**Networking to the top: the social capital of newly appointed board members in the UK**

**Authors**

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***Developmental Paper***

**Abstract**

**1. Purpose**

The submitted developmental paper is the first paper we want to write as part of a larger project on women on board and networks, for which one of the authors has received European funding. In this paper, we will explore the networks of directors in the UK (both male and female) and develop propositions/hypotheses regarding the role of social capital in board appointments compared to human capital notably. Indeed, while the literature addresses, among others, the role of social capital and of the social stereotyping in making the corporate ascent of women more difficult, we do also need to know more about actually appointed directors, and in particular the ones who are women.

**2. Design/methodology/approach**

Data is currently being collected from the Boardex database, the largest available dataset on the networks of directors and top management worldwide. We have collected data for directors in the UK in the year 2010, FTSE 250 companies. The data is currently being cleaned and will be analyzed with statistics tools as well as social network analysis tools.

**3. Findings if paper is empirical**

Early findings will be presented at the conference, and will include: descriptive statistics, graphic representation of individuals’ networks, results from of the testing of the starting hypotheses.

**4. Research limitations/implications**

The proposed research will carry implications for both research and practice. For research, it will allow to have a better understanding of the role of social capital in board appointments and call for more fine-grained research on the importance of different forms of capital that may compensate or increase social stereotyping. For practice, it will raise questions regarding the selection process and the role of both firms and the executive search companies they hire to select candidates for boards, and of what they see as “diverse” candidates in such a process.

**5. Originality/value of the paper**

While numerous articles have talked about the barriers to board for women and pointed at the importance of social capital, there is only limited empirical research on this topic to date. We thus propose an original paper that will assess the importance of social capital and discuss it with regards to both human capital and social stereotyping.

**Keywords:** boards of directors, governance, networks, social capital, human capital, gender

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“There were no women directors in 79.5 percent of the firms in the sample”: this quote is taken from an article published in the *Academy of Management Review* in 1981 ([Harrigan, 1981: : 621](#_ENREF_10)). Even if today there are more women on boards of directors than in 1981, research shows that the numbers are still very low except in countries that have implemented quota laws ([Catalyst, 2011](#_ENREF_6)). Following Norway’s example, several European countries have voted quota laws for boards, and a number of other countries are considering the possibility of doing so; others, like the UK or Denmark, have chosen to set official targets.

However, while quotas mechanically augment the number of women on boards in countries that have implemented them, this does not necessarily imply “progress” towards equality as they are often perceived as less valuable members of boards that did not earn their position ([Vinnicombe and Singh, 2011](#_ENREF_28); [Nielsen and Huse, 2010b](#_ENREF_19)). Indeed, other board members have been reported to get the impression that women are appointed to such positions because of the quotas laws, and not because they have the professional credentials and are well known and reputable within directors’ and top managers’ circles. As shown in the paths to the boardroom stream of the governance literature, networking and social capital play an important role in board appointments. Also, the network literature at large shows how social capital plays a pivotal role in careers of both men and women. However, these two streams of research do not empirically assess the social capital of women board members, and governance research generally restricts itself to the analysis of board interlocks and intra-board networks.

Our aim in this contribution is thus to further explore the role of networks in relation to women’s access to board positions. Such work will be of great value as, despite this high level of public interest, and a number of insightful theoretical contributions on the topic, there is a dearth of work about how women’s networks influence their ascent up to directorship. The proposed line of work will thus make a strong contribution to the network literature by empirically investigating the structure of board members’ networks from the UK FTSE 250 companies. Then, the proposed research will contribute to existing research on corporate governance by linking the literature on women and networking with that on women and boards.

**Beneath the surface: networks and boards of directors**

The general aim is to delve beneath the surface as proposed by Nielsen & Huse ([2010a](#_ENREF_18)) by looking at other aspects of the question besides the mere impact of a higher or lower number of women on boards of directors ([Torchia et al., 2011](#_ENREF_27)).

***Women on boards: a question of impact***

A significant portion of the literature on women and boards looks at the impact of female presence on performance but the mixed results do not allow for the drawing of firm conclusions in that respect ([Nielsen and Huse, 2010b](#_ENREF_19)). Part of this literature shows a positive relation between the ratio of women on boards and performance ([Carter et al., 2003](#_ENREF_5); [Torchia et al., 2011](#_ENREF_27)) and between the ratio of women and increased investments ([Campbell and Minguez Vera, 2010](#_ENREF_4); [Kang et al., 2010](#_ENREF_15)). In addition, existing research hints at the fact that the presence of women on boards can have a causal effect on the increase in the number of women in top management ([Matsa and Miller, 2011](#_ENREF_17)). A difference is, however, found between the public and private sectors, with women being less widely represented in the latter ([Shilton et al., 2010](#_ENREF_23)). Meanwhile, another part of the literature finds no significant correlation between the presence of women on boards and performance([Rose, 2007](#_ENREF_21)) and concludes that the increased demand for women directors is not performance-based but rather induced by societal pressure ([Farrell and Hersch, 2005](#_ENREF_8)), even going so far as to suggest a negative relation ([Erhardt et al., 2003](#_ENREF_7)) due to the difficulty in accommodating diversity and reaching consensus ([Knight et al., 1999](#_ENREF_16)). Such contrasted results can be explained by the lack of contextualization and the over-simplification of a complex question ([Rodríguez-Domínguez et al., 2012](#_ENREF_20)).

Our research project will more specifically examine the role of networks in the access to board positions for women. Restricting research to headcounts of men and women (and/or other “diversities”) means accounting only for ‘visible’ diversity, while not focusing on, or being unable to describe, what else is possibly different about women or ethnically diverse directors ([Broome et al., 2011](#_ENREF_2)). It is to be noted, however, that some research distances itself from this focus on demographic difference to consider the diversity of experience and perspective acquired through a different socialization and career path ([Nielsen and Huse, 2010b](#_ENREF_19)). Indeed, it has been noted that women on corporate boards often differ from the ‘mainstream’ background of directors as CFOs and similar positions; added to this is the fact that “corporate practices, such as closed senior promotion systems, preferential allocation of challenging experiences to males, and channelling of females towards support and specialist roles rather than operations and line management, play a role in sustaining an uneven playing field” ([Vinnicombe and Singh, 2011: : 202](#_ENREF_28)).

However, the diversity of backgrounds does not necessarily equate to a diversity of behaviour in women fulfilling their role as directors. An important reason to look at the role played by networks is therefore to see how they actually favour or constrain diversity. If we start from the premise that networks of power reproduce elites ([Bierema, 2005](#_ENREF_1)), it thus calls for a detailed analysis of the networks of corporate elites such as board members. This can help assessing differences in networks, within and between sex categories, regarding structural and relational characteristics. Also, it can help gain new insights into, in particular, the networks of women who are part of the corporate elite. Finally, by looking at variables other than sex, analysis of such networks will help assessing how diverse the directors population actually is, and what diversity means in that context.

***Beyond headcounts***

A number of researchers have also taken an interest in aspects other than number and performance issues and explored board behaviour and effectiveness in relation to the presence of women ([Nielsen and Huse, 2010a](#_ENREF_18)). Women’s contributions to board decision-making and strategic involvement has been demonstrated, but is limited by women being perceived as unequal board members ([Nielsen and Huse, 2010b](#_ENREF_19)). The supposedly negative effect of women directors on performance has been linked to the fact that women are appointed to firms that are perceived as performing poorly (as opposed to actually performing poorly) and that the presence of women on boards can deter investors ([Haslam et al., 2010](#_ENREF_12)). The diversity of backgrounds and expertise brought by women has also been explored ([Burke, 1997](#_ENREF_3)), as have the resource-dependent predictors of female representation on boards ([Hillman et al., 2007](#_ENREF_13)). Some previous research on boards and governance has already taken some interest in network effects. The impact of interlocked boards and directors’ networks has attracted much attention ([Shropshire, 2010](#_ENREF_24); [Harris and Helfat, 2007](#_ENREF_11)). More specifically, it has been shown that a network of strong ties to other members within a given board impacts the influence of board members more than human capital or ties across boards ([Stevenson and Radin, 2009](#_ENREF_26)); nevertheless, CEOs’ portfolios of network ties to other CEOs play a strategic role for business, especially when direct ties between allied firms boards are broken ([Westphal et al., 2006](#_ENREF_29)). Regarding demographic minorities on corporate boards, it has been demonstrated that influence is gained if one has ties to board members on other boards ([Westphal and Milton, 2000](#_ENREF_30)).

Regarding pathways to the boardroom, Westphal and Stern have shown how ingratiation, which can be considered as a way to create a strong social-network tie, can compensate for credentials ([2006](#_ENREF_31)), and that this is a game that women are less willing to play ([Singh et al., 2002](#_ENREF_25)). Furthermore, Vinnicombe and Singh ([2011](#_ENREF_28)) show that difficulties in entering organizational politics and the fact that women are perceived as impostors constitute strong barriers to women’s access to boardrooms. In these and similar publications ([Sheridan, 2002](#_ENREF_22)), the importance of social networks is strongly hinted at. Inequality at work and the on-going lack of women at the top of organizations is still a reality, and in a significant number of contributions, this lack has been linked to networking-related issues in particular ([Ibarra, 1997](#_ENREF_14); [Forret and Dougherty, 2004](#_ENREF_9); [Hillman et al., 2007](#_ENREF_13)). A important objective of our project is thus be to examine directors’ networks by looking not only at their human capital, but also at their social capital, and discusses their interrelatedness. This research will present an opportunity to make important contributions to the existing literature, as current research often revolves around quotas or looks at the impact of the presence of women on boards rather than at how they got their directorship. Finally, our research will allow discussing the idea that networks can constitute an alternative and complementary mechanism to quotas to help women gain board positions for which peers consider them as fully legitimate. Another discussion point is how networks can act as a springboard from which to reach board positions, and for whom.

**Research design**

As shown in the literature review, current empirical research in corporate governance and diversity has paid little attention to the role of networks in access to board positions, but has rather focused on headcounts and impact on performance. One of the reasons for this is that data to go beyond these questions were not previously available; it is only with the growth of datasets such as BoardEx that researchers are now able to study the effects not only of human but also social capital on board appointments, and explore questions such as interlocking boards. With this research projects such a direction will be followed in order to explore the role of networks in women’s access to board positions. Boardex is a database containing the profiles of over 450,000 board members, top executives and senior managers. BoardEx consolidates public domain information regarding these people’s current and past positions and board appointments, age, experience in the sector, education, and demographic details such as age and gender, as well as membership in non-profit organizations. This daily updated information creates a matrix of relationships that can be searched, and BoardEx claims that it is thus able to display over 95 million first-degree relationships between individuals and organizations. This database is used in particular to study board composition, remuneration and diversity; we will extend this research by studying the network characteristics of individuals recently appointed on boards of directors.

We have downloaded data on directors in the UK and then restricted it to FTSE 250 companies for the year 2010. We are in the process of cleaning the data and setting out key variables. The analysis of the data will be done once this process is over, foreseeably in the spring. We will thus present our first results during the EDI conference.

**Planned development of the paper**

The literature review will be refined, so as to develop starting hypotheses. The data, currently being cleaned by the authors, will be analysed in the spring. In the light of the obtained results, we will propose discussion points addressing the configuration and contents of the networks of directors, the differences within and between sex categories, the markers of diversity that appear as central from our analysis compared to what is highlighted in existing research, and the interrelatedness with human capital.

It is also to be noted that in the further development of the overall project we will consider other European countries. Indeed, concentrating on European countries will allow us to compare individuals or sets of countries with different approaches to overcoming inequality in the boardroom. Our research will thus contribute to the literature on women in the workplace, to the social capital literature, and to the governance literature, making it a multifaceted research project reaching out to a wide community of researchers while addressing extremely topical issues in Europe and beyond.

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