressing the glass ceiling that women executives face.

But if women will make up the majority of the working age population by 2018, we must continue in our vigilance on all spectrums of the economy, maximising women's skills and growing the female talent pipeline so that one's gender doesn't determine one's hourly wage or career path.

A handwritten signature in blue ink that reads "Tessa Jowell".

Rt Hon Tessa Jowell MP

Secretary of State for Culture, Media and Sport and Cabinet Minister for Women

FEMALE FTSE INDEX AND REPORT 2005

by
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Cranfield Centre for Developing Women Business Leaders

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EXECUTIVE SUMMARY

FEMALE FTSE INDEX AND REPORT 2005

New look women directors add value to FTSE 100 boards

Seventy-eight FTSE 100 companies, a new record number, now have women directors, up 13% from last year. But the breakthrough is in who these new female directors are and the diverse experiences they bring to the boardroom. The new female directors are more likely to be international, have board experience and have much richer, more varied work backgrounds than the men. Six FTSE 100 companies appointed their first ever woman director (Intercontinental Hotels, Capita, ITV, BHP Billiton, Rio Tinto, Sage). However, only eleven FTSE 100 companies now have female executive directors, down from 13 in 2004 and worryingly, below the 2002 figure. Still 22 of the FTSE 100 boards are all-male, an anachronism in 2005.

Female FTSE Index 2000 - 2005

Female FTSE Indices 2000 – 2005	2005	2004	2003	2002	2001	2000
Female-held directorships	121 (10.5%)	110 (9.7%)	101 (8.6%)	84 (7.2%)	75 (6.4%)	69 (5.8%)
Female executive directorships	14 (3.4%)	17 (4.1%)	17 (3.7%)	15 (3.0%)	10 (2.0%)	11 (2.0%)
Female NEDs	107 (14.5%)	93 (13.06%)	84 (11.8%)	69 (10.0%)	65 (9.6%)	60 (9.1%)
Women holding FTSE directorships	99	96	88	75	68	60
Companies with women executive directors	11	13	13	12	8	10
Companies with at least one woman director	78	69	68	61	57	58
Companies with multiple women directors	30	29	22	17	15	12
Companies with 1 woman director	48	40	46	44	42	43
Companies with 2 women directors	19	19	13	11	12	14
Companies with 3 women directors	9	8	7	6	3	1
Companies with 4 women directors	2	2	2	0	0	0
Companies with no women directors	22	31	32	39	43	42

Companies with the Highest Percentage of Women on the Board

Scottish Power, with one female executive director and two female NEDs, tops the 2005 Female FTSE Index with British Airways, which has three female NEDs. In both companies Scottish Power and BA women comprise a third of their directors. AstraZeneca comes third with four female directors making up 29% of its board. In joint 4th place are Pearson (female CEO, CFO and one NED) and Centrica, (three NEDs) having 27% female boards. Lloyds TSB, Whitbread, BAA and Legal & General all have over 20% female boards, and also have female executive directors.

Female-held FTSE 100 Directorships

The number of female-held directorships increased to 121 in 2005, up from 110 in 2004. These 121 seats are held by 99 women as some women hold several FTSE 100 directorships. Alison Carnwath holds four. The number of women holding FTSE 100 directorships has only increased by three this year (96 to 99 women), the lowest increase in six years and indicates that the number of female held directorships is rising through giving the existing female directors additional posts rather than by extending the pool of female directors. There is still only one female CEO and one female chairman. In 2005, women have again taken 17% of new director appointments.

Profiles of the New Female Directors 2004

Of the 30 female appointments over the last year, nine women have taken up a second or third FTSE 100 board seat. New executive directors were Kay Chaldecott at Liberty International, Linda Cook at Royal Dutch Shell and Teresa Dial at Lloyds TSB. Susan Murray took up three new directorships at Enterprise Inns, Imperial Tobacco and Morrisons. The first Arab woman to be appointed to the FTSE 100 was Lubna Olayan at WPP. A third of these new women were from outside the U.K.

Managing the Female Talent Pipeline to the Board

From interviews with 12 companies, four key factors emerge as driving change:

1. Continuous communication from individual top leaders of the strategic need to build the female talent pipeline, and of performance expectations.
2. Robust management disciplines, (including goal setting and accountability for improvement), being applied to the problem, as in the case of any other critical business priority.
3. Diversity being fully integrated into the talent agenda and processes.
4. Creation of an inclusive culture (starting with education and awareness of business leaders and HR business partners), so that the talents and differences that women bring to business are recognised and valued in the talent process.

Interestingly some of the companies with the highest percentages of women in the marzipan layer are not necessarily the companies with the largest female workforces.

Good Corporate Governance

We repeated our study of corporate governance indicators emanating from the Higgs and Tyson Reports 2003. Overall companies with women directors scored significantly higher than companies with all male boards. They had higher scores for process transparency, were more likely to have board development processes in place, and to report compliance on independence measures. We found no relationship between board diversity and financial performance measures.

Characteristics of the New Female Directors 2001-2004

The new female directors appointed between the years 2001 and 2004 differ from their male counterparts in the following significant ways:

1. In terms of nationality, 32% of them are from the US and Canada (compared to 7% of male directors).
2. In terms of board experience, surprisingly, a greater proportion of female directors already have board experience. 22% have previous FTSE 100 experience (compared to 42% male directors) and 62% have minor board experience (compared to 39% of male directors).
3. In terms of work experience, 28% of them have come out of management consultancy (compared to 14% male directors) and 32% out of the public sector (compared to 18% of the male directors). The new women directors have experience spanning more sectors of activity than the male directors.

The new female directors bring a much greater diversity of experience to the board than their male counterparts derived from their gender, nationality, ethnicity, reputation, board experience, professional skills and sectoral work experience. This study is ground breaking because it is the first real evidence that Chairmen/CEOs are rewriting their definitions of "relevant experience" for a FTSE 100 board directorship.

2005 FEMALE FTSE INDEX

Rank 2005	% Female Board	Total Board	No of Women	Company (Bold = has Female Executive Directors)	Female Directors (* = Executive Directors)	Chairman (Bold denotes Company with Female Executive Directors)	Rank 2004
1	30.0%	10	3	Scottish Power	Vicky Bailey, Judi Johansen* , Dr Nancy Wilgenbusch	Charles Smith	6
1	30.0%	10	3	British Airways	Denise Kingsmill, Alison Reed, Baroness Symons	Martin Broughton	4
3	28.6%	14	4	Astrazeneca	Dr Jane Henney, Michele Hooper, Dr Erna Möller, Dame Bridget Ogilvie	Dr Louis Schweitzer	3
4	27.3%	11	3	Centrica	Helen Alexander, Mary Francis, Patricia Mann	Roger Carr	1
4	27.3%	11	3	Pearson	Rona Fairhead* , Prof Susan Fuhrman, Dame Marjorie Scardino*	Dr Glen Moreno	4
6	26.7%	15	4	Lloyds TSB	Teresa Dial* , Dr DeAnne Julius, Angela Knight, Helen Weir*	Maarten Van den Bergh	9
7	25.0%	8	2	Whitbread	Margaret Ewing, Angie Risley*	Anthony Habgood	9
8	22.2%	9	2	BAA	Margaret Ewing* , Janis Kong*	Marcus Agius	9
9	21.4%	14	3	Legal & General	Kate Avery* , Frances Heaton, Beverley Hodson	Robert Margetts	8
10	20.0%	10	2	3i Group	Baroness Hogg, Christine Morin-Postel	Baroness Hogg	9
10	20.0%	10	2	EMAP	Rita Clifton, Karen Jones	Adam Broadbent	26
10	20.0%	10	2	Friends Provident	Alison Carnwath, Hon Barbara Thomas (Lady Judge)	Adrian Montague	21
10	20.0%	15	3	Royal Dutch Shell Plc	Linda Cook* , Mary Henderson, Christine Morin-Postel	Dr Aad Jacobs	18
14	18.8%	16	3	Aviva	Mary Francis, Carole Piwnica, Dr Elizabeth Vallance	Pehr Gyllenhammar	26
14	18.8%	16	3	WPP Group	Esther Dyson, Orit Gadiesh, Lubna Suliman Olayan	Philip Lader	9
16	18.2%	11	2	Cadbury Schweppes	Rosemary Thorne, Baroness Wilcox	John Sunderland	9
16	18.2%	11	2	O2	Judy Gibbons, Kathleen O'Donovan	Sir Thomas Arculus	83
16	18.2%	11	2	Severn Trent	Marisa Cassoni, Rachel Brydon Jannetta*	Sir John Egan	23
19	16.7%	12	2	Alliance & Leicester	Jane Barker, Margaret Salmon	John Windeler	6
19	16.7%	12	2	BOC	Rebecca McDonald, Anne Quinn	Robert Margetts	23
19	16.7%	12	2	Morrison Wm.	Marie Melnyk* , Susan Murray	Sir Kenneth Morrison	35
19	16.7%	12	2	Reuters	Lawton Fitt, Penny Hughes	Niall FitzGerald	18
23	15.8%	19	3	HSBC Hldgs	Baroness Dunn, Rona Fairhead, Sharon Hintze	Sir John Bond	9
24	15.4%	13	2	HBOS	Coline McConville, Kate Nealon	Lord Stevenson	32
24	15.4%	13	2	Northern Rock	Nicola Pease, Rosemary Radcliffe	Dr Matthew Ridley	50
26	14.3%	14	2	Cable & Wireless	Kate Nealon, Agnes Touraine	Richard Laphorne	87
26	14.3%	7	1	Capita Group	Martina A King	Rodney Aldridge	72
26	14.3%	14	2	Prudential	Bridget Macaskill, Kathleen O'Donovan	Sir David Clementi	23
26	14.3%	14	2	Tesco	Karen Cook, Carolyn McCall	David Reid	29
30	13.3%	15	2	Liberty International	Kay Chaldecott* , Lesley James	Sir Robert Finch	50
30	13.3%	15	2	Standard Chartered	Val Gooding, Ruth Markland	Bryan Sanderson	65
32	12.5%	8	1	Boots	Hélène Ploix	Sir Nigel Rudd	35
32	12.5%	8	1	DSG International	Rita Clifton	Sir John Collins	32
32	12.5%	8	1	Kelda	Kate Avery	John Napier	-
32	12.5%	8	1	Royal & Sun Alliance	Noel Harwerth	John Napier	26

2005 FEMALE FTSE INDEX

Rank 2005	% Female Board	Total Board	No of Women	Company (Bold = has Female Executive Directors)	Female Directors (* = Executive Directors)	Chairman (Bold denotes Company with Female Executive Directors)	Rank 2004
32	12.5%	8	1	Sainsbury J	Bridget Macaskill	Philip Hampton	1
37	11.1%	9	1	Compass	Val Gooding	Sir Francis Mackay	50
37	11.1%	9	1	Hanson	Baroness Noakes	Michael Welton	39
37	11.1%	9	1	Kingfisher	Margaret Salmon	Sir Francis Mackay	39
37	11.1%	9	1	Scottish & Southern Energy	Susan Rice	Sir Robert Smith	50
37	11.1%	9	1	Smith & Nephew	Dr Pamela Kirby	Dudley Eustace	32
42	10.0%	10	1	BG Group	Baroness Hogg	Sir Robert Wilson	45
42	10.0%	10	1	BHP Billiton	Hon Dr Gail de Planque	Donald Argus	83
42	10.0%	10	1	Diageo	Maria Lilja	Lord Blyth	45
42	10.0%	8	1	Enterprise Inns	Susan Murray	Hubert Reid	35
42	10.0%	10	1	Imperial Chemical Industries	Baroness Noakes	Peter Ellwood	39
42	10.0%	10	1	ITV	Baroness Prashar	Sir Peter Burt	74
42	10.0%	10	1	MAN	Alison Carnwath	Harvey McGrath	45
42	10.0%	10	1	Next	Christine Cross	David Jones	81
42	10.0%	10	1	Reckitt Benckiser	Judith Sprieser	Adrian Bellamy	9
42	10.0%	10	1	Tate & Lyle	Carole Piwnica	Sir David Lees	-
52	9.1%	11	1	British American Tobacco	Dr Ana Maria Llopis	Jan du Plessis	39
52	9.1%	11	1	Gallaher	Alison Carnwath	John Gildersleeve	45
52	9.1%	11	1	GlaxoSmithKline	Dr Lucy Shapiro	Sir Christopher Gent	56
52	9.1%	11	1	GUS	Lady Patten	Sir Maurice Blank	35
52	9.1%	11	1	Hilton Group	Pippa Wicks	Sir Ian Robinson	39
52	9.1%	11	1	Intercontinental Hotels	Jennifer Laing	David Webster	71
52	9.1%	11	1	SabMiller	Nancy DeLisi	Jacob Kahn	50
52	9.1%	11	1	Schroders	Merlyn Lowther	H. Michael Miles	50
60	8.3%	12	1	Alliance Unichem	Ornella Barra*	Paolo Scaroni	56
60	8.3%	12	1	Land Securities	Alison Carnwath	Peter Birch	45
60	8.3%	12	1	Rio Tinto	Vivienne Cox	Paul Skinner	87
63	7.7%	13	1	BPB	Lady Balfour (Dr Janet Morgan)	Sir Ian Gibson	-
63	7.7%	13	1	BT	Baroness Margaret Jay	Sir Christopher Bland	56
63	7.7%	13	1	Imperial Tobacco	Susan Murray	Derek Bonham	93
63	7.7%	13	1	Sage	Tamara Ingram	Michael Jackson	93
63	7.7%	13	1	Unilever	Baroness Chalker	Antony Burgmans	67
68	7.1%	14	1	National Grid	Maria Richter	Sir John Parker	60
68	7.1%	14	1	United Utilities	Priscilla Jane Newell	Sir Richard Evans	39
70	6.7%	15	1	BAE Systems	Prof Sue Birley	Richard Olver	56
70	6.7%	15	1	British Sky Broadcasting	Gail Rebuck	Keith Murdoch	65
70	6.7%	15	1	Carnival	Baroness Hogg	Michael Arison	60
70	6.7%	15	1	Rolls-Royce	Hon Amy Bondurant	Simon Robertson	60
70	6.7%	15	1	Royal Bank of Scotland	Eileen Mackay	Sir George Mathewson	68
70	6.7%	15	1	Vodafone	Penny Hughes	Lord MacLaurin	60
76	6.3%	16	1	Anglo American	Dr Maria Marques	Sir Mark Moody-Stuart	60
77	5.9%	17	1	Barclays	Prof Dame Sandra Dawson	Matthew Barrett	29
77	5.9%	17	1	BP	Dr DeAnne Julius	Peter Sutherland	69
79	0.0%	6	0	William Hill		Charles Scott	70

2005 FEMALE FTSE INDEX

Rank 2005	% Female Board	Total Board	No of women	Company (Bold = has female executive directors)	Female Directors (* = Executive Directors)	Chairman (Bold denotes company with female executive Directors)	Rank 2004
80	0.0%	8	0	Associated British Foods		Martin Adamson	74
80	0.0%	8	0	Marks & Spencer		Paul Myners	18
80	0.0%	8	0	Shire Pharmaceuticals		Dr James Cavanaugh	74
80	0.0%	8	0	Yell		Robert Scott	74
84	0.0%	9	0	Antofagasta		Jean-Paul Luksic Fontbona	74
84	0.0%	9	0	Rentokil Initial		Brian McGowan	72
84	0.0%	9	0	Rexam		Rolf Börjesson	74
87	0.0%	10	0	International Power		Sir Neville Simms	-
87	0.0%	10	0	Old Mutual		Christopher Collins	83
89	0.0%	11	0	British Land		John Ritblat	87
89	0.0%	11	0	Cairn Energy		Norman Murray	-
89	0.0%	11	0	Exel		Nigel Rich	87
89	0.0%	11	0	Hammerson		John Nelson	-
89	0.0%	11	0	Johnson Matthey		H. Michael Miles	87
89	0.0%	11	0	Scottish & Newcastle		Sir Brian Stewart	98
89	0.0%	11	0	Wolseley		John Whybrow	87
96	0.0%	12	0	Amvescap		Charles Brady	93
96	0.0%	12	0	Smiths Group		Donald Brydon	99
96	0.0%	12	0	Xstrata		Willy Strothotte	93
99	0.0%	13	0	Reed Elsevier		Jan H Hommen	93
100	0.0%	15	0	Daily Mail & General Trust		Lord Rothermere	99

INTRODUCTION & METHODOLOGY

1. INTRODUCTION

The Cranfield Centre for Developing Women Business Leaders has monitored the progress of women onto top corporate boards for seven years, since 1999, in an effort to address the global issue of women's lack of access to board positions in the corporate sector.

We report the statistics relating to the women directors, identifying patterns in their characteristics and roles. We report on the human capital of women and men directors appointed over the past four years, showing that women bring a wealth of diverse experience to the boardrooms of the UK's top 100 companies.

Given that there are so few women executives at board level and that there has been almost no change in the percentage of women executive directors over the last decade, we undertook a study of how companies actually manage their gender diversity pipelines. We present these findings in this report, highlighting examples of best practice.

Since the Higgs Review of 2003 called for better corporate governance systems, and the related Tyson Report (2003) highlighted the need for increased diversity of non-executive directors in the corporate sector, we have monitored a number of corporate governance practices and the links with gender diversity on boards, and report findings comparing companies with and without gender diversity.

2. METHODOLOGY

We accessed data on each company from a variety of sources, including FAME and Boardex databases, as well as annual reports and corporate websites. The FTSE 100 listing was taken on 1st October 2005. The directors' biographies were downloaded from these sources and further searches made on Google and other public data sources. All data used were from the public domain. Varying levels of personal information were provided in director biographies in annual reports. We entered data into Excel spreadsheets, and used SPSS for detailed statistical analysis. We undertook correlation and chi-square analyses to examine relationships between variables, using t-tests where appropriate to see if means were significantly different.

PROGRESS ON WOMEN DIRECTORS

3. PROGRESS ON WOMEN DIRECTORS

Companies with the Highest Percentage of Women on the Board

Scottish Power and British Airways take the top position in the 2005 Female FTSE Index, each with 30% female boards. Scottish Power's three women include one female executive director and two non-executive directors, whilst the three women at British Airways are all non-executive directors. With four women NEDs making up 29% of their board, AstraZeneca comes in 3rd position, just ahead of Centrica and Pearson in 4th place with 27% female boards, and Lloyds TSB in 6th place also with 27%. Pearson and Lloyds TSB are distinctive in having two female executives. Pearson has a female CEO¹ and a female chief financial officer as well as a female NED, whilst Lloyds-TSB also has two female executive directors and two female NEDs. In 7th to 9th place come Whitbread, BAA and Legal & General, all with a female executive director, followed in joint 10th place by 3i Group, EMAP, Friends Provident and Royal Dutch Shell plc, the latter with three women on the board including a female executive director.

Progress since 2000

We can see from Table 1 that whilst there had been a modest increase year on year in the total number of companies with women directors up to 2004, there has been a 13% increase in the last twelve months. In 2005, 78 of the top 100 companies have women on the board. But 22 companies in the FTSE 100 companies still have all-male boards – a growing anachronism. By contrast, 100% of the Fortune 100 companies in the US have at least one woman on their boards (Catalyst 2004).

There has been a steady increase in companies with multiple women directors. The figure has risen from 12 in 2000 to 30 in 2005.

Table 1: FTSE 100 Companies and Women Directors

FTSE 100 (October 2005)	2005	2004	2003	2002	2001	2000
Companies with women executive directors	11	13	13	12	8	10
Companies with women directors	78	69	68	61	57	58
Companies with multiple women directors	30	29	22	17	15	12
Companies with 1 woman director	48	39	46	44	42	46
Companies with 2 women directors	19	19	13	11	12	12
Companies with 3 women directors	9	7	7	6	3	0
Companies with 4 women directors	2	2	2	0	0	0
Companies with no women directors	22	31	32	39	43	42

However, the figure for companies with female executive directors has gone down from 13 in 2004 to 11 in 2005, below the 2002 level. There is still only one company with a female chief executive and only one company board chaired by a woman. Action is desperately needed to address the glass ceiling in women's senior executive careers. All too often the women are blamed for not making the right career choices, but companies must also take responsibility for not managing this female pipeline well. This year we put this aspect of corporate life under scrutiny; it is reported in section 4.

¹Dame Marjorie Scardino, first appointed CEO in 1997

PROGRESS ON WOMEN DIRECTORS

Table 2: Profile of the 11 companies with female executive directors, 2005

Rank Female FTSE	Company	% Female Board	No. of Female Directors	No. Female Executive Directors	Sector	Board Size
1	Scottish Power	30%	3	1	Utilities	10
4	Pearson	27%	3	2	Media	11
6	Lloyds TSB	27%	3	2	Banking	15
7	Whitbread	25%	2	1	Leisure & Hotels	8
8	BAA	22%	2	1	Transport	9
9	Legal & General	21%	3	1	Financial Services	14
10	Royal Dutch Shell	20%	3	1	Oil & Gas	15
16	Severn Trent	18%	2	1	Utilities	11
19	Wm Morrison	17%	2	1	Retail	12
30	Liberty International	13%	2	1	Real Estate	15
60	Alliance Unichem	8%	1	1	Retail	12

Companies Appointing their First Female Directors

Over the last year, six companies have appointed the first women directors to their main boards. These were Intercontinental Hotels (Jennifer Laing), Capita (Martina King), ITV (Baroness Prashar), BHP Billiton (Dr Gail de Planque), Rio Tinto (Vivienne Cox) and Sage (Tamara Ingram). All were non-executive appointments.

Characteristics of Companies with Women Directors

There were some significant differences between companies with and those without women directors. As in previous years, market capitalisation is very significantly higher ($p = 0.000$) in companies with women on the board. Board size is also higher, averaging 11.9 directors for companies with women directors compared to 10.3 directors for all-male boards. Related to that, the number of non-executive directors was also higher ($p = 0.004$) in companies with women directors than companies with all male boards. The presence of women directors was correlated with shorter average NED tenure ($p = 0.010$), and also significant was the correlation between having two or more women on the board and lower average NED age ($p = 0.015$). Companies with women on the board were significantly more likely to have ethnic minority directors ($p = 0.006$), although only 23 companies out of the 100 actually had directors from ethnic minorities.

PROGRESS ON WOMEN DIRECTORS

Female Proportion of the Directorate by Sector

The sectors with the most companies with women directors are banks, telecoms and tobacco, followed by retail, the utilities and pharmaceuticals sectors. In 2005, there are companies with women directors in every sector in the FTSE 100. However, when we examine the proportions of women directors in particular sectors, it is the transport sector that leads with 17% female directors. In banking, over 14% of directors are female, closely followed by the finance, insurance, assurance and investment sector group at 13%. The lowest proportion of women directors is in the real estate sector, where only 4% of directors are women. Given the role of women in house-purchasing decisions, this represents an absurd anomaly.

Table 3: A sectoral comparison of companies with and without women directors

Sector	Sector ranked by % female directorate	Women/Board numbers	Women make up x% of the directorate in sector	Companies with women	Total companies in sector	% Co's in sector with women directors
Transport	1st	5/30	16.7%	2	3	66%
Banks	2nd	17/119	14.3%	8	8	100%
Finance, Investment, Insurance	3rd	15/114	13.2%	8	10	80%
Health, Pharma & Personal Care	4th	8/64	12.5%	5	6	83%
Utilities, Electricity, Oil & Gas	5th	17/140	12.1%	10	12	83%
Retail (General & Food)	6th	10/87	11.5%	8	9	89%
Telecoms	7th	6/53	11.3%	4	4	100%
Media, Publishing, Software	8th	13/123	10.6%	7	10	70%
Leisure, Hotels etc	9th	6/59	10.2%	5	6	83%
Tobacco	10th	3/35	8.6%	3	3	100%
Food Production & Beverages	11th	6/75	8.0%	5	7	71%
Chemicals, Construction, Mining	12th	8/125	6.4%	7	11	64%
Services (Support etc)	13th	2/34	5.9%	2	4	50%
Aerospace	14th	2/42	4.8%	2	3	66%
Real estate	15th	3/49	4.3%	2	4	50%

MANAGING THE FEMALE TALENT PIPELINE

4. MANAGING THE FEMALE TALENT PIPELINE ²

For the 2004 Female FTSE Report, companies were asked to provide information on their female talent pipeline in order to get a better perspective on the size of the potential talent pool in the light of the tiny (and decreasing) percentage of female Executive Directors. Only twelve companies provided this information; this low response was a matter of some concern and begged further questions:

- Are companies concerned enough about the lack of female progression to corporate boards?
- Do companies measure talent pipeline progression by gender?
- What is the real state of “health” of the female talent pipeline?
- Is there a prevailing belief that it's only a matter of time before significant numbers of women will progress through to the most senior jobs?
- What interventions, if any, can be made en route to help achieve this?

In late 2005, we carried out in-depth interviews with FTSE 100 companies from different sectors and different rankings within the 2004 Female FTSE Index. The purpose of this research is to look for specific “good practice” examples of how talent is being managed, as well as to make some general observations. We thank the following companies for sharing information with us: Anglo American, Centrica, HBOS, HSBC, National Grid, O2, Pearson, Reuters, Lloyds TSB, Scottish Power, Shell and British Airways.

Talent Pipeline Demographics

[NB Definition: the total number of people at different levels in the workforce, not just high potential talent]

All companies interviewed were able to provide data split by gender, but granularity varies e.g. some categorise data in terms of junior, middle, senior management, others present it at each grade; some compare across business units within the company, some present only company-wide figures. It is a noticeably more difficult challenge for some global companies without globally integrated data systems, but pleasing to see great efforts being made despite this to collect data.

As a minimum, companies were collecting and analysing the data annually but some do it half yearly or quarterly. Some companies feature the breakdown of this data as part of their public annual reports e.g. O2's Corporate Responsibility Report 2005: “A Changing World” shows the percentage of women at senior management levels in each of the businesses.

It is impossible to compare grade levels across companies precisely and therefore unhelpful to include individual company data, but it is possible to draw some conclusions. Overall when we look at the proportion of the women in the “marzipan layer” (i.e. Executive committees and one level below), at its highest in any company the percentage is about 20% and with one or two exceptions at the lower end, is approximately 10%.

It is of particular interest that the 20% figure for the “marzipan layer” is not restricted to particular industry sectors which have a broader base of female employees to draw from (such as financial services), but seems to hold true across different sectors, including companies which have a much lower percentage of women in the overall workforce. Whilst there is a pyramid effect in most companies (i.e. the percentage of women declines, the further up the organisation one looks), the percentage remains both healthy and constant in some companies such as Scottish Power.

²The Cranfield Centre for Developing Women Business Leaders commissioned Jacey Graham and Lesley Brook of Brook Graham LLP to research this specific topic and we are grateful to them for their contribution

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Problem Analysis

Processes used

With one or two exceptions, companies interviewed were carrying out research into the experiences and perceptions of women, using demographic data to highlight hot spots for that research. Some companies expressed a slight reluctance to enter into 'female only' research (to avoid the risk of 'leading the witness') but most that had done this, had also interviewed/surveyed control groups of men. Reuters and Pearson are examples of two companies which have conducted focus group research with women. British Airways is launching a series of focus group discussions with female employees shortly, and has been conducting a survey aimed at understanding recent changes in their rates of return from maternity leave. Shell and HSBC have also conducted large-scale surveys of 1250 and 3468 employees respectively, across all regions of the world and lines of business.

The results of employee surveys in all companies interviewed can be split by gender to show some useful trends and it is now fairly common to include specific questions on work-life balance and inclusion. Reuters and Shell both have a "Diversity & Inclusion Index" in their employee surveys and Anglo American has specific questions around the commitment to gender equality and career progression. Companies such as Lloyds TSB and National Grid are also using their women's networks to help with improved understanding of the issues. One company had made a powerful "talking heads" film of its senior women discussing their career issues as they experienced them, which was then used to help senior male leaders become more aware of the problems.

Themes identified

Most companies' experience is aligned with previously published research on this topic:

- Stronger support needed in career planning and easier access to information;
- Help with mentoring and coaching in early career: line managers need to be better at this;
- Exposure to the right career opportunities early on i.e. line experience, front line/commercial/operational experience, visible roles and international experience (not necessarily involving expatriation, but certainly working across national boundaries);
- Stereotyping and preconceptions of women's roles and abilities; middle managers subconsciously having lower or different expectations of women, and/or making assumptions about mobility;
- Women's commitment to family or personal responsibilities;
- Failure of senior leadership to assume accountability for women's advancement;
- Lack of pay equality;
- Work life balance and flexibility;
- Lack of confidence of women operating in a minority;
- Different styles and ways of working not being equally valued and welcomed;
- Lack of senior female role models;
- The need to provide networking opportunities with senior male leaders.

Not only is the alignment with previously published research striking, but also the consistency of themes across organisations and sectors. Because of this, one company interviewed recommended others not to spend too much time analysing issues but rather urged them to put effort and resource into taking action.

Graduate Recruitment

There were many best practice examples of where companies are taking extra steps to secure their share of women in the graduate talent pool. For example:

- Diversity awareness training for those involved in running selection and assessment processes e.g. Centrica, Lloyds TSB, Shell.
- Revision of branding, use of language, visual imagery to improve attractiveness to female graduates – there was universal awareness of the need to do this. Also experimentation was taking place about where adverts are placed based on research of the type of magazines that female graduates and under graduates read (e.g. Marie Claire).

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- Shell UK have run four road-shows to top universities aimed at women - invitations have gone out to women undergraduates and graduates; a panel of Shell women from all career levels talk about their career experiences and provide an opportunity to socialise.
- Most companies have targets for graduate recruitment and many of the companies interviewed were getting at least 50% women at recruitment stage (with the exception of the engineering companies where the pool is so small). Even where the available pool is very small, focused targeted efforts by companies such as Anglo American to attract women can pay dividends.
- In particular there is a need for companies searching in pools where female talent is scarce (such as engineering) to be very creative. We found some good examples of companies that realised they need to be very proactive in creating the talent “reservoir” much earlier on, e.g. National Grid and Centrica are both working with school-age girls to help them consider a wider range of subject and career options much earlier. Both companies are reviewing job roles, which have traditionally been seen as only suitable for male apprentices, and changing perceptions, for example that only men can go into homes and read meters. As a result National Grid has taken a number of women into its apprentice intake for the first time this year and Centrica are changing the notion of “men in blue vans”. Similarly, British Airways has a number of community outreach activities aimed at encouraging school-age girls and women at university to consider traditionally male roles such as aircraft engineer and airline pilot.

“Experienced-hire” Recruitment

It is clear that several companies have effected a significant change in gender demographics at senior level by bringing in executive level female hires. Taken within the context of a range of initiatives and overall strategy for women’s advancement, this has had a positive effect by providing role models and champions at a senior level. External appointments, however, if made in isolation, can prove de-motivating for women in the internal pipeline. There was a universal experience that where search consultants are used, companies need to be proactive and ‘demanding’ when it comes to seeing diverse candidate lists. Best practice includes the following:

- Centrica have spent time with search firms, making them aware of their diversity ambitions and contracting very clearly about the need to see high quality and diverse candidate lists.
- National Grid and HBOS have both demanded women and minorities on candidate lists for appointments.
- Shell ran a tender process to streamline executive search firms and built Diversity & Inclusion into the tender process.

Talent Reviews

Talent reviews are defined as the process for reviewing people who have been identified as being in a high potential talent pool. Most of the companies interviewed said that they carried out an analysis of people in the talent pool and cut the data by gender, as well as other variables e.g. age, nationality. (Ethnic categories are harder to monitor in companies operating on a global basis). All companies had some sort of structured annual ‘bottom-up’ process for analysing and reviewing high potential talent. All involved the Executive Committee/Board in looking at the very top slice of talent and the group level succession plan. Best general practice in analysing and reporting on high potential talent includes the following components:

- Annual review (at least) at business unit level of those in the high potential talent pool, analysis of people currently in senior roles and those in line for top jobs (against performance and potential).
- Annual review (at least) by the group executive committee of the health of business unit talent pools. In Anglo American, the Chief Executive and CEOs of each business spend one full day twice a year concentrating solely on talent management and succession planning
- Review of development/career development paths versus previously agreed development plans for people in talent pools
- Cross-group forums, which focus on moving people across businesses. Scottish Power and National Grid do this on a regular basis. In the past year National Grid has moved three women from HR, Legal and Finance

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to operations roles. These women have been through leadership programmes, coaching and mentoring to give them support in transition (as their male colleagues would do in similar transition circumstances). Both British Airways and Centrica are also focusing on helping women to develop into front line, technical and operational roles.

Challenging the issues highlighted by the data is not yet universal. Companies which are analysing their talent pool through the lens of gender diversity are taking these additional steps:

- Using core data to raise awareness of (unintended) gender bias. Pearson cited examples of using data to have a discussion in a particular part of their business when they noticed a gap between what was being said about the potential of women and how those same women were rated in the formal assessment process. Under challenge the managers revisited the formal assessment process to come up with more objective measures. *[A number of companies interviewed seem to use the 9-box matrix of performance versus potential. This makes it clear graphically if there are any gender trends e.g. if women are all clustered in the bottom left hand corner (low performance and low potential) it begs questions of perception and evidence in talent discussions]*
- Challenging assumptions made about the suitability of next development moves (e.g. making assumptions that women wouldn't want overseas postings, without asking them).
- Challenging assumptions about women's leadership style and being aware of the possibility of those doing the analysis, defaulting to a male leadership model in making judgements.

There were several examples of companies which are investing time and resource in helping senior leaders understand the impact of gender differences and the potential for unintended bias in talent management processes:

- Reuters are putting in place a reverse mentoring programme whereby their male executive committee members are being mentored by senior women in order to better understand some of the gender differences and issues impacting on women's careers and judgements made about ability based on style.
- Shell is already running in depth awareness sessions on gender differences for those involved in the talent process.

Given the need for the HR function to facilitate the review process in most companies, several interviewees made the point that HR people too can only be knowledgeable and skilled advocates if they have had the opportunity for learning and skill building in the area of diversity and inclusion. The opposite also applies however and they can inadvertently support the status quo without proper training and awareness.

Talent Identification Processes

Identification of high potential is built around agreed criteria in all of the companies interviewed. Some companies build these criteria into formal identification processes such as assessment centres, whilst others rely on nomination by business managers and 'conversations' with HR. The risk of bias, preference and misperception about women's potential creeping into these conversations, is felt to be reduced by the amount of data supporting these conversations i.e. performance data, 360 degree feedback, interview notes of the individual's aspirations, proof of development undertaken. The number of conversations and viewpoints about a person is also felt to reduce the risk of bias – Scottish Power is an example of a company where multiple views are sought.

Best practice examples are where companies have been sufficiently aware of the potential for unintended bias and where they have reviewed their processes and modified them accordingly.

Note the following examples:

- Pearson: the criteria for assessing potential were built so that diversity was woven through (not a separate bolt-on); the process by which people are assessed is very inclusive with many discussions and challenges en route. As part of assessing potential, they track how people in under-represented groups are faring.
- HBOS are replacing their four leadership "facets" (courage, optimism, radicalism and pace – very action oriented and arguably more male), with the Leadership Commitment of "lead, build, shape, deliver" - much more transformational in style and more suited in general to women (as well as many men).
- Lloyds TSB has reviewed its Group Leadership Capabilities for gender bias. The selection criteria are now

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broader and all-encompassing, with the result that the women who are being assessed seem to be coming out stronger against the capabilities.

- Shell reviewed their CEP (currently estimated potential) criteria for gender bias and has retrained assessors on gender differences.
- Centrica developed their model for assessing potential with input from their diversity team and then tested it with psychometricians to avoid bias.
- O2 is introducing a process of 'self nomination' for high potential assessment. This should be important from a gender point of view because it will help eliminate prejudice/favouritism/bias which can exist in systems where line managers have to recommend and sponsor candidates. (NB O2 recognise it may be important to ensure that some women are given sufficient encouragement to apply because of the confidence issues.)
- There were some good examples of the progression of younger talent in general but no examples of gender being specifically factored into this. Lloyds TSB has what is called a Career Paths process and HSBC's Next Generation Development transitions high potential graduates into business unit talent pools.

Talent Development

In general there is a recognition that a tailored approach to development options for scarce talent is needed and there has been a corresponding move towards one-to-one dialogue with high potential individuals about their aspirations, ambitions etc. It is fair to assume that over time this will benefit women.

Formal leadership programmes still exist. Some companies analyse attendance on leadership programmes to ensure women are being put forward and take intervention if this is not happening. Companies are trying to make sure they are maximising the diversity of participants without putting people forward for something for which they are unqualified.

Where separate competence frameworks exist for development (in addition to criteria for the identification of potential), not all had been tested through a gender lens.

There were some examples of actions being taken to ensure development options are fair, accessible and relevant for women in the overall pipeline and in organisational talent pools, as follows:

- Pearson hold conversations with some individual women to ensure they are not capping their own career ambitions either consciously or unconsciously.
- HSBC have an individual discussion with everyone in the talent pool to determine their personal employee proposition in respect of career and development, work environment, reward and work-life balance. Whilst these are held for men too, the nature of the topics and framework ensures that some career issues felt most fully by women will be covered.
- Another company is taking a very individual approach to development planning by plotting how long it will take an individual woman to attain a particular level/role and what development she needs in the meantime to help her get there. Their experience over many years of doing Diversity and Inclusion work is that it is essential to move out of the conceptual phase and into specific actions, changing the profile of the organisation one appointment at a time.
- O2 has fast-tracked some candidates from an assessment centre aimed at identifying high potential talent. Two of these candidates were women. All six were put onto O2's Executive Development Programme and both of the women, having had their visibility raised during the process and having been given additional project challenges, have been promoted.
- There is specific development for senior women in some companies e.g. Centrica have sponsored women to go to the Cranfield Women Leaders' programme, they have an in-house scheme with senior managers trained as mentors and they participate in the FTSE 100 Cross Company Mentoring Programme (as do other companies that we surveyed). HSBC have held a Global Women's Summit this year in Paris for their top 40 women, which whilst it had a clear business focused agenda, had an additional outcome of providing an opportunity for top women to network and learn in a women-only environment.
- Specific development for women further down the pipeline is variable. Some companies provide it through

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their women's networks (e.g. Lloyds TSB run a highly successful development week for women's network members at their corporate university). Shell runs a Career Development Programme for women at middle management with a view to building confidence and practical skills to manage their careers going forward. This programme has now run in Europe, Middle East, Africa, Asia Pacific and North America.

- Several companies have invested in integrating sessions on diversity and inclusion into their general management and leadership development programmes; several have "Diversity & Inclusion" as a separate facet of their leadership competence framework.

Accountability for Talent Management/Diversity

Accountability for changing the demographics of the talent pipeline and getting more women into the talent pool is variable. It is clear that individual leaders in certain companies set the tone and readily communicate their expectations. But overall, those expectations are not 'hard-wired' into the measurement processes of the organisation or the performance management and reward systems of individual businesses and leaders. For some the link is more pronounced:

- In National Grid the top 70 leaders have personal objectives on diversity, as do leaders in Lloyds TSB Scotland.
- In Pearson each business unit attends a quarterly business review meeting at which they discuss performance and plans with the Group CEO and Finance Director. These quarterly reports and reviews feature a "people page" which includes a progress review of talent management, with diversity being an integral part. The presentation is made by each CEO (not the HR Director), which is designed to underline the accountability of line management. The fact that the reporting is quarterly and part of their normal business process, helps weave diversity into the fabric of the organisation
- HBOS is just moving to a performance management and leadership commitment framework which will reward leaders on 'how' things get done (as well as what gets done) and where 25% of reward will be linked to people management. (NB Although not specifically focusing on diversity it will be incorporated through the results of the opinion survey and implementation of diversity actions outlined in the group's People Strategy.)
- Five years ago Scottish Power included accountability for spotting and sharing talent across the group, in the Scottish Power Leadership Model. It has now been taken out of the model as leaders automatically do this ("it's in the bloodstream" of the company) irrespective of gender or any other 'difference' of individuals.

Group level targets for the progression of women have been introduced by three companies interviewed: National Grid (where progress on diversity & inclusion is reported to the Board's Risk Committee), Lloyds TSB (also reviewed at board level but not publicised) and Shell (published in annual report and reviewed by the executive team). British Airways is in the process of adopting targets.

Where targets exist, they are in two forms: either expressed as an overall percentage of women at certain grades of seniority or in terms of continuous improvement year on year at particular grade levels. There seems to be a general reluctance to set targets or goals because of the fear of them being interpreted as quotas. Where companies have set and communicated targets, education and awareness of what this means (and doesn't mean) has been critical.

A close partnership exists in Pearson, Shell, HSBC, Reuters and Anglo American between the people who have functional responsibility for talent management and Diversity. In a few companies the action planning and reporting processes themselves have become fully integrated so that diversity of talent has become a key consideration for measuring the health of the talent pool. Scottish Power is interesting because it does not have a separate diversity function or manager. Retention of talent is a key factor in the company's balanced scorecard against which the CEO is ultimately measured. The metric for retaining talent has consistently been exceeded.

There is no doubt that CEOs take the identification of high potential talent and its development seriously: O2 talked about lunches that the CEO has with groups of high potentials and several other companies spoke about individual meetings that the CEO has with senior executives identified as high potential.

MANAGING THE FEMALE TALENT PIPELINE

The Factors Driving Change

As expected, companies endorse the business case for developing the pipeline of female talent for senior positions, including at board level. Whilst there are many examples of excellent initiatives being taken to create change, the question for UK business is: how can the pace of change be accelerated?

That incremental change in the talent pipeline is being achieved can be seen from the rising numbers of women in the boardroom; arguably, however, step change is needed if the supply of executive directors (and future NEDs) is to improve dramatically in the future.

The factors which have emerged from this research as being most critical to the pace of change are:

- 1. Continuous communication from individual top leaders of the strategic need to build the female talent pipeline, and of performance expectations**
- 2. Robust management disciplines, including goal setting and accountability for improvement, being applied to the problem, as in the case of any other critical business priority**
- 3. Diversity being fully integrated into the talent agenda and processes**
- 4. Creation of an inclusive culture (starting with education and awareness of business leaders and HR business partners), so that the talents and differences women bring to business are recognised and valued in the talent process.**

GOOD CORPORATE GOVERNANCE

5. GOOD CORPORATE GOVERNANCE

The Higgs Review and the Combined Code

The Higgs Review (2003) of the role and effectiveness of non-executive directors and the related Tyson Report (2003) on the recruitment and development of non-executive directors, led to new guidance for the management of companies. The Financial Services Authority requires listed companies to disclose, in relation to the Combined Code, how they have applied its principles and whether they have complied with its provisions throughout the accounting year. Many companies also refer to compliance with the United States Sarbanes-Oxley Act 2002.

Indicators for Good Corporate Governance

Thirteen indicators relating to the independence, selection, composition and development of the board were identified in our 2004 report. These have again been analysed and reported separately as well as in combination to provide a measure of good corporate governance so that we can consider them in relation to the appointment of women directors.

Table 4 presents the results of the individual indicators of corporate governance. Some companies have clearly taken on board the issues raised in the Higgs Review of good corporate governance, and the need for transparency in reporting of governance. For example, BHP Billiton includes a table with checklist of the reporting requirements and a statement of how and where each requirement has been addressed.

The scores on the 13 indicators were then used to construct a measure of "good corporate governance". All items were equally weighted and the maximum score possible is 13. Figure 1 shows how the companies scoring highest on this set of corporate governance indicators are significantly more likely ($p = 0.036$) to have at least one female director on board. Figure 1 shows that of the companies scoring 13 points, 33 had women directors, and 6 had all male boards.

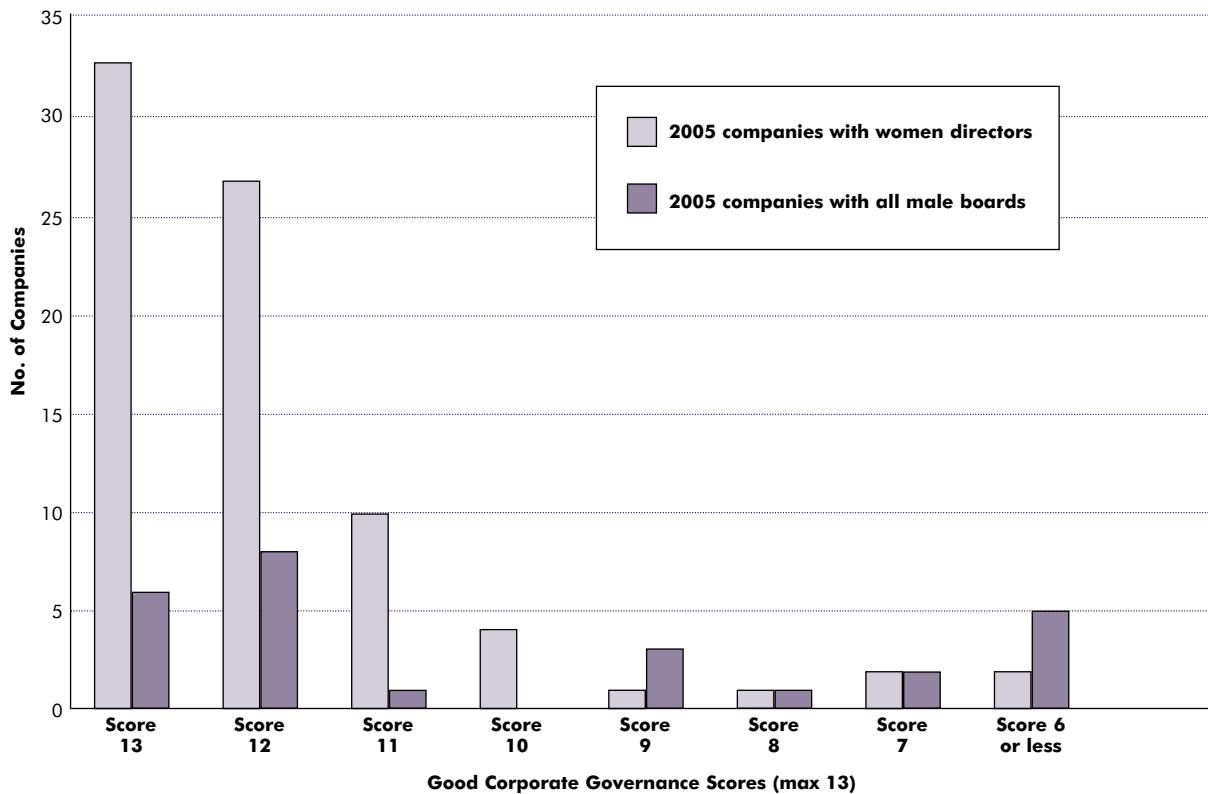
The measures suggested by Higgs have generally been implemented, although there were many explanations as to why companies had not complied fully with the independence criteria in the Combined Code, generally due to continued tenure of older non-executive directors or those with earlier executive links to the company. We should emphasise that our data are drawn from the companies' self-reported compliance in the corporate governance sections of annual reports.

Table 4: The 13 Indicators of Good Corporate Governance (from the perspective of board selection, composition and development)

Indicator	Yes	No
1. More NEDs than EDs, or equal balance	97	3
2. Separated roles for Chairman/CEO	97	3
3. Presence of Senior Independent Director	99	1
4. Compliance with Combined Code	64	36
5. Induction for Directors	91	9
6. On-going Training for Directors	85	15
7. At least 7 full Board Meetings per year (average is 8)	82	18
8. Boards with less than one-third of NEDs having 7+ years tenure	90	10
9. Board & director performance evaluated	96	4
10. Review of composition and balance of board	90	10
11. Was the appointment process transparent?	96	4
12. Was succession planning undertaken?	94	6
13. Were search consultants used or approved for use?	87	13

GOOD CORPORATE GOVERNANCE

Figure 1: Good Corporate Governance Scores, 2005



We grouped the indicators to highlight particular aspects of corporate governance. Board independence had four indicators: balance of NED/EDs, separate chairman/CEO role, senior independent director, and less than on third of NEDs with more than seven years' tenure. Development comprised induction and on-going development. Performance had a single item: board and director performance evaluated. Succession included succession planning and reviewing balance of board skills and experience. Transparency comprised reporting compliance, reporting of appointment process and approval of search consultants. Companies with women directors were significantly more likely to have transparency in board processes ($p = 0.002$). They also had significantly higher scores in terms of board independence ($p = 0.022$) and development processes ($p = 0.018$).

BOARD DIVERSITY AND PERFORMANCE

6. BOARD DIVERSITY AND PERFORMANCE

We did not find significant correlations between the presence of women directors and financial performance measures, other than the usual relationship with market capitalization (a variable that is a proxy for size), which was significantly higher ($p = 0.027$) in companies with women. Although we find no significant relationship between the presence of women on boards and financial performance, we cannot conclude that gender diversity on the board is not beneficial to shareholder value. Ultimately, diversity is always part of exemplary corporate governance which will enhance shareholder value in the long term.

THE FEMALE DIRECTORS 2005

7. THE FEMALE DIRECTORS 2005

In 2005, there has been a further increase in the overall number of female-held directorships, although the number of female executive directors decreased. Although there is still only one female CEO, Dame Marjorie Scardino of Pearson, and one female chair, Baroness Hogg of 3i, there are now three deputy chairmen (Hon Barbara Thomas at Friends Provident; Baroness Dunn at HSBC and Carole Pivnica at Tate & Lyle), three chief finance officers and one managing director who are female. See Table 5.

Table 5 : Female Directorships

Female FTSE Indices 2000 – 2005	2005	2004	2003	2002	2001	2000
Female-held directorships	121 (10.5%)	110 (9.7%)	101 (8.6%)	84 (7.2%)	75 (6.4%)	69 (5.8%)
Female executive directorships	14 (3.4%)	17 (4.1%)	17 (3.7%)	15 (3.0%)	10 (2.0%)	11 (2.0%)
Female NEDs	107 (14.5%)	93 (13.06%)	84 (11.8%)	69 (10.0%)	65 (9.6%)	60 (9.1%)
Women holding FTSE directorships	99	96	88	75	68	60

Women and Multiple Directorships

In 2005 86% of men and 82% of women directors hold only one seat on the board. Only one female, Alison Carnwarth, holds four seats on FTSE 100 boards, but Baroness Hogg and Susan Murray have three FTSE 100 directorships. A slightly higher proportion of women hold multiple directorships than men. Clearly multiple directorships is an easy and quick way of increasing the number of female NEDs and appears to be the primary strategy employed this year to increase female directorships. The number of women holding female directorships increased by only three this year (from 96 to 99 women) – the lowest increase in five years. See Table 6.

Table 6: Multiple directorships

FTSE 100 Boards	1 seat	2 seats	3 seats	4 seats
Male directors	86%	13%	1%	0.3%
Female directors	82%	15%	2%	1%

Age and Tenure

The women directors were again significantly younger ($p = 0.000$) than their male peers, with an average age of 53.0, compared to 55.6 for male directors. The women also had shorter tenure. See Table 7.

Table 7: Age and Tenure

	AGE			TENURE ON BOARD		
	All	Execs	NEDs	All	Execs	NEDs
All	55.3	50.4	58.0	4.8	5.6	4.4
Men	55.6	50.5	58.8	5.0	5.7	4.6
Women	53.0	48.0	53.7	3.2	3.7	3.1

THE FEMALE DIRECTORS 2005

The Trend – Fewer Titled Directors

The preference for titled women directors has again reduced and although a quarter of female directorships are held by titled women compared to only a fifth of directorships held by titled men, the difference is no longer statistically significant. Academic titles of doctor or professor were held by 8% of male directors compared to 11% of the females. 35 directorships were held by lords, whilst 11 were held by baronesses. Three seats were held by dames, and 87 seats by knights. Ten directors had Honourable titles. See Table 8.

Table 8: Comparison of Titled Directorships by Gender

	2005	2004	2003	2002	2001
Directorships held by titled men	21%	18%	20%	21%	27%
Directorships held by titled women	25%	29%	31%	36%	32%

Women take their place on the powerful Committees

Women directors (48%) were far more likely to sit on Audit committees compared to men (33%), but men were significantly more likely to chair the Audit committee. Equal percentages of men and women (41%) sat on Nomination committees, but again, the chair was most likely to be male. However, 41% of women directors compared to 33% of their male colleagues sat on the Remuneration committee, and there was no gender difference in the likelihood of being the Remuneration committee chair (7% of committees were chaired by women compared by 9% of men).

Ethnicity and Nationality

There were four women directors from ethnic minority backgrounds. Baroness Prashar, who is of Asian descent, is the new director at ITV. Baroness Dunn, who played a prominent role in the former Hong Kong political arena, is Deputy Chairman at HSBC. At WPP, Lubna Suliman Olayan, a Saudi national, is the first Arab woman to take a FTSE 100 seat. There are two African-American women directors, Vicki Bailey of Scottish Power and Michele Hooper of AstraZeneca. The overall proportion of ethnic minority directors in the FTSE 100 is 2.4%. The largest minority ethnic group are of Indian sub-continental descent. Progress on ethnicity is not in keeping with the recommendations of the Higgs Review to open the boardroom to greater ethnic diversity.

Examining nationality of directors, we find that 71% of male directors compared to 65% of female directors appear to have UK nationality, with a further 10% of males and 9% of females having European citizenship. Directors from North America hold 13% of the male directorships and 20% of the female directorships.

The New Appointments 2005

We monitor the year of appointment of directors, to ascertain the proportion by gender of new appointees, since the Higgs Review emphasised the need for more diversity in the pool of talent for director positions. The proportion of females in new appointments is the same as last year, with 17% of new FTSE 100 director appointments going to women. See Table 9.

Table 9: Appointment years of FTSE 100 directors in post in October 2001-2005, by gender

	2005	2004	2003	2002	2001
New female appointments	30	24	20	13	15
New male appointments	149	117	129	111	113
Total new appointments	179	141	149	124	128
Female % of new appointments	17%	17%	13%	11%	12%

THE FEMALE DIRECTORS 2005

Three new female executive directors entered FTSE 100 boardrooms in 2005, together with 27 female NEDs. See Table 10.

Table 10: The new women directors in 2005

Female Director	Company	Position	Age	Other current FTSE 100 Boards
Mary Francis	AVIVA	NED	57	NED at Centrica
Baroness Hogg	BG Group	NED	59	Chairman at 3i; NED at Carnival
Dr Gail de Planque	BHP Billiton	NED	60	
Rebecca McDonald	BOC	NED	52	
Baroness Symons	British Airways	NED	54	
Kate Nealon	Cable & Wireless	NED	52	NED at HBOS
Agnes Touraine	Cable & Wireless	NED	50	
Martina King	Capita	NED	44	
Rita Clifton	EMAP	NED	47	NED at DSG International
Susan Murray	Enterprise Inns	NED	48	
Susan Murray	Imperial Tobacco	NED	48	
Susan Murray	Morrisons	NED	48	
Jennifer Laing	Intercontinental Hotels	NED	58	
Baroness Usha Prawar of Runnymede	ITV	NED	57	
Kate Avery	Kelda	NED	45	ED at Legal & General
Kay Chaldecott	Liberty International	ED	42	
Teresa Dial	Lloyds TSB	ED	56	
Christine Cross	Next	NED	54	
Rosemary Radcliffe	Northern Rock	NED	60	
Judy Gibbons	O2	NED	48	
Kathleen O'Donovan	O2	NED	48	NED at Prudential
Vivienne Cox	Rio Tinto	NED	46	
Linda Cook	Royal Dutch Shell	ED	47	
(Mary) Nina Henderson	Royal Dutch Shell	NED	55	
Christine Morin-Postel	Royal Dutch Shell	NED	59	NED at 3i
Tamara Ingram	Sage	NED	44	
Val Gooding	Standard Chartered	NED	55	NED at Compass
Carolyn McCall	Tesco	NED	44	
Margaret Ewing	Whitbread	NED	50	CFO at BAA
Lubna Suliman Olayan	WPP	NED	50	

HUMAN CAPITAL: DIRECTORS AND GENDER

8. HUMAN CAPITAL: DIRECTORS AND GENDER ³

Individuals must acquire substantial human capital in order to be considered for a seat on a firm's board of directors. Women may need to develop more extensive human capital than their male counterparts in order to overcome 'glass ceiling' barriers and to attract the attention of director selectors. However, the interrupted nature of women's careers disadvantages women's human capital acquisition, in terms of fewer chances to gain new job skills. Inappropriate career decisions prevent women from accessing the right work experience. Furthermore, investments in human capital are said to provide higher returns for men. As a result, women may be less prepared for board appointments.

Boards of directors have received increased research attention in the last two decades. But the extant research on human capital on the boards has been limited to a small number of demographic variables or to female-only studies. In particular, we have little knowledge about the human capital introduced by new appointments. To our knowledge, our study of the gender differences in the profiles of new male and female directors appointed to FTSE100 corporate boards during 2001 to 2004 is the first of its kind in the UK.

METHODOLOGY

Data Gathering

We downloaded the FTSE 100 index and the names of the FTSE100 directors from the FAME and Hemscoff databases on 1 October of 2001, 2002, 2003 and 2004. We then visited each company's website to check for recent board changes. This resulted in a list of 72 new female appointees over the four-year period. A random sample of 72 new male appointees from the same time period was identified through random number generation in Excel. Using publicly available biographical information from the companies' annual reports, Who's Who, Debrett's People of Today and internet searches, we categorised the experience that the new directors brought to their boards. Individuals across the four years were treated as one group as there were no significant between-year differences. The following categories of variables were collected.

Demographics

We collected the Age, Gender, and Director type (Executive or Non Executive Director: NED) for all respondents. Ethnicity (White or Non-White) was recorded on the basis of biographical details and photographs indicating a non-white background, with careful checking from press cuttings archives and other organisational websites.

International Experience

The Nationality of the new directors was recorded in the following categories: British, US/Canadian, Continental, European, and Other. Nationality information is not always provided in biographical data, but again further efforts were made to identify nationality from other sources than the official biographies.

Experience working abroad (in this case, meaning outside the UK) is noted as International Experience, while International Boards related to directorship of a company based abroad (outside the UK).

Status and Reputation

We captured the following variables: Title (e.g. Dr.), Honour (e.g. Knighthoods, Dames, CBE; OBE; MBE), Who's Who (listed in Who's Who or Debrett's People of Today), Google (number of Google.co.uk hits by "name" and "director" categorised as follows: under 50 = 1, 50-100 = 2, 100+ = 3) and Oxbridge/Ivy (undergraduate or graduate degree from Oxford, Cambridge or Ivy League university). We have not seen other researchers use Google hits before, but the major search consultancies in the UK are increasingly using it as an indicator of reputation.

³We acknowledge research assistance provided by Siri Terjesen on this section of the Report.

⁴The FTSE index is a 'moving target' in that the list of companies on the FTSE changes from year to year based on market capitalization. On average, there is a 12-15% turnover per year.

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Work Experience

Work experience in the following sectors was noted: Financial Institutions (Banks, including Bank of England), Management Consultancy, Accounting, Law, Politics, Academia, Public Sector, Voluntary/Charity Sector, Government/Other (membership on a government advisory board, executive of a professional/arts organisation).

Data Analysis

We examined the differences between male and female directors. Findings are reported in cross-tabulation tables, and with t-tests and chi-square tests for significance. In an interview study of 40 FTSE 100 chairman, Russell Reynolds (2002) reported that the chairmen valued international experience over gender and ethnic diversity. It is interesting that so many new FTSE 100 female directors have international profiles both in terms of nationality and experience. We find that new female directors are less likely to be from the UK (61% compared to 72%) and are more likely than male directors to be US or Canadian citizens (32% compared to 7%), and these differences are statistically significant. Women directors are also three times more likely to be non-white than male directors (4.2% compared to 1.4%). See Table 11.

Table 11: International Experience

	Male (n = 72)	Female n = 72)	Chi-square (Sig.)
Ethnicity	1.4% Non-White 98.6% White	4.2% Non-White 95.8% White	Not Significant
Nationality	72.2% UK 6.9% US & Canada 16.7% Continental European 4.2% Other	61.1% UK 31.9% US & Canada 5.6% Continental European 1.4% Other	17.238 (.001)***
International Work Experience	33%	43%	Not Significant
International Board Experience	36.1%	43.1%	Not Significant

Status and Reputation of New FTSE 100 Directors 2001-2004

Next, we turn to an evaluation of the status and reputation for each of the new board directors. A larger percentage of new male directors hold a title or civic honour, but this was not statistically significant. This is very interesting because a noticeable factor in the profile of women directors in the FTSE 100 even from 1989 at the first "women directors on top UK boards census" has been that significantly more women have titles. In the past, the high incidence of titled female directors indicated a preference for women with visible credentials such as a title, which may have symbolised a less risky appointment. This same trend has also been reported in the US.

Table 12: New Directors - Status and Reputation

	Male (n = 72)	Female n = 72)	Chi-square (Sig.)
Title	23.6%	18.1%	Not significant
Civic Honour	16.7%	15.3%	Not significant
Who's Who or Debrett's	20.8%	31.9%	Not significant
Google UK mentions	25% Low 29.2% Medium 45.8% High	29.2% Low 15.3% Medium 55.6% High	Not significant
Oxbridge/Ivy League Degrees	20.8%	22.2%	Not significant

*** p<.005

HUMAN CAPITAL: DIRECTORS AND GENDER

Work Experience of New FTSE 100 Directors 2001-2004

Next, we evaluate the human capital in terms of work experiences of the new appointees, beginning with previous director experience. According to search consultants, boards want women with prior board experience. So we checked on the kinds of boards on which the new directors have previous experience. The categories are not exclusive. See Table 12.

Table 12: Previous Directorship Experience

	Male (n = 72)	Female n = 72)	Chi-square (Sig.)
FTSE100	41.7%	22.2%	10.303 (.006)***
FTSE101-350	12.5%	16.7%	Not significant
Minor Board	38.9%	62.5%	8.029 (.005)***

*** $p < .006$

Surprisingly, a greater proportion of women directors have sat on boards. Eleven of the men and six of the women had no reported external board experience. Whilst a greater proportion of women directors had previous board experience, this can be explained by the fact that eight of the eleven males were executive directors, compared to three of the six females. Newly appointed executive directors are less likely to have other board experience. New women NEDs were equally likely as new male NEDs not to have previous board experience (three in each case). Although over one fifth of the women had previous FTSE 100 director experience, the men were significantly more likely to have experience from another FTSE100 board ($p < .006$), while females were more likely to have experience from a FTSE 101 – 350 board and minor board ($p < .005$). We now turn to other executive/work experience. See Table 13. Again, the categories are not exclusive.

Table 13: Work Experience of New FTSE 100 Directors 2001-2004

	Male (n = 72)	Female n = 72)	Chi-square (Sig.)
Financial Institutions	31.9%	44.4%	Not significant
Management Consultancy	13.9%	27.8%	4.211 (.040) ††
Accountant	20.8%	19.4%	Not significant
Law	6.9%	15.3%	Not significant
Political	4.2%	11.1%	Not significant
Academia	5.6%	12.5%	Not significant
Public Sector	18.1%	31.9%	3.704 (.054) †
Voluntary/Charity Sector	13.9%	22.2%	Not significant
Other/Government	13.9%	23.6%	Not significant

†† $p < .05$; † $p < .06$

HUMAN CAPITAL: DIRECTORS AND GENDER

Interestingly, a greater proportion of women directors have experience spanning several sectors of work experience. They present themselves as more 'rounded' directors. Significantly more females have a background in management consultancy ($p < .04$) and the public sector ($p < .06$). More females also have a background in financial institutions, law, politics, academia and government/other.

Conclusions to Human Capital Section

This study has explored the human capital of new directors; these include their individual characteristics, their education, their work experiences, and the skills and knowledge that they have brought to their boards. Each director has a unique set of human capital assets.

Our findings belie some of the myths about women not having sufficient experience. A somewhat unexpected finding is the fact that 22% of the new female directors appointed between 2001 and 2004 already had FTSE 100 board experience. These women have served on top boards, and either add a concurrent FTSE 100 directorship or retire and then gain another FTSE 100 directorship. As the Higgs Review (2003) recommended that directors should not serve for more than two terms (i.e. six years), there will probably be increased director turnover. Hence, it is likely that this 'recycling' of the same small group of experienced directors will become a regular feature of female directorships as it has been for men. Indeed, the newly appointed male directors had held significantly more appointments on FTSE100 boards ($p < .002$), whilst women were more likely than the men to have experience on FTSE 101-350 and minor boards. This would suggest that the smaller boards constitute an incubator talent pool for identifying new female directors for FTSE 100 companies.

Thirty two percent of the new female directors also had experience of senior positions in the public sector, whilst 44% had previous experience in the financial institutions and a further 22% had voluntary/charity organisations experience. Twenty four percent of the new female directors had other experience on government advisory bodies/commissions (such as chairman of the Sector Skills Development Agency, the Press Complaints Commission), running arts organisations (Secretary of the Royal Academy of Arts and trustee of the Almeida Theatre) or other organisations (Peres Institute for Peace, the Prince's Youth Trust, President of the Institute of Chartered Accountants). These profiles reflect Higgs' recommendation that boards extend the talent pool for board appointments beyond directors with FTSE 100 experience.

But it is not just diversity in terms of female perspectives that is valuable, but a variety of experiences that complement and can contribute towards more effective boards. As Denise Kingsmill, NED at British Airways and Deputy Chairman of the Competition Commission says, "One wants more diversity, we need a different kind of man as well. Diversity is a good thing in itself but, more to the point for modern companies, they need to recognise the diversity of the society they are serving and the range of shareholders they are serving and therefore have a boardroom which is more responsive to those requirements. Women are very valuable (on boards) because many of them haven't had the classic 'start at the bottom and work your way to the top' career. Many women have gone off on tangents, they've taken career breaks, they've made changes in their careers, they have taken alternative routes to the top and been successful in different areas".

CONCLUSIONS

9. CONCLUSIONS

James Surowiecki in his book "The Wisdom of Crowds" writes in praise of diversity in decision-making: *"Diversity and independence are important because the best collective decisions are the product of disagreement and contest, not consensus or compromise. An intelligent group does not ask its members to modify their positions in order to let the group reach a decision every one can be happy with. Instead, they figure out how to use mechanisms to aggregate and produce collective judgements to represent not what any one person in the group thinks but rather in some sense what they all think. Paradoxically, the best way for a group to be smart is for each person in it to think and act as independently as possible."*

Surowiecki then goes on to define diversity and independence which can be understood in the context of an effectively functioning board of directors. They are:

- The value of diversity: Ultimately diversity contributes not just by adding perspectives that would otherwise be absent but importantly, it weakens some of the destructive characteristics of group decision making. It makes it easier for individuals to say what they really think.
- Independence: Independence is important to intelligent decision making because it is likely to prevent people from systematically making the same errors. Independent individuals are also more likely to have new information rather than the same old data everyone is familiar with.

In the context of Surowiecki's insightful observations, we are pleased to see women selected to the FTSE 100 boards coming from a wider pool of talent than at any time in history. Women are being chosen to serve on top boards not simply because they are women but because they are highly qualified. Interestingly they bring fresh perspectives derived from their diversity in nationality, ethnicity, board experience, professional skills and sectoral work experience. This study is groundbreaking because it is the first real evidence that chairmen/CEOs are rewriting their definitions of "relevant experience" for a FTSE 100 directorship.

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APPENDIX I The Cranfield Centre for Developing Women Business Leaders

The Centre for Developing Women Business Leaders is committed to helping organisations to develop the next generation of leaders from the widest possible pool of talent. We are unique in focussing our research, management development and writing on gender diversity at leadership level.

The objectives of the Centre are to:

- Lead the national debate on gender diversity and corporate boards
- Provide a centre of excellence on women leaders, from which organisations can obtain the latest trends, up-to-date research and benchmark best practice
- Identify and examine emergent issues in gender diversity and leadership, through sponsored research in partnership with industry and government
- Share research findings globally through conferences, workshops, academic articles, practitioner reports and in the international press.

For more information on the Centre's research and executive development, please visit our Centre website at www.som.cranfield.ac.uk/som/research/centres/cdwbl. There is also a list of our research articles in areas such as women on boards, leadership, diversity management, impression management, mentoring, work/life balance, commitment and careers.

Susan Vinnicombe OBE MA PhD MCIM FRSA

Professor of Organisational Behaviour and Diversity Management
Director of the Leadership and Organisation Development Community
Director of the Centre for Women Business Leaders

She is Director of the trailblazing executive programme for senior women managers/ directors, 'Women as Leaders'. Susan's particular research interests are women's leadership styles, the issues involved in women developing their managerial careers and gender diversity on corporate boards. Her Research Centre is unique in the Europe with its focus on women leaders and the annual Female FTSE 100 Index is regarded as the UK's premier research resource on women directors.

Susan has written eight books and numerous articles. Her most recent books are "Working in Organizations" (with A. Kakabadse and J. Bank - Gower, 2004) and 'Women with Attitude: Lessons for Career management', (with John Bank, Routledge, 2003). She is currently writing two books, "Managing Workforce Diversity: A Global Challenge" (with John Bank, Pearson 2006) and "Advancing Women in Organisations" (with Val Singh, Cambridge University Press, 2006).

Susan has consulted for organisations across the globe on how best to attract, retain and develop women executives. Susan is regularly interviewed in the press and on the radio and television for her expert views on women directors, and is frequently asked to speak at conferences. She is on the editorial board of 'Group and Organization management', 'Women in Management Review' and 'Leadership'. Susan is a judge for Management Today's annual "50 Most Powerful Women" and "35 Women Under 35 to Watch", Asian Women of Achievement Awards and the European Women of Achievement Awards. Alongside Susan's research activities at Cranfield she is also a founding member of Women Directors on Boards, a consortium, of five senior women from industry, academia and government who have come together to offer their expertise and time as a catalyst for change in the UK. They have set up the FTSE 100 Cross-Company Mentoring Programme, whereby chairmen mentor potential women directors from non competing FTSE 100 companies. So far 29 Chairmen have participated. Susan is also Vice Patron of Working Families.

Susan was awarded an OBE for her Services to Diversity in the Queen's New Year's Honour List on December 31, 2004.
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APPENDIX I

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Dr Val Singh is Senior Research Fellow in Organisational Behaviour, at Cranfield School of Management where she gained her doctorate. As well as the annual Female FTSE Index and Report on companies with women directors, Val's research includes studies of women leaders' careers; ethnic diversity in top management; corporate governance and diversity; management of diversity, the social construction of leadership; women's networks, work/life balance; mentoring; role models; commitment and impression management. She is Gender Section Editor of the *Journal of Business Ethics*, Associate Editor of *Gender Work & Organization*, and has published widely in both academic and practitioner journals. She has written the Masterclass in Corporate Governance and Diversity for the *Financial Times* and is a regular speaker and workshop leader on women in leadership, diversity and women's networks at international events and conferences.
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