

Institution: 10007822
Unit of Assessment: 19
Title of case study: Transforming corporate boards: influencing national policy
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>Research by the International Centre for Women Leaders (ICWL) at Cranfield School of Management has influenced recruitment for board-level appointments of publicly listed UK companies and has changed the composition of corporate boards in UK FTSE-350 companies.</p> <p>Since 2011, the ICWL's annual benchmarking reports have stimulated a doubling of female appointments to boards, leading to a sharp decline in the number of all-male boards, from 21 to six for FTSE-100 companies, and by over 30% for FTSE-250 companies.</p> <p>These changes in board composition and the practices of 36 leading executive search firms owe much to the Davies Report (2011), a UK Government sponsored review of women on corporate boards which drew extensively on the ICWL's 2010 "Female-FTSE Report".</p>
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>The focus of ICWL's research since the late 1990s has been to investigate first the structural barriers that have prevented a natural balancing of the demographic composition of boards and second the impact that the composition of a board has on its functioning. Following the financial crisis this has focused in particular on adherence to good governance.</p> <p>ICWL conducted the first study into the composition of boards of UK FTSE-100 companies in 1999 [R1]. Initially, this involved analysing annual reports for data on board composition. Today lists of company directors are more readily available from a licensed database (BoardEx). At an organisational level, the research ranks companies according to their percentage of women on boards, including analysis of executive and non-executive directors. This survey has been repeated annually and published in a Female FTSE Report, permitting the monitoring of year-on-year increases in the percentages of women on boards. Since 1999 the number of women on boards increased, but extremely slowly reaching 12.5% (on average for FTSE-100 companies) by 2010 (up from 7% in 1999).</p> <p>Over time the scope of these surveys has increased to include the composition of both boards and executive committees / senior management teams of all listed PLCs in the UK (c. 1700 companies). Simultaneously, Cranfield's analysis of the FTSE-350 companies has become more detailed. It considers demographic factors of individual directors such as gender, age, nationality, tenure in organisation, tenure on board, sector and functional role.</p> <p>Additional research has augmented the census data in these annual benchmarking reports over the last nine years. For example, ICWL has conducted:</p> <ul style="list-style-type: none"> • An examination of the human capital of all new directors (2004); • a qualitative study of boardroom cultures in Science, Engineering & Technology companies (2007); • interviews and survey of more than 200 female members of executive committees about their ambitions (2008); • comparative studies of Norway and Spain (2009); • interviews with FTSE Chairmen about their involvement in the board appointments (2010). <p>Cranfield's Female FTSE Reports were initially sponsored by the Government Equalities Office - GEO - (and its precursor the Women and Equality Unit), Business Innovation & Skills (and its precursor the Department of Trade & Industry) and leading companies (e.g. Shell, PWC, HSBC, J Sainsbury, KPMG, Aviva, Barclays). Initial sponsorship amounts were multiples of circa £10,000</p>

Impact case study (REF3b)

from each of these organisations. Since 2011 Barclays has been the lead sponsor, giving £100,000 per year for the research.

Key researchers: Professor Susan Vinnicombe OBE - Director (1999-present); Dr. Val Singh - Reader (1999-2008); Siri Terjesen – PhD student (2003-6); Dr. Ruth Sealy – Deputy Director (2007-2013); Elena Doldor – PhD student (2006-11).

3. References to the research (indicative maximum of six references)

[R1]. Vinnicombe, S., Johnson, P. and Singh, V. "Women Directors on Top UK Boards" (2001) *Corporate Governance: An International Review*, 9 (3) 206-216.

[R2]. Singh V. and Vinnicombe S. "Why So Few Women Directors in Top UK Boardrooms? Evidence and Theoretical Explanations" (2004). *Corporate Governance: An International Review*, 12 (4) 479-488.

[R3]. Terjesen, S. and Singh, V. "Female Presence on Corporate Boards: A Multi-Country Study of Environmental Context", (2008). *The Journal of Business Ethics*, 83 (1) 55-63.

[R4]. Terjesen, S., Sealy, R. and Singh, V. "Women directors on corporate boards: A review and research agenda", (2009). *Corporate Governance: An International Review*, 17 (3), 320-337.

[R5]. Sealy, R. & Vinnicombe, S. "Women and the governance of corporate boards", in Clarke, T. & Branson, D. (Eds) (2012) *Handbook of Corporate Governance*, Sage publications.

[R6]. Vinnicombe, S., Singh, V., Burke, R., Bilimoria, D, & Huse, M. (Eds) *Women on corporate boards of directors: International research and practice*, (2008) Edward Elgar, Cheltenham.

4. Details of the impact (indicative maximum 750 words)

This case demonstrates **impact on practitioners and professional services** through our '**Pathway to Impact – No. 4 (Benchmarking Practices)**', by stimulating debate within government and challenging and changing recruitment practices.

ICWL has worked with Government for more than a decade to stimulate change in the gender composition of corporate boards in the UK. The most significant impact of the research was through the Davies Report in 2011 **[S1]** which drew extensively on the centre's Female FTSE report 2010. As a consequence the proportion of female board directors on FTSE100 companies increased to 18.9% from 11.7% in 2008.

More than a decade of research by the ICWL revealed a slow rate of increase in the proportion of women on corporate boards in the UK, starting from a low base. Sponsored by UK Government and industry, a Government minister has launched these annual Female FTSE Reports which receive extensive media coverage (the Financial Times gives a half page to this) in the UK and beyond. Since 2010 we have over 400 mainstream media mentions.

Moreover, the credibility and authority of the report is widely recognized by leading companies (e.g. PriceWaterhouseCoopers, Ernst & Young, Barclays, Lloyds Banking Group) and governments internationally (e.g. Australia, New Zealand), and provides the data for the UK Office of National Statistics' Women on Boards (WoB) figures.

In 2009 the Government Equalities Office (GEO) commissioned two reports from ICWL **[S5; S6]**. The Rt. Hon. Harriet Harman MP, then Deputy Prime Minister and Minister for Women, used these in her appearance before the Treasury Select Committee in relation to the financial crisis and the role of boards in the autumn 2009.

In 2010, the Prime Minister Gordon Brown invited Prof Vinnicombe for discussions at 10 Downing Street. Following the 2010 election, Dr Sealy briefed new ministerial aides on the position in

relation to WoB. The CBI's Task Force Group on WoB invited her to advise in the preparation of a report it published in December 2010 [S7].

In 2011, Prof Vinnicombe was invited to be one of six members of the Steering Committee for the Government Review of Women on Boards chaired by Lord Davies of Abersoch. The Davies Report of 2011 [S1], which drew extensively on the Female FTSE Report 2010, challenged Chairmen and Chief Executives of UK companies on the issue of female representation on boards. The report made 10 recommendations, suggesting targets for female representation on boards of FTSE-350 Companies by 2015, requiring policies for boardroom diversity and disclosure of representation and the appointments process.

The UK Government's Department for Business, Industry and Skills and the GEO invited ICWL to conduct the Davies Interim Reports monitoring the response of UK Companies to the recommendations. The Prime Minister, David Cameron, launched the first of these at Downing Street in October 2011. Lord Davies's foreword to the Interim Report thanked Cranfield for "their commitment over a long period to an important issue for the UK economy".

As the Davies Report (2012) [S2] said in 2012, within a year the number of all-male boards in FTSE-100 companies had fallen from 21 to 11, and by 19 to under 50% of FTSE-250 companies. It also reported that the UK's Financial Reporting Council following consultation had changed the Corporate Governance Code requiring publicly listed companies in the UK to address gender diversity on corporate boards. In addition, the major search firms, which conduct 80% of all FTSE 100 board appointments, had heeded the Davies report's call for a Voluntary Code of Conduct (VCC) regarding diversity of appointments [S8]. There are currently 36 signatories including Egon Zehnder International, Heidrick & Struggles, Odgers Berndtson and Russell Reynolds Associates.

In May 2012, Cranfield produced a report, commissioned by the Equality & Human Rights Commission monitoring the impact of the VCC on search firm's practices. Also in May, Dr Sealy was invited to present the UK's approach to the issue of WoB to an EU delegation in Oslo as an input into proposals from EU Justice Commissioner Viviane Reding for an EU directive on increasing women's representation on boards.

In July 2013, a House of Lords enquiry invited Prof Vinnicombe and Dr Sealy to give evidence to determine the UK government's response to the proposed EU directive.

In November 2012, the Business Secretary, Rt Hon. Vince Cable MP launched the second Davies Interim Report at the London Stock Exchange. The Financial Reporting Council, the report's co-sponsors, asked Cranfield to benchmark the early adopters of the changes to the Corporate Governance Code [S4].

In April 2013 the Davies Report Two Years On [S3] and the Female FTSE Report were launched at the CBI with Dr Vince Cable, Maria Miller (Minister for Equality), Sir Roger Carr (President of the CBI), Lord Mervyn Davies, Professor Vinnicombe and Dr Sealy. The reports also monitored the continuing increase in figures: the number of all-male boards in the FTSE 100 has fallen to six, while in the FTSE-250 it had fallen to 20.4%. The headline figures for FTSE-100 WoB has risen to 18.9%: this increase of more than 6% in the two years since the Davies report is greater than the increase made over the entire previous decade.

5. Sources to corroborate the impact (indicative maximum of 10 references)

Publicly available reports

[S1]. Women on Boards – Davies Report (February 2011)

<http://www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards>

(pages 11,12,13,14,15 report data from the 2010 report. Reports from other years are also mentioned in the text).

Impact case study (REF3b)

[S2]. Women on Boards – Davies Report (March 2012)

<http://www.bis.gov.uk/assets/biscore/business-law/docs/w/12-p135-women-on-boards-2012.pdf>

The evidence for the reported change was derived from the Cranfield Female FTSE report acknowledged in the Foreword and Executive Summary.

[S3]. Women on Boards – Davies Report (April 2013)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182602/bis-13-p135-women-on-boards-2013.pdf (Cranfield research mentioned on page 3,8,12,13,14,21).

[S4]. Financial Reporting Council Developments in Corporate Governance 2012, published December 2012 - see pages 13 and 18 referring to Sealy, R. & Vinnicombe, S. Women on Boards: Benchmarking early adopters of the Corporate Governance Code 2012

<http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Developments-in-Corporate-Governance-in-2012.aspx>

[S5]. Sealy, R., Doldor, E, & Vinnicombe, S. Increasing diversity on public and private sector boards. Part 1 – How diverse are boards and why? (October 2009) Government Equalities Office: London.

http://webarchive.nationalarchives.gov.uk/20100610111428/http://www.equalities.gov.uk/pdf/299150_GEO_RSFCranfield_acc3.pdf

[S6]. Sealy, R., Doldor, E, & Vinnicombe, S. Increasing diversity on public and private sector boards. Part 2 – What is being done to improve diversity on boards and how effective is this? (November 2009) Government Equalities Office: London.

http://webarchive.nationalarchives.gov.uk/20100610111428/http://www.equalities.gov.uk/pdf/299150-2_CranfieldReportPt2_acc.pdf

[S7]. Room at the top: Improving gender diversity on UK corporate boards, Confederation of British Industry, December 2010.

http://www.cbi.org.uk/media/955588/2011.01-room_at_the_top.pdf (includes extensive referencing to Cranfield research).

[S8]. Chronological evidence trail of reports on progress and contributions of Cranfield research to the improvements in women representation on boards, especially impact on executive search firms.

<http://www.bis.gov.uk/policies/business-law/corporate-governance/women-on-boards>

Individual User beneficiaries:

[S9]. Chair, Financial Reporting Council. To confirm that the change in the FRC's Corporate Governance Code drew on Cranfield's research and the Davies Report.

[S10]. Director, Government Equalities Office. To confirm the commissioning of research from Cranfield and its influence on policy discussions.