

Women Take 17% of New FTSE 100
boardroom appointments

THE FEMALE FTSE REPORT 2004



With a Foreword by Patricia Hewitt
Secretary of State for Trade and Industry and Cabinet Minister for Women

Centre for Developing Women Business Leaders
Cranfield School of Management

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FOREWORD



Once again I congratulate Professor Susan Vinnicombe and all those at Cranfield School of Management who have helped produce the Female FTSE Report 2004. The Female FTSE is an opportunity for a stock-take on the position of women in British boardrooms, still woefully under-represented, but gradually getting better.

Diversity in our boardrooms isn't about political correctness or box-ticking; it's about getting the right people appointed to the right jobs every time. Susan Vinnicombe's work has influenced the way the Government and our business leaders recruit the best people. There is now a cohort of executives who are taking action. They realise that equality for women isn't just a moral issue – it's something which has a positive impact on their businesses too.

Over the last twelve months the outlook for women trying to reach the boardroom has improved – there is now a groundswell of opinion and meaningful action by our businesses, showing that they recognise the links between good corporate governance and progressive recruitment policies. More than 20 FTSE 100 Chairmen or CEOs are now mentoring women to get to board level. The women involved are already role models for others below them, and the scheme holds great possibilities in the long-term.

In Government we face the same challenges as business, striving to secure top quality candidates to run our public services. We want to set the standard for more effective and diverse public appointments. The Government is playing our role, offering encouragement and support to companies and the candidates to make things happen, but the changes we all want to see can only really be effected by businesses themselves. It's great to see the rise in female FTSE directors that Professor Vinnicombe reports. Women now make up nearly 1 in 10 directorships in the FTSE 100 and nearly 1 in 5 of all new board appointments. But if we are serious about creating a modern economy, recognising diversity and utilising the skills of everyone, there is still much more to do.

The Female FTSE report should be a wake-up call to those who still don't realise that diversity matters – particularly the third of FTSE 100 companies with no female directors - as well as an opportunity to recognise the successful women who have already reached the top. They've had to fight every step of the way to get there on their merits. I hope that the next generation of female board members will find it easier to reach their goals.



Patricia Hewitt

Secretary of State for Trade and Industry and Cabinet Minister for Women

The Female FTSE Report 2004

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EXECUTIVE SUMMARY

FEMALE FTSE REPORT 2004:

Women take 17% of new FTSE 100 boardroom appointments

Dr Val Singh and Professor Susan Vinnicombe
Cranfield Centre for Developing Women Business Leaders

The Percentage of New Appointments Going to Women

This year for the first time, we have started to measure the percentage of new director appointments going to women. In 2004 we see the biggest jump over the last four years to a remarkable 17%.

Companies with the Highest Percentage of Women on the Board

Centrica, with three women directors, and J. Sainsbury with two, share the number one ranking of the female FTSE 100 companies with the highest percent of women on the board. In both companies women comprise a third of their directors. (Centrica has moved up from 10th place last year). AstraZeneca comes third with four female directors making up 31% of its board. In joint fourth place are British Airways and Pearson with three women each on their boards (25%). Alliance & Leicester and Scottish Power are in joint sixth place, with 23%. Alliance & Leicester provide positive proof that companies can change their top board composition swiftly as last year they were ranked in the middle of the table at number 44.

FTSE 100 Companies with Women Directors

Sixty-nine of the top one hundred companies now have women directors, an increase of only one over last year. This is despite the fact that seven of the FTSE 100 companies have appointed women directors for the first time. New entrants include Reuters, with two women on its board, Anglo-American, ICI, Land Securities, Liberty International, Enterprise Inns and Schroders. Rather disappointingly, Cable & Wireless, Next and mm02 were among the companies with board changes that left them with no women directors.

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

The Number of Female-held FTSE 100 Directorships

The number of female-held directorships has increased to 110 in 2004, up from 101 in 2003. These 110 seats are held by 96 women as some hold several FTSE 100 directorships.

Good Corporate Governance

We extended our corporate governance indicators from 8 in 2003 to 13 in 2004, following suggestions made in the Higgs and Tyson reports. The scores on the 13 indicators were then used to construct a measure of "good corporate governance". Overall companies with women directors scored significantly higher than companies with all male boards. The particular indicators that showed significant differences were director training, induction, reviewing board skills, reporting succession planning, using search consultants and evaluating board performance. This is clear evidence that better managed companies are those with gender diversity in their boardrooms. In general, companies are providing more transparent information about director appointments and good corporate governance in their annual reports and websites.

Corporate Financial Performance

We consider the relationship between the presence of women on boards and measures of corporate financial performance. Return on Equity (ROE) is a measure of the company's efficiency and profitability given the resources provided by investors. The results for ROE over the last three years indicate that the 69 companies with women directors have an average ROE of 13.8 compared to a ROE of 9.9 for the 31 companies with all-male boards. So companies with females on the board have slightly higher performance measured by ROE.

Market capitalisation is highly correlated with the number of women directors, indicating that larger companies are more likely to have women on their boards. Although we find no significant relationship between the proportion of women on board and financial performance, we cannot conclude that gender diversity is not beneficial to shareholder value. Ultimately diversity is always part of exemplary corporate governance, which will enhance shareholder value in the long run.

Profiles of the New Female Directors

We analysed the experience that the 24 new, female directors in 2004 brought to their boards. The surprising fact that 33% of them already had FTSE 100 experience runs counter to the belief that women candidates lack top boardroom experience.

We discovered that these female directors who came onto boards in the last year also had experience in the public sector (33%); financial institutions (20%); and voluntary/charity sector (20%). A further 62% had experience on government advisory bodies or commissions, running arts organisations or professional associations.

In a comparative study of the 13 new female Non Executive Directors (NEDs) and the NEDs they replaced (ten male, three female), 30% of the new female NEDs had prior FTSE 100 experience compared to 38% of the outgoing NEDs. Whilst most of the outgoing NEDs' experience came from various positions in the corporate sector, most of the experience of the new female NEDs came from several sectors including the corporate, public, voluntary/charity and other sectors. The new female NEDs are more 'rounded' directors in terms of their background experience. They are also much younger; the average age is 50 compared to 62 for the outgoing NEDS.

THE FEMALE FTSE INDEX 2004

Rank 2004	% Female Board	Total Board	No of women	Company (Bold = has female executive directors)	Female Directors (* = Executive Directors)	Chairman (Bold denotes company with female EDs)	Rank 2003
1	33%	9	3	Centrica	Helen Alexander CBE, Patricia Mann OBE, Mary Francis	Roger Carr	10
1	33%	6	2	J Sainsbury	June de Moller, Bridget Mackaskill	Philip Hampton	3
3	31%	13	4	AstraZeneca	Dr Jane Henney, Michele Hooper, Prof Erna Moller, Dame Bridget Ogilvie OBE	Percy Barnevik	1
4	25%	12	3	British Airways	Baroness Detta O' Cathian, Alison Reed, Denise Kingsmill CBE	Martin Broughton	N/A
4	25%	12	3	Pearson	Dame Marjorie Scardino*, Rona Fairhead*, Prof Susan Fuhrman	Lord Stevenson	16
6	23%	13	3	Alliance & Leicester	Frances Cairncross CBE, Margaret Salmon, Jane Barker	John Windeler	44
6	23%	13	3	Scottish Power	Judi Johansen*, Vicky Bailey, Dr Nancy Wilgenbusch	Charles Miller Smith	16
8	21%	14	3	Legal & General	Kate Avery*, Frances Heaton, Beverley Hodson OBE	Robert Margetts CBE	8
9	20%	10	2	3i Group	Baroness Hogg, Christine Morin-Pastel	Baroness Hogg	10
9	20%	10	2	BAA	Margaret Ewing*, Janis Kong* OBE	Marcus Agius	5
9	20%	10	2	Bradford & Bingley	Rosemary Thorne*, Lady Patten	Rodney Kent	44
9	20%	10	2	Cadbury Schweppes	Baroness Wilcox, Rosemary Thorne	John Sunderland	34
9	20%	20	4	HSBC	Baroness Dunn, Sharon Hintze, Carole Taylor, Rona Fairhead	Sir John Bond	20
9	20%	15	3	Lloyds-TSB	Helen Weir*, Dr DeAnne Julius CBE, Angela Knight	Maarten Van Den Bergh	24
9	20%	10	2	Reckitt Benckiser	Dr Ana Maria Llopis, Judith Spreiser	Adrian Bellamy	7
9	20%	10	2	Whitbread	Prue Leith OBE, Angie Risley*	Sir John Banham	41
9	20%	15	3	WPP	Beth Axelrod*, Esther Dyson, Orit Gadiesh	John W Whybrow	20
18	18%	11	2	Marks & Spencer	Alison Reed*, Laurel Powers-Freeling*	Paul Myners	1
18	18%	11	2	Reuters	Penny Hughes, Lawton Fitt	Niall Fitzgerald KBE	84
18	18%	11	2	Shell Transport & Trading	Dr Eileen Buttle CBE, Nina Henderson	Lord Oxburgh KBE	3
21	17%	12	2	Friends Provident	Alison Carnwath, Hon Barbara Thomas	David Newbigging OBE	13
21	17%	6	1	Hays	Lesley Knox	Robert A Lawson	N/A
23	15%	13	2	BOC	Julie Baddeley, Anne Quinn CBE	Robert Margetts CBE	13
23	15%	13	2	Prudential	Kathleen O'Donovan, Bridget Mackaskill	Sir David Clementi	6
23	15%	13	2	Severn Trent	Marisa Cassoni, Rachel Jannetta*	David Arculus	44
26	14%	14	2	Aviva	Dr Elizabeth Vallance, Carole Pivnica	Pehr Gyllenhammar	8
26	14%	7	1	EMAP	Karen Jones	Adam Broadbent	13
26	14%	7	1	Royal & Sun Alliance	Noel Harwerth	John Napier	24
29	13%	15	2	Abbey National	Yasmin Jetha*, Priscilla Vaccasin*	Lord Burns	20
29	13%	15	2	Tesco	Veronique Morali, Karen Cook	David Reid	57
29	13%	15	2	Barclays	Dame Hilary Cropper CBE, Prof Dame Sandra Dawson	Matthew Barratt	16
32	13%	8	1	Dixons	Rita Clifton	Sir John Collins	24
32	13%	16	2	HBOS	Coline McConville, Kate Nealon	Lord Stevenson	67
32	13%	8	1	Smith & Nephew	Dr Pamela Kirby	Dudley Eustace	24
35	11%	9	1	Boots	Helene Ploix	Sir Nigel Rudd	29
35	11%	8	1	Enterprise Inns	Susan Murray	Hubert Reid	N/A

THE FEMALE FTSE INDEX 2004

Rank 2004	% Female Board	Total Board	No of women	Company (Bold = has female executive directors)	Female Directors (* = Executive Directors)	Chairman (Bold denotes company with female EDs)	Rank 2003
35	11%	9	1	GUS	Lady Louise Patten	Sir Victor Blank	41
35	11%	9	1	Wm Morrison	Marie Melnyk*	Sir Kenneth Morrison	20
39	10%	10	1	British American Tobacco	Dr Ana Maria Llopis	Martin Broughton	49
39	10%	10	1	Hanson	Baroness Noakes	Christopher Collins	29
39	10%	10	1	Hilton	Lady Louise Patten	Sir Ian Robinson	29
39	10%	10	1	ICI	Baroness Noakes	Peter Ellwood CBE	74
39	10%	10	1	Kingfisher	Margaret Salmon	Sir Francis Mackay	10
39	10%	10	1	United Utilities	Jane Newell	Sir Richard Evans	29
45	9%	11	1	BG	Dame Stella Rimmington	Sir Robert Wilson	49
45	9%	11	1	Diageo	Maria Lijja	Lord Blyth	34
45	9%	11	1	Gallaher	Alison Carnwath	John Gildersleeve	44
45	9%	11	1	Land Securities	Alison Carnwath	Peter Birch	78
45	9%	11	1	MAN	Alison Carnwath	Harvey McGrath	34
50	8%	12	1	Compass	Val Gooding CBE	Sir Francis Mackay	34
50	8%	12	1	Liberty International	Lesley James	Donald Gordon	95
50	8%	12	1	Northern Rock	Nichola Pease	Sir John Riddell	34
50	8%	12	1	SABMiller	Nancy de Lisi	Jacob Kahn	49
50	8%	12	1	Schroders	Merlyn Lowther	H. Michael Miles OBE	95
50	8%	12	1	Scottish & Southern Energy	Susan Rice	Dr Bruce Farmer CBE	49
56	8%	13	1	Alliance Unichem	Ornella Barra*	Jeffery Harris	57
56	8%	13	1	BAE Systems	Prof Sue Birley	Sir Richard Evans	49
56	8%	13	1	BT	Baroness Margaret Jay	Sir Christopher Bland	49
56	8%	13	1	GlaxoSmithKline	Dr Lucy Shapiro	Sir Christopher Hogg	16
60	7%	14	1	Anglo-American	Dr Maria Marques	Sir Mark Moody-Stuart	95
60	7%	14	1	Carnival	Baroness Sarah Hogg	Micky Arison	57
60	7%	14	1	National Grid Transco	Maria Richter	Sir John Parker	60
60	7%	14	1	Rolls-Royce	Hon Amy Bandurant	Lord Moore	83
60	7%	14	1	Vodafone	Penny Hughes	Lord MacLaurin	60
65	7%	15	1	BSkyB	Gail Rebeck	Rupert Murdoch	60
65	7%	15	1	Standard Chartered	Ruth Markham	Bryan Sanderson CBE	63
67	6%	16	1	Unilever	Baroness Lynda Chalker	Antony Burgmans	65
68	6%	17	1	Royal Bank of Scotland	Eileen Mackay CBE	Sir George Mathewson	67
69	6%	18	1	BP	Dr DeAnne Julius CBE	Peter Sutherland KCMG	65
70	0%	5	0	William Hill		Charles Scott	N/A
71	0%	6	0	Intercontinental Hotels		David Webster	78
72	0%	7	0	Capita		Rodney Aldridge OBE	N/A
72	0%	7	0	Rentokil Initial		Brian D. McGowan	69
74	0%	8	0	Antofagasta		A.A. Luksic	N/A
74	0%	8	0	Ass. British Foods		Martin Adamson	69
74	0%	8	0	ITV		Sir Peter Burt	N/A
74	0%	8	0	Rexam		Rolf Börjesson	78
74	0%	8	0	Shire Pharmaceuticals		Dr James Cavanaugh	69
74	0%	8	0	Tomkins		David Newlands	74

THE FEMALE FTSE INDEX 2004

Rank 2004	% Female Board	Total Board	No of women	Company (Bold = has female executive directors)	Female Directors (* = Executive Directors)	Chairman (Bold denotes company with female EDs)	Rank 2003
74	0%	8	0	Yell		Robert A Scott	69
81	0%	9	0	Allied Domecq		Sir Gerard Robinson	78
81	0%	9	0	Next		David Jones CBE	29
83	0%	10	0	BHP Billiton		Donald Argus	84
83	0%	10	0	Bunzl		Anthony Habgood	74
83	0%	10	0	mmO2		David Arculus	49
83	0%	10	0	Old Mutual		Michael Levett	78
87	0%	11	0	British Land		John Ritblat	84
87	0%	11	0	Cable & Wireless		Richard Laphorne CBE	34
87	0%	11	0	Exel		Nigel Rich	89
87	0%	11	0	Johnson Matthey		H. Michael Miles OBE	89
87	0%	11	0	Rio Tinto		Paul Skinner	95
87	0%	11	0	Wolseley		John Whybrow	84
93	0%	12	0	Amvescap		Charles Brady	44
93	0%	12	0	Imperial Tobacco		Derek Bonham	84
93	0%	12	0	Reed Elsevier		Morris Tabaksblat	89
93	0%	12	0	Sage		Michael Jackson	78
93	0%	12	0	Xstrata		Willy Strothotte	89
98	0%	13	0	Scottish & Newcastle		Sir Brian Stewart	99
99	0%	15	0	Daily Mail & General Trust		Viscount Rothermere	99
99	0%	15	0	Smiths Group		Donald Brydon	89

FEMALE FTSE REPORT 2004:**Women take 17% of new FTSE 100 boardroom appointments**

Dr Val Singh and Professor Susan Vinnicombe*
Cranfield Centre for Developing Women Business Leaders

1. INTRODUCTION

In this report we present the 2004 Female FTSE Index. We also discuss the findings of this annual benchmarking study across the top 100 UK listed companies. Six years ago the Cranfield Centre for Developing Women Business Leaders started to monitor progress of women on top corporate boards. There have been some changes in policy and practice since then. The Higgs Review of corporate governance provided critical assessment of boardroom practice and effectiveness. Part of the review included examination of the roles and responsibilities of non-executive directors. Both the Higgs Report (2003) and the Tyson Report (2003) called for more diversity in the talent pools for top corporate boards. They recommended increased transparency of appointment processes. The Department of Trade & Industry has encouraged companies and search consultants to review both their criteria for board appointments, and the process by which such appointments are made, to ensure that those from non-traditional backgrounds are not disadvantaged in the selection process.

This Report provides updated statistics on the characteristics of the 69 FTSE 100 companies with women directors. We examine links between having women on the board and good corporate governance as well as corporate financial performance. We have researched the backgrounds of the new women directors to identify their experience profiles. Some statistics are provided on the talent pipeline of companies. We report on a number of new initiatives set up in the past twelve months to encourage the appointment of women directors. In Appendix I, we provide an overview of ethnic diversity of directors in the FTSE 100. Appendix II provides an overview of how women directors are progressing in other European countries, which is particularly timely, as new member states joined the EU in 2004. In Appendix III we give a brief overview of the Centre for Developing Women Business Leaders.

2. METHODOLOGY

On October 1, 2004 we accessed data on each company and its directors from a database (FAME). Then we visited each company's website to check the board information and press releases for any recent board changes. We downloaded the latest full annual report and web statements on corporate governance. We downloaded the directors' biographies from company websites and conducted further searches on the Internet. 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 to determine if means were significantly different.

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THE COMPANIES

3. THE COMPANIES WITH WOMEN DIRECTORS

Companies with the Highest Percentage of Women on the Board

Centrica, with three women directors, and J. Sainsbury with two, share the number one ranking of FTSE 100 companies with the highest percent of women on the board. In both companies women comprise a third of their directors. (Centrica has moved up from 10th place last year). AstraZeneca comes third with four female directors making up 31% of its board. In joint fourth place are British Airways and Pearson with three women each on their boards (25%). Alliance & Leicester and Scottish Power are in joint sixth place, with 23%. Alliance & Leicester provide evidence that companies can change their top board composition swiftly as last year they were ranked in the middle of the index at number 44. In 8th place comes Legal & General (21%), whilst nine companies have 20% female boards (3i, BAA, Bradford & Bingley, Cadbury Schweppes, HSBC, Lloyds TSB, Reckitt Benckiser, Whitbread and WPP).

AstraZeneca and HSBC both have four female directors. Eight companies (Centrica, British Airways, Pearson, Alliance & Leicester, Scottish Power, Legal & General, Lloyds TSB and WPP) have three, and 19 companies have two.

The number of companies with women directors went up by one to 69 in 2004. First-timers include Reuters, which appointed two women in 2004. Other new entrants were Anglo-American, ICI, Land Securities, Liberty International, Enterprise Inns and Schroders. However, some companies with women directors had board changes that left them with none, including Cable & Wireless, Next and mmO2.

Progress since 2000

We can see from Table 1 that whilst there is only a modest increase year on year in the total number of companies with women directors, there is a steady increase in companies with multiple women directors. The figure more than doubled, from 12 in 2000 to 29 in 2004. However, the figure for companies with female executive directors is more or less stagnant, rising from 10 in 2000 to 13 in 2004. There is still only one female chief executive and one female chair.

Table 1: FTSE 100 Companies and Women Directors

FTSE 100 (October)	2004	2003	2002	2001	2000
Companies with women executive directors	13	13	12	8	10
Companies with women directors	69	68	61	57	58
Companies with multiple women directors	29	22	17	15	12
Companies with 1 woman director	40	46	44	42	46
Companies with 2 women directors	19	13	11	12	12
Companies with 3 women directors	8	7	6	3	0
Companies with 4 women directors	2	2	0	0	0
Companies with no women directors	31	32	39	43	42

Characteristics of Companies with Women Directors

There were some significant differences between companies with and without women directors. In previous years we have indicated that market capitalisation was significantly higher in companies with women on the board and the same trend continues this year. Board size is also higher, averaging 12 directors for companies with women directors compared with 10 directors for all-male boards. Related to that, the number of non-executive directors was also higher ($p = 0.001$) in companies with women directors than companies with all male boards. In companies with women on the board, the chief executive was significantly more likely to be younger than in all-male board companies, 52 compared to 55. However, the tenure of the chairman was no longer a significant factor in 2004.

THE COMPANIES

Table 2: Profile of the 13 Companies with Female Executive Directors

Female FTSE rank	Company	% Female Board	Number of Female Executive Directors	Number of Female Directors	Sector	Board Size	Female Executive Directors	Job Title
4	Pearson	25%	2	3	Media	12	Dame Marjorie Scardino Rona Fairhead	Chief Executive Officer Chief Financial Officer
9	BAA	20%	2	2	Transport	10	Janice Kong OBE Margaret Ewing	Chairman Heathrow Ltd Group Finance Director
18	Marks & Spencer	18%	2	2	Retail	11	Alison Reed Laurel Powers-Freeling	Chief Financial Officer Chief Executive, Marks & Spencer Money
29	Abbey National	13%	2	2	Banking & Finance	15	Jasmin Yetha Priscilla Vacassin	Information Technology Director Human Resources Director
6	Scottish Power	23%	1	3	Utilities	13	Judi Johansen	CEO/President Pacific Corp.
8	Legal & General	21%	1	3	Life Assurance	14	Kate Avery	Group Director Retail Distribution
9	Bradford & Bingley	20%	1	2	Banking & Finance	10	Rosemary Thorne	Group Finance Director
9	Lloyds TSB	20%	1	3	Banking & Finance	15	Helen Weir	Group Finance Director
9	Whitbread	20%	1	2	Restaurants	10	Angie Risley	Human Resources Director
9	WPP	20%	1	3	Media	15	Beth Axelrod	Talent Director
23	Severn Trent	15%	1	2	Utilities	13	Rachel Brydon Jannetta	President & CEO Laboratories
35	Wm Morrisons	11%	1	1	Retail	9	Marie Melnyk	Joint MD
55	Alliance Unichem	8%	1	1	Pharmaceuticals	13	Ornella Barra	Group Services Director

In Table 2, we profile the 13 companies with women executive directors. The four companies with two female executive directors are the same as last year. Only one company (Pearson) has a female chief executive, and one (Wm Morrison) has a female joint managing director. Six companies have female chief financial officers, and two have female HR directors. In terms of company characteristics, these 13 companies have similar size boards, similar average director age and similar average director tenure to the average across the FTSE 100, although their chief executives on average are four years older than the FTSE 100 CEO average age. The linking factor across sectors is that they tend to be service-oriented companies, where executive director diversity may provide better understanding of customer needs.

New to this list in 2004 is Lloyds-TSB, who recruited a female chief financial officer in place of an outgoing male CFO. Severn Trent is the other newcomer to this list, where the female executive director was promoted to board level. These new executive appointments to the boards are important, as female executive directors are the “every day role models” for the women lower down the company, indicating that executive career tracks do go right to the boardroom in these companies, for women as well as for men. We expect that these 13 companies will be better able to recruit and importantly, retain talented and ambitious women in the future, with the symbolic value of their female executive directors, in addition to the real value contributed by the women executive directors to the executive team and board performance.

Companies with Women Directors: A Sectoral Comparison

The utilities sector is the sector with the most women directors (see Table 3). It is followed by banking and oil and gas production. The utilities companies have only recently become private sector organisations, and despite often having a heavily male-dominated engineering workforce, have appointed women to their boards. Who would have expected oil and gas production companies to be leading the way with women on their boards? However, diversity and inclusion have become central to their corporate strategies.

THE COMPANIES

Table 3: A Sectoral Comparison of Companies with Women Directors

Sector	Companies with women	Total companies in sector	% Companies in sector with women directors
Utilities	6	6	100%
Banks	10	10	100%
Oil & Gas	3	3	100%
Health	3	3	100%
Retail	8	9	89%
Finance, Insurance, Investment	8	10	80%
Leisure, Hotels etc	5	7	71%
Transport	2	3	66%
Pharmaceuticals	2	3	66%
Chemicals	2	3	66%
Tobacco	2	3	66%
Real Estate	2	3	66%
Food Production & Beverages	4	7	57%
Media, Publishing etc	5	9	56%
Construction	1	2	50%
Engineering, Aero, Defence, Automobiles	2	4	50%
Telecoms	2	5	40%
Services (Software, Support etc)	1	5	20%
Mining	1	5	20%

4. 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 in relation to the management of companies. The Financial Services Authority (Financial Reporting Council, 2002) 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. An update on compliance by FTSE 350 companies is given in a new report by Deloitte (2004) based on data from June 2004.

Our Indicators for Good Corporate Governance

A number of indicators relating to the selection, composition and development of the board were identified in our 2003 report. We have extended these from 8 to 13 measures, taking items relevant to the appointment, selection and contribution of new directors. These have 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 presence of women directors.

1. Whether the board had a balance of executive/non-executive or a majority of NEDs, as recommended by Higgs, or a majority of executive directors (scored 0 = no for the latter).
2. Whether the chairman and CEO roles were separated (scored 1 = yes).
3. Whether a senior independent NED had been appointed (scored 1 = yes).
4. Whether there was a statement that the company had complied with the Combined Code of Practice (scored 1 = yes, and including companies stating that whilst in 2003-4 they were not fully compliant, they had since addressed the issue and were now compliant). 0 scores indicate statements such as belief that appointment of a senior independent non-executive director is unnecessary and hence no plans were being made to address this issue.
5. Whether induction was said to be provided for directors (scored 1 = yes).
6. Whether training/development was provided for directors after the induction period (scored 1 = yes).
7. The number of meetings of the whole board reported for the last year. This indicator is scored 1 at and above seven meetings per year, and 0 below. The mean was 8. The Combined Code says: "The board should meet sufficiently regularly to discharge its duties effectively." Such guidance will be interpreted differently by companies in relation to their particular business needs, and no minimum number of meetings is suggested. But transparency requirements suggest that the actual number of meetings held by the whole board in the last year should be reported in the Annual Report. The lowest number of meetings was four and the highest was 20 per year, with two companies stating only that the board held regular meetings.
8. The percentage of NEDs with tenure exceeding two terms (ie more than six years) was used to create an indicator scored 1 where less than 33% of the board's NEDs had such long tenure.
9. Whether board performance was reported to have been formally evaluated during the year (scored 1 = yes).
10. Whether there was a reported review of the composition and balance of the board in terms of skills, knowledge and experience (scored 1 = yes).
11. Whether the nomination and appointment processes were transparent (eg the terms of reference being available on the website) (scored 1 = yes).
12. Whether succession planning was reported (scored 1 = yes).
13. Whether search consultants were used or approved to be used for board appointments (scored 1 = yes).

Table 4 presents the results of the individual indicators of corporate governance. Companies have clearly taken on

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board the issues raised in the Higgs Review of good corporate governance, and the need for transparency in reporting of governance. For example, when requiring a review of the balance of the board, Carnival states that there should be consideration of judgement, skills, diversity, experience with the particular business, experience of working in companies and other organisations of similar size, the interplay of the candidate's experience with that of other board members, and the extent to which the candidate would be a desirable addition to the board and to its committees.

The scores of all 13 indicators were then used to construct a measure of "good corporate governance". All items were weighted equally 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 to have at least one female director on board. The average score for companies with women directors was 10.8, whilst for companies with all-male boards, the average was 9.1.

T-tests between the means of the individual indicators of corporate governance for companies with all male boards and companies with women directors revealed that the differences were significant in terms of whether the company had training ($p = 0.02$), induction ($p = 0.02$); reviewed balance of board skills etc ($p = 0.04$); reported succession planning ($p = 0.05$); and used/approved use of search consultants ($p = 0.06$). The difference on whether they evaluated board performance was highly significant ($p = 0.000$), as was the difference on the overall corporate governance score ($p = 0.005$). These results provide clear evidence that better managed companies (judging from board demographic data and companies' self-reported boardroom processes disclosed in annual reports) are those that have women on their boards.

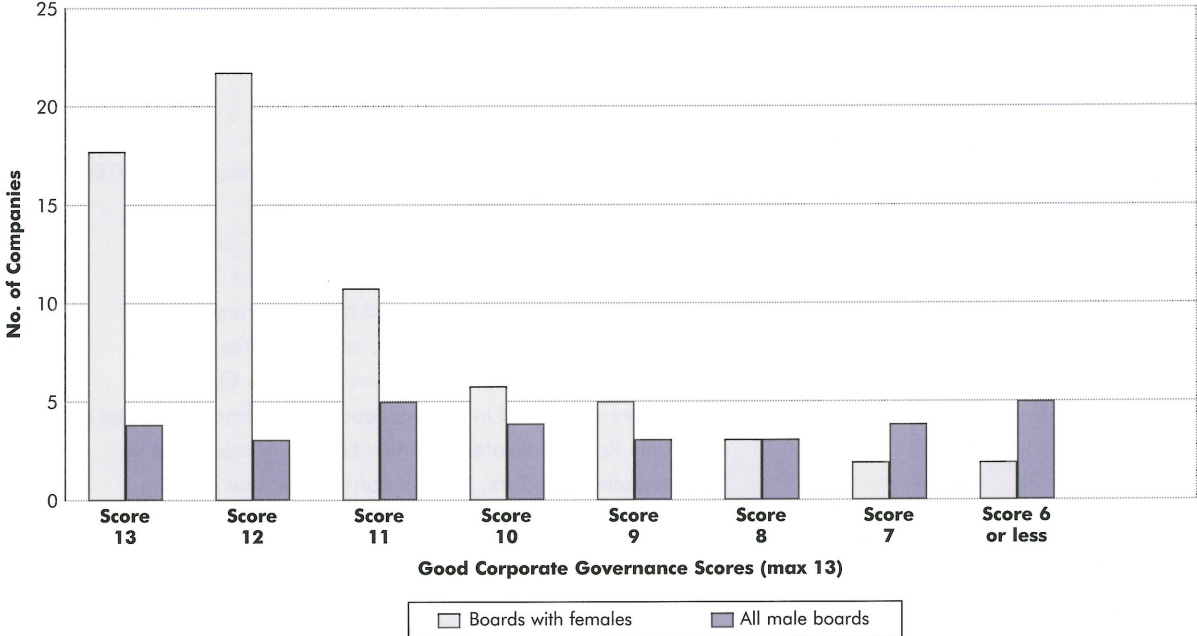
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Table 4: Good Corporate Governance Indicators (from the perspective of board selection, composition and development)

Indicator	Yes	No	Comment
1. More NEDs than EDs, or equal balance	92	8	Equal numbers scored as 1
2. Separated roles for Chairman/CEO	97	3	A few companies have an executive chairman and a CEO or managing director
3. Presence of Senior Independent Director	95	5	All 5 companies give explanations why not
4. Compliance with Combined Code	92	8	Where compliance is reported after reporting non-compliance in Annual Report, scored as Yes. Some companies not yet reporting on Sarbanes Oxley Act
5. Induction for Directors	81	19	Where not stated in annual report or on-line, scored as 0. Rolls-Royce indicates that new NEDs are mentored by executive directors. Several companies now offering external NED courses for new appointees.
6. On-going Training for Directors	69	31	Where not stated in annual report or on-line, scored as 0. One company mentioned coaching for individual directors. Scottish Power provides details of the training programme for directors.
7. At least 7 full Board Meetings per year	77	23	Those stating "regular", and those with less than seven meetings per year scored as 0.
8. Boards with less than 1/3 of NEDs with 7+ years tenure	72	28	Many explanations given as to why some NEDs have long tenure and are nonetheless considered independent.
9. Board performance evaluated	75	25	Some state that they will initiate process during 2004. Mostly evaluated by chairmen or nomination committee, a few by external consultants.
10. Review of composition and balance of board	84	16	Many companies specify that they look at skills, knowledge and experience.
11. Appointment process transparent	77	23	Many companies now have terms of reference for committees on websites, and several report appointment process for individual directors
12. Succession planning undertaken	78	22	Usually included in the terms of reference for the nomination committee
13. Search consultants used or approved for use	72	28	Some companies state which consultants they used. Others state that consultants may be used. XStrata requires that the Nomination Committee provide clear explanations where a search consultant has not been used.

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Figure 1: Good Corporate Governance Scores



5. BOARD DIVERSITY AND FINANCIAL PERFORMANCE

We considered the relationship between having women directors and measures of corporate financial performance, going beyond the link with market capitalisation, which has shown that larger companies are more likely to have females on the board. Market capitalisation is correlated with the size of the board ($p = 0.000$), and with the presence of women directors ($p = 0.013$), but more strongly with the number of women on the board ($p = 0.000$). So the larger the company's market capitalisation, the more likely the company is to have multiple women directors. Recent studies report mixed results in relation to the impact of board gender diversity on financial performance.

Findings include:

- Significant correlation between percentage of females on the board and firm value (Carter, Simkins & Simpson, 2003).
- Significant correlation between Return on Equity (ROE) and Total Return to Shareholders (TRS) in firms in the highest and lowest quartile of percentage of women board members. ROE was 35.1% higher and TRS was 34.0% higher in the top quartile when compared to those firms in the bottom quartile (Catalyst, 2004).
- Board gender and ethnic diversity is positively associated with Return on Assets (ROA) and Return on Investment (ROI) (Erhardt, Werbel & Shrader, 2003).
- Firms which have more variability in their stock returns (ie when firm risk is high) have fewer women on their boards (Adams & Ferreira, 2004).

Still other studies have found no link between board composition and company performance (Dulewicz & Herbert, 2004) or a negative relationship between the percentage of female board members and firm value (Shrader, Blackburn & Iles, 1997).

Following a Catalyst (2004) study of US Fortune 500 firms in the United States, we examined 2004 FTSE 100 firms' financial performance using average Return on Equity (ROE) for 2002-2004. ROE measures the firm's efficiency and profitability by looking at how much profit the firm is able to generate given the resources provided by investors. We find that FTSE 100 firms which have women on their boards have a slightly higher average ROE than those boards without women. We do not control for industry effects.

Table 5: Gender Diversity on the Board and ROE

Gender Diversity on the Board	Average ROE 3yr* (2002-2004)
Firms with Women on the Board (n=69)	13.8
Firms without Women on the Board (n=31)	9.9

Gender Diversity on the Board	Average ROE 3yr
Firms with 3 and 4 Women on the Board	13.6
Firms with 2 Women on the Board	10.4
Firms with 1 Women on the Board	15.6
Firms with 0 Women on the Board	9.9

*We collected data from Data Stream which calculates ROE (Earned for ordinary – tax)/[equity capital & reserves)-(total intangibles)+(total deferred tax)]. ROE was not available for some firms.

Although we find no significant relationship between the proportion of women on boards and financial performance, we cannot conclude that gender diversity in 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 run (Robinson & Dechant, 1997; Anastasopoulos, Brown & Brown, 2002).

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6. THE FEMALE DIRECTORS 2004

In 2004, there has been a further increase in the total number of women directorships, although the number of female executive directors has not risen this year. See Table 6.

Table 6: Female Directorships and Female Directors

FTSE 100	2004	2003	2002	2001	2000
Female-held seats	110 (9.7%)	101 (8.6%)	84 (7.2%)	75 (6.4%)	69 (5.8%)
Female executive directorships	17 (4.1%)	17 (3.7%)	15 (3.0%)	10 (2.0%)	11 (2.0%)
Female NEDs	93 (13.1%)	84 (11.8%)	69 (10.0%)	65 (9.6%)	57 (9.1%)
Women holding FTSE 100 directorships	96	88	75	68	60
Women CEOs	1	1	1	1	1
Women chairmen	1	1	1	0	0

The Percentage of New Appointments Going to Women

This year, for the first time, we have started to measure the percentage of new director appointments going to women, following the Higgs Review which emphasised the need for more diversity in the pool of talent for board directorships. In 2004 we see the biggest jump ever in the percentage of new director appointments going to women, which has moved from 13.4% (2003) to 17% (2004). This is a remarkable figure.

Table 7: New FTSE 100 Director Appointments by Year

	2004	2003	2002	2001
New Female Appointments	24	20	13	15
New Male Appointments	117	129	111	113
Total New Appointments	141	149	124	128
Female % of New Appointments	17.0%	13.4%	10.5%	11.7%

Multiple Directorships

Three-quarters of men and women directors hold only one seat on FTSE 100 boards. One female (Alison Carnwath) holds four seats on FTSE 100 boards. See Table 8.

Table 8: Multiple Directorships

FTSE 100 Boards	1 seat	2 seats	3 seats	4 seats
Male Directors	763 (75%)	196 (19%)	57 (5.6%)	4 (0.4%)
Female Directors	86 (78%)	20 (18%)	0 (0%)	4 (3.6%)

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Age and Tenure

The women directors were significantly younger ($p = 0.000$) than their male peers, with an average age of 53.6, compared to 55.9 for male directors. The women directors also had shorter tenure. See Table 9.

Table 9: Age and Tenure of FTSE 100 Directors

	Age			Tenure on Board		
	All	Execs	NEDs	All	Execs	NEDs
All	55.5	51.3	58.2	All	4.3	4.1
Men	55.9	51.5	58.8	Men	4.4	4.2
Women	53.6	47.6	54.7	Women	3.3	3.3

Titled Directors

In 2004, women directors were significantly more likely than men to have a title, with 29% of women holding a title compared to only 18% of men. The titled women are more likely to hold multiple directorships. See Table 10.

Table 10: Comparison of Titled Directorships

	All	Rt Hon	Lord Baroness	Sir Dame	Baron, Court, Lady, Hon	Prof	Dr	Senator, Admiral Captain
Males	18%	3	32	91	2	4	48	3
Females	29%	0	9	5	4	3	11	0

Ethnicity and Nationality

Disappointingly only four women came from ethnic minorities. They were Baroness Dunn, from Hong Kong, NED of HSBC; Yasmin Jetha, IT Director of Abbey National, of East African Indian descent, Michele Hooper, NED at AstraZeneca, and the new director, Vicky Bailey, NED of Scottish Power, who are both African Americans.

A significant proportion (30%) of the UK's top female directors come from overseas, compared to approximately 28% of all FTSE 100 directors. In 2004, 21 (19%) of the female FTSE directors were from the United States, eight (7%) were from Europe (two from Spain, Sweden and Italy, one from France and Belgium), whilst the remainder of this group were from Hong Kong, Australia and New Zealand.

From biographies given in annual reports, it appears that 43% of the women directors have management experience abroad, an important part of a prospective director's career experience portfolio (Daily, Certo & Dalton, 2000). This compares with 54% of all FTSE 100 directors.

New Women Directors

We see women profiled last year in the marzipan layer (the layer below the corporate board) now gaining directorships. Kate Nealon, Group Head of Compliance at Standard Chartered Bank, became NED at HBOS and Linda Cook will join the new unified board of Royal Dutch Shell. There are a number of new women directors, as well as several women appointed to second and even fourth FTSE 100 directorships during 2004.

Profiles of new entrant Female Directors 2004

Vicky Bailey (Scottish Power, NED, 52) is an African-American and former member of the Federal Energy Regulatory Commission (FERC), the five-person commission which sets US energy policy. She is also a former

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Indiana State regulator and former Assistant Secretary for Policy and International Affairs at the US Department of Energy. Ms. Bailey holds a Bachelor's degree in management from Purdue University.

Jane Barker (Alliance & Leicester, NED, 55) is Finance Director of Equitas Limited. She is a member of the Council of the Open University. Her previous roles have included Finance Director of the London Stock Exchange, and a number of senior finance roles in Marsh & McLennan. Ms. Barker is a chartered accountant.

Alison J. Carnwath (Land Securities, NED, 51) is a chartered accountant by training and currently also NED of Gallaher Group plc, Friends Provident plc and Man Group plc. She has also sat on the boards of Sears, Arcadia, National Power, QA, Manweb, and Cullens. Previously, Ms. Carnwath worked in a number of banks and financial institutions.

Karen Cook (Tesco, NED, 51) is a Managing Director at Goldman Sachs. Prior to joining Goldman Sachs in 1999, Ms. Cook was co-Head of UK Corporate Finance at Schroders. She was also an NED at Dixons from 1997 to 2003. Karen holds a BSc from Bristol University and MBA from Manchester Business School.

Rona A Fairhead (HSBC, NED, 43) is Finance Director of Pearson plc. She is also NED of Harvard Business School Publishing and a former Executive Vice President, Strategy and Group Control of Imperial Chemical Industries plc. Earlier in her career, she worked for Bain & Company and Morgan Stanley. Rona holds a law degree from Cambridge and MBA from Harvard Business School.

Lawton Fitt (Reuters, NED, 50) is the Secretary of the Royal Academy of Arts. She is a former partner at Goldman Sachs and has been named in Fortune Magazine's list of the 50 Most Important Women in American Business, and in Business Week's list of the 25 Most Influential People in Electronic Business. She is also NED at technology firm CIENA Corporation, and trustee of several not-for-profit organisations. An American, Ms. Fitt has a degree in European History from Brown University and MBA from the University of Virginia.

Mary Francis (Centrica, NED, 56) is Director General of the Association of British Insurers. She spent much of her career in HM Treasury, including three years as Private Secretary to the Prime Minister. She has also served as Deputy Private Secretary to the Queen. Ms. Francis is a director of the Bank of England and of International Financial Services London, and a member of the Press Complaints Commission, CBI Council, and the advisory board for the Smart company. She is also a trustee of the Almeida Theatre.

Dr. Susan Fuhrman (Pearson, NED) is Dean of Penn Graduate School of Education at the University of Pennsylvania. She is founding director of the Consortium for Policy Research in Education, a five-university programme to improve elementary and secondary education through practical research. Dr. Fuhrman is a member of the Board of Trustees of the Carnegie Foundation for the Advancement of Teaching and the Council for Corporate and School Partnerships of the Coca-Cola Foundation. She received a joint PhD from Columbia University in Political Science and Education.

Orit Gadiesh (WPP, NED, 53) is chairman of Bain & Company. She is a board member at Harvard Business School and Kellogg School in the US and the Haute Ecole Commerciale in France. She sits on the Boards of the Federal Reserve Bank of New England and the Peres Institute for Peace and is a member of the Council of Foreign Relations. Israeli-born, Ms. Gadiesh has a Harvard Business School MBA.

Noel Harwerth (Royal & Sun Alliance, NED, 57) is Partnership Director of Tube Lines Limited, Metronet Rail BCV

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Limited and Metronet SSL Limited (part of Transport for London). Ms. Harweth is also Deputy Chairman of Sumitomo Mitsui Banking Corporation Europe Limited. Formerly, she served as Chief Operating Officer and Chief Tax Officer at Citigroup. Ms. Harwerth is American.

Penny Hughes (Reuters, NED, 44) is former President of Coca-Cola Great Britain and Ireland. Ms. Hughes serves on the boards of GAP Inc, Vodafone plc, Skandinaviska Enskilda Banken and Trinity Mirror plc and the advisory board of Bridgepoint Capital. In 2001, she was appointed by the Prime Minister to the Forward Strategy Unit which worked on future policy and strategy projects. Ms. Hughes is a former NED of the Body Shop plc, Next plc and was a member of the board of The Judge Institute at Cambridge.

Lesley James (Liberty International, NED, 60) worked for Tesco plc from 1985 until 1999, where she was Human Resources Director and, from 1994, a main board Director. She was previously a NED of Selfridges plc from 1998 to 2003. Lesley James is currently NED of Alpha Airports Group plc, Queens Moat Houses plc, West Bromwich Building Society and Care UK plc.

Rachel Brydon Jannetta (Severn Trent, ED, 44) is President and CEO of Severn Trent's laboratories business with operations in the US and UK. A Fellow of the Chartered Association of Certified Accountants, Rachel qualified as an accountant in 1984 in Glasgow. She spent eight years in retail management, latterly with an Asda plc group company, before joining Severn Trent in 1993 as Managing Director of Severn Trent Laboratories Ltd.

Denise Kingsmill CBE (British Airways, NED, 57) is a lawyer and former Deputy Chairman of the Competition Commission. She is NED of Telewest Communications plc and of the Home Office, Pro-Chancellor of Brunel University, Deputy Chairman of the Design Museum and Chair of the Advisory Forum for Laing O'Rourke plc. Born in New Zealand, Denise grew up in Wales and read Economics and Anthropology at Cambridge.

Merlyn Lowther (Schroders, NED, 50) spent her career with the Bank of England, joining the Economics Division in 1975 and becoming Chief Cashier in 1999. Prior to this she held various senior management positions within the Bank, including Personnel Director from 1996 to 1998 and Deputy Chief Cashier from 1991 to 1996. Ms. Lowther is a Trustee of Henry Smith's Charity and of the Winston Churchill Memorial Trust. She holds a degree in Mathematics from the University of Manchester.

Kate Nealon (HBOS, NED, 51) is former Group Head of Legal and Compliance for Standard Chartered plc. Ms. Nealon is a US qualified lawyer who, prior to joining Standard Chartered, practised international banking law in New York and was a partner at California-based Morrison and Foerster. She is also NED of the Monitor Board which authorises, monitors and regulates the NHS Foundation Trusts.

Baroness Noakes (ICI, NED, 54) is a retired Senior Partner for KPMG where she was also involved in a large amount of advisory work mainly for government including privatisation, efficiency studies, public/private partnerships and regulation. She has also been the senior NED of the Bank of England and the President of the Institute of Chartered Accountants in England and Wales. Lady Noakes was made a life peer in 2000. She holds a law degree from the University of Bristol.

Anne Quinn CBE (BOC, NED, 52) is Group Vice President of Gas, Power & Renewables at BP plc. She was earlier Managing Director of Alliance Gas, a joint venture between BP, Statoil and Norsk Hydro, and worked for Standard Oil in San Francisco, Houston and Cleveland. A New Zealander who started her career in management consulting, Anne holds a business degree from the University of Auckland, a Master of Management Science from MIT, and

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completed the Advanced Management Program at INSEAD and the UK Cabinet Office Top Management Programme. She was awarded the CBE for services to gas marketing in 2000.

Angie Risley (Whitbread, ED, 46) is Group Human Resources Director for Whitbread. Her previous roles include Human Resources Director for Pizza Hut (UK), Whitbread Hotel Company and Whitbread Restaurants. Ms. Risley is also a member of the Low Pay Commission. She has also worked for United Biscuits which she joined after graduating from Exeter University.

Margaret Salmon (Alliance & Leicester, NED, 56) is a Fellow of the Institute of Personnel Development and is NED of Kingfisher plc. She is also Chairman of the Sector Skills Development Agency and a Director of the University for Industry. Her previous executive roles have included being Chief Executive of Resources at the BBC and Group Personnel Director of the Burton Group. Ms. Salmon has a degree in Social Studies from the University of East Anglia.

Rosemary Thorne (Cadbury Schweppes, NED, 52) is Group Finance Director of Bradford & Bingley plc. She has also been Group Finance Director of J Sainsbury plc and Group Financial Controller of Grand Metropolitan, now Diageo plc. Ms. Thorne is a member of the Financial Reporting Council, Hundred Group Main Committee and the Council at the University of Warwick. She is also a Board member of The Prince's Youth Business Trust.

C Philippa "Pippa" Wicks (Hilton, NED, 42) is Principal of Alix Partners, a performance improvement and turnaround specialist consulting firm. Previously, she held senior positions within Pearson plc and was Group Finance Director of Courtaulds Textiles plc between 1993 and 1999. Ms Wicks began her career with Bain & Company and was a NED of Arcadia plc between 2001 and 2003. She is an Oxford and London Business School graduate.

Dr. Nancy Wilgenbusch (Scottish Power, NED, 56) is a distinguished community administrator and President of Marylhurst University in Portland, Oregon. She also serves on the Regional Advisory Board of PacifiCorp, West Coast Bank Board, Cascade Corporation Board, Goodwill Industries of the Columbia-Willamette Board, and on the Ethics Committee of the American Institute of Certified Public Accountants.

Helen A Weir (Lloyds TSB, ED, 41) is Finance Director at Lloyds. She was Group Finance Director of Kingfisher Plc from 2000 to 2004. She is a former Director of Castorama Dubois Investissements SCA, Hornbach Holding AG and QA plc. Ms. Weir is also a former Finance Director of B&Q and consultant with McKinsey & Co. She is NED of The City of London Investment Trust. She holds a degree in Mathematics from Oxford and MBA from Stanford.

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Using publicly available information, we analysed the experience that the new female directors in 2004 have brought to their boards. Each director could score in more than one category. The pattern for the 24 new female directors appointed in 2004 is shown in Table 11.

Table: 11: Pre-Appointment Experience of the New Female Directors

	Number of Mentions	% of Female Directors
FTSE 100	8	33%
FTSE 101 – 350	4	17%
Outside the FTSE 350	4	17%
Financial Institutions	5	20%
Management Consultancy	4	17%
Law Firm	1	4%
Academia	1	4%
Public Sector	8	33%
Voluntary/Charity Sector	5	20%
Other (eg government advisory or arts organisation board)	15	62%
Portfolio (more than one mention from above)	23	96%

A major surprise finding is the fact that 33% of the new female directors already have FTSE 100 board experience. This goes against the conventional thinking that women have not had top boardroom experience. Other top mentions are public sector experience (also 33%), financial institutions (20%) and voluntary/charity sector (20%). 62% of the new female directors have also other experience on government advisory bodies/commissions (such as the Federal Energy Regulatory Commission and 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, President of the Institute of Chartered Accountants). Overall, 96% of the new female directors have portfolio experience (defined as experience from more than one sector). These profiles follow Higgs' recommendation that boards extend the talent pool for board appointments beyond directors with top FTSE 100 experience. His recommendation is endorsed by Rosenstein and Wyatt (1990) who found no evidence in a study of 1251 outside director appointments in the USA that outside directors (NEDs) of any particular background experience were more or less valuable than others. Their study found that outside directors (NEDs) provide "relevant and complementary knowledge".

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Comparing the Backgrounds of the New Female NEDs with the NEDs they Replaced

When we compared the background of the 13 new female NEDs with the backgrounds of the NEDs they replaced a similar picture emerged, (We were only able to do this analysis for 13 as the 8 other NED appointments were additional members to their boards and the remaining 3 were promotions/appointments to executive directorships). A significant 30% of the new female NEDs had FTSE 100 directorship experience. This was similar to the 38% of the NEDs that they replaced (ie 38% of the outgoing NEDs had FTSE 100 board experience prior to their appointments to these boards). In general the new women directors had broader experience than the cohort of NEDs they replaced.

Table 12: A Comparison of the Pre-Appointment Experience of the New Female NEDs with the NEDs they Replaced

	New Women NEDs		Outgoing NEDs	
	Count	Percentage	Count	Percentage
FTSE 100	4	30%	5	38%
FTSE 101 – 350	1	7%	4	30%
Outside the FTSE 350	3	23%	11	85%
Financial Institutions	4	30%	5	38%
Management Consultancy	1	7%	2	14%
Law Firm	1	7%	0	0%
Academia	1	7%	0	0%
Public Sector	6	46%	2	14%
Voluntary/Charity Sector	3	23%	0	0%
Other	9	69%	6	46%
Portfolio (more than one mention from above)	12	92%	12	92%

The most significant difference was that 46% of the new female NEDs had public sector experience compared to 14% of the outgoing NEDs. The new female NEDs also had more voluntary/charity sector experience (23% compared to 0%) and other experience (69% compared to 46%). The outgoing NEDs had significantly more appointments on FTSE 350 and other corporate boards than the new female directors. Altogether 57% of the outgoing NEDs' experience came from various corporate positions whilst the comparative percentage for the new female NEDs was 28%. The outgoing NEDs' experience came primarily from the corporate sector whilst the new female NEDs' experience came from several sectors including FTSE 100, public, finance, voluntary and other. They present as more 'rounded' directors.

As Denise Kingsmill 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". The new female NEDs are also much younger; the average age is 50 compared to 62 for the outgoing NEDs. This ground breaking study of profiling the experience of the new female directors has proved to be fascinating and our findings have challenged several well held myths about women directors.

7. THE TALENT PIPELINE

We contacted each of the 100 FTSE companies and asked them to provide information about the percentages of women in the UK talent pipeline. Only 12 companies provided figures. It is interesting to see that the percentage of women in senior management ranges from 8% to 36% in these companies, with an average of 25%, providing a significant talent pool from which potential future executive and non-executive directors may emerge in due course.

SHELL – DEVELOPING THE GENDER DIVERSE TALENT PIPELINE

In 2004, Shell received several prestigious awards for its work on diversity, including the Catalyst Award in the US and the Opportunity Now Award in the UK. So how have they achieved such results in a very male-dominated industry?

The Committee of Managing Directors launched the diversity strategy in 1997, using an innovative roadmap approach which provided global guidance and local implementation across over 140 countries. The model is focused on systemic change at three levels: personal, interpersonal and organisational. The first two-year stage was concerned with making the business case, creating a vision, setting targets and identifying measures of progress. The second stage from 2000 to 2003 built the infrastructure to achieve the vision. This included a global diversity council, chaired by the company chairman; education of the top 2000 leaders, and a global standard and assurance process that ensured that diversity was hard-wired into the company's people management and business processes. Diverse employee networks were also supported. Shell is currently in the third stage, reinforcing accountability, integration and diversity mainstreaming. The strategy has been reframed as "diversity and inclusiveness management", bringing a deeper dimension to this issue across the world.

Shell's Global VP diversity and Inclusiveness, Leslie Mays believes that the key factors in their success are commitment and accountability from the senior executive team; a compelling vision and business case; and absolute integration of diversity and inclusion into critical systems and processes at Shell, including leader behaviours. Some of the challenges now include addressing unwanted biases and obstacles to progressing women's careers, especially amongst ethnic and other minority group women; to support women in networking and self-development; and to build in diversity performance measures into the contracts of the top leaders of Shell.

Leslie Mays comments: "Watching the light bulbs go on for key business leaders who have a sincere interest in making this work is invigorating, as is seeing the pride and confidence of employees who now feel empowered to manage their careers differently, who comfortably raise subjects or interact with leaders in ways they may have been reluctant to do in the past."

Shell women in the news

In March 2004, Christine Morin-Postel became a Non Executive Director of the Supervisory Board of Royal Dutch. She is also a NED of 3i.

In the 2003 Female FTSE Report, we included Linda Cook in the "marzipan layer". In August 2004, she was appointed as a Managing Director of Royal Dutch/Shell Group and CEO of Gas & Power. In addition, she has been appointed to the board of the Boeing Company in the United States.

Subject to shareholders approval in April 2005 the senior management structure of the Group will be simplified and Royal Dutch Shell will have a single-tier Board of Directors. It is proposed that the single Board include both women above, as well as Nina Henderson, a NED currently on the Shell Transport Board.

THE TALENT PIPELINE

Table 13: Female Talent Pipeline in FTSE 100 Companies

Company	Women in Workforce	Women in Junior Management	Women in Middle Management	Women in Senior Management	Women Just Below Board	Women Executive Directors	Women NEDs
Aviva	UK 53%, Global 53%	UK 40%, Global 42%	UK 37%, Global 36%	UK 19%, Global 19% (15% of 'Snr Mgt Group')	2 women	0	2
BP	27%	21%	UK 11%, Global 13%	UK 8%, Global 15%	4 women	0	1
British Airways	43%	50%	36%	26%	18% direct reports to leadership team	0	3
BSkyB	45%	N/A	27%	25%	2 on Exec Bd, 26 in tier below	0	1
Centrica	UK 34%, Global 34%	UK 25%, Global 27%	UK 28%, Global 27%	UK 24%, Global 23%	UK 16%, Global 18% (13 women)	0	3
GUS	53%	N/A	N/A	25%	4 women	0	1
Intercontinental Hotels	N/A	N/A	UK 8%, Global 22%	UK 10%, 14% Global	2 UK, 2 US women	0	0
ITV	47%	43%	44%	36%	35%	0	0
J Sainsbury	60%	11% store managers	35% middle & senior management group		3	0	2
mmO2	53%	38%	25%	23%	19 women	0	0
Shell	29% (UK)	UK 26% Global 20%	UK 17% Global 11%	UK 13% Global 10%	12 with Global Excom remit	1 (Global)	2(UK board) 1 (NL board)
United Utilities	42%	21%	23%	14%	1	0	1

PROFILE OF CENTRICA'S TALENT PIPELINE

Championed by its Chief Executive, Sir Roy Gardner, Centrica has actively engaged in managing diversity, and promoting the business case for employee diversity and inclusion. Evidence of this is seen not only in the top position gained by Centrica in the 2004 Female FTSE Index, with three female directors, but also in the solid pipeline of female talent at all management levels, despite a relatively low proportion of women employees overall.

"There are 13 women just below Board level – all have first degrees and four have MBAs. Their ages range from late 30s to mid 50s. One of these women is a member of the Chief Executive Committee and we are particularly pleased that a further three women have in the last year reached business board level. Of the nine directors on our main Board three are women, all Non Executive Directors.

We continue to look at ways to increase the representation of women at senior levels in Centrica and see increasing diversity as a key element of our succession and talent management process.

We are developing flexible career path options so managers have a choice over how far upwards or laterally they want to progress and also introducing more flexible working across the whole organisation. Also Sir Roy Gardner is taking part in the FTSE100 cross company mentoring scheme and one of our senior female executives is also being mentored as part of that programme by Bryan Sanderson, Chairman, Standard Chartered."

NEW INITIATIVES

8. INITIATIVES AND FURTHER ACTIONS TO PROMOTE WOMEN DIRECTORS

In 1999 when we launched the Female FTSE 100 Index and Report, the subject of women directors was rarely openly discussed. Now it is well established on the corporate governance agenda. "What gets measured gets done". We plan to continue measuring and monitoring gender diversity on the FTSE 100 boards to give direction to much needed change efforts. Here we feature several key efforts developed since the last Female FTSE Report.

The FTSE 100 Cross-Company Mentoring Programme

The Cross-Company Mentoring programme was set up by Women Directors on Boards*, a consortium of senior women from industry, academia, and government who have come together to offer their expertise and time as a catalyst for change. The programme was designed to address the need to broaden the gene pool from which directors are drawn and specifically to increase the number of women on FTSE 100 boards. The programme is business-to-business and limited to the FTSE 100. Each FTSE 100 chairman who participates nominates a senior executive woman from the 'marzipan layer' of his or her company to be mentored by another FTSE 100 chairman/CEO. At the same time the chairman agrees to mentor a woman from another, non-competing FTSE 100 company. The programme not only provides the mentees with the benefit of access to top-level insights and experience; it is a way of introducing "new" women candidates to chairmen who are in a position to nominate candidates for his or her own and other boards. There are currently 21 FTSE 100 companies committed to the programme. The programme is sponsored by The Change Partnership.

Networking with Women Directors

Women Directors on Boards has set up a series of networking events to support the mentoring programme. These are sponsored by PricewaterhouseCoopers. The first networking dinner is scheduled for December 2004 for the mentees in the FTSE 100 Cross Company Mentoring Programme, so that they can exchange their experiences. The second networking dinner will take place in Spring 2005 for mentees to meet with existing women directors on FTSE 100 boards. Many of these women have actively engaged in the debate on gender diversity on corporate boards and are keen to act as catalysts for change along with many Chairmen and CEOs.

Report on Diversity

Paul Myners, Chairman of Marks and Spencer has suggested that organisations should report on their diversity efforts in their annual reports. Some organisations like Shell and PricewaterhouseCoopers already do this.

*The founding members are:

Sarah Churchman, PricewaterhouseCoopers
Jacey Graham, Brook Graham LLP
Leslie Mays, Royal Dutch/Shell Group

Hilary Samson-Barry, Department of Health
Peninah Thomson, The Change Partnership
Susan Vinnicombe, Cranfield School of Management

Requirements of Board Directors

Some companies in 2004 are now articulating the skills required of board directors on their websites. This helps to make the process of board appointments more transparent.

Use of Search Consultants

This year 72 of the FTSE 100 boards selected or approved the use of search consultants to be engaged in their board appointments. The use of external consultants should help to broaden the talent pool for directorships as well as making the process more objective. For this process to work properly, it is important that companies specify that search consultancies declare their positions on diversity.

NED Training Programmes

Several institutions run well established programmes for aspiring or existing NEDs. Cranfield School of Management and the Institute of Directors are two such examples.

Conclusion

The UK is taking a unique position in the world in the way it is endeavouring to modernise its top 100 boardrooms without resorting to enabling legislation or quota systems as done elsewhere. We see Government, chairmen, existing women directors, search consultants, academics, leading journalists and change organisations (such as Women Directors on Boards, Opportunity Now and the Women & Equality Unit) working together in energetic and innovative ways to create momentum. Other countries are watching to see if such a major shift in power and status can be made by consensus.

APPENDIX I

APPENDIX I: ETHNIC DIVERSITY OF FTSE 100 COMPANY DIRECTORS

This is a summary of a report written earlier in 2004 and supported by the DTI, which is included here in consideration of the broader dimension of diversity on boards.

Defining Ethnicity

The latest EU Employment Report comments on the difficulty of monitoring what is happening in Europe on diversity and social inclusion, given the variety of definitions used in the various European countries. For the purposes of this study, ethnicity was categorised in terms of apparent racial group and nationality, but this leads to a caveat regarding the inexact science of such categorisation. The Financial Times reported that in November 2003, only 18 FTSE 100 companies undertook ethnic monitoring, evidence that this is a difficult and sensitive issue to tackle. The Commission for Racial Equality provides guidance about the various categories of ethnic origins recommended to be used by companies, based on the revised questions in the 2001 census. In this study, we used categories that emerged from the available biographical data.

Methodology

The FTSE 100 data were gathered from Fame and Hemscoff databases in March 2004, providing company data and brief biographical details of directors. Other data, particularly photographs, were found from corporate and other websites. Surnames also provide indications of ethnic origins. In the absence of photographs, searches were made on individuals using Google and the newspaper cuttings service, Factiva. This enabled checks to be made on people with names, photographs or biographies indicating that they may be from an ethnic minority. Analysis was undertaken using Excel and SPSS statistical software. We had undertaken a similar study in 2001, and so could check for progress since then. No comprehensive report on ethnic diversity of FTSE 100 directors was found prior to that.

The Top Companies with Directors from Ethnic Minorities

Just as in 2001, Standard Chartered Bank topped the list of companies with directors from ethnic minorities, with an executive director from India and two NEDs of Chinese origin, from Hong Kong and Singapore, making up 19% of their board. In second place, up from 12th in 2001, was the chemicals company BOC Group, with an executive director from an Indian background, and one NED from Taiwan, forming 17% of the board. Also jumping up the list was the brewery firm SAB Miller from 15th in 2001 to 3rd place in 2004, with a director of Chinese origin and a black South African. In joint 4th place were GlaxoSmithKline with one Japanese executive and one black American NED, and HSBC Bank, with three NEDs from Hong Kong. New into the FTSE 100 list of companies with ethnic minority directors were BSKyB, AstraZeneca, who appointed their first black female director, mmO2, WPP, Barclays and Unilever. All but one of these companies also had women directors. See Table I.

FTSE 100 Directorships held by Ethnic Minority Directors (EMDs)

There is one CEO, Arun Sarin of Vodaphone. Five executive EMDs come from an Indian subcontinent background, but there are no black executive directors. There is one female Asian executive director, Yasmin Jetha, IT director of Abbey National. Of the NEDs, two are from Arab backgrounds, two are black Africans, four are black Americans, two are from the Indian subcontinent, and ten are from the Far East. Baroness Dunn is deputy chairman of HSBC Bank. Michele Hooper is the only black female in the FTSE 100. The directors have impressive backgrounds – there were 9 presidents and CEOs, as well as 8 chairmen. Two have PhDs, 8 have MBAs, and others have economics and business degrees.

Appendix I, Table 1: Ethnic Minority Directors in FTSE 100 Companies

FTSE 100 Companies with Ethnic Minority Directors	2004	2001
Companies with Ethnic Minority Directors	19	17
Companies with One Ethnic Minority Director	13	13
Companies with Two Ethnic Minority Directors	4	2
Companies with Three Ethnic Minority Directors	2	0
Companies with Four Ethnic Minority Directors	0	1
Companies with Five Ethnic Minority Directors	0	1
Ethnic Minority Directors (all)	27	26
% of all FTSE 100 directorships	2.3%	2.2%
Ethnic Minority CEOs	1	2
Ethnic Minority Executive Directors	7	9
% of all FTSE 100 executive directorships (including executive chairmen)	1.5%	1.8%
Ethnic Minority Non-Executive Directors	20	17
% of all FTSE 100 non-executive directorships (including non-executive chairmen)	2.8%	2.5%
Female Ethnic Minority Directors	3	2
Far Eastern Directors	10	8
Indian/Pakistani/UK Asian Directors	7	8
Black Directors	6 (2 SA, 4 US)	3 (1 SA, 2 US)

Progress since 2001

There has been some progress of ethnic minority directors in the FTSE 100 since 2001. There have been three ethnic minority chief executives, although only one is in post in 2004. The first black woman NED has been appointed (an African American). Several people of Indian origin have gained executive directorships, and several from the Far East have acquired non-executive directorships. But there are still no directors from the UK's own black population. When the careers of these EM directors are examined, there is a strong association with advanced education, and so equal access to good education at all levels is an important consideration, particularly for the less represented groups here, especially the UK's various black communities. More role models are needed from diverse communities to inspire young talented individuals from all backgrounds.

The Link with Gender Diversity of Directors

It is significant that the companies with EMDs all had women directors except one. These companies which form only 19% of the FTSE 100 account for 30 female directors or 31% of the total female directorships. The presence of EMDs on the board and the number of EMDs on the board are both strongly correlated with the presence of female directors, the number of female NEDs and the total number of female directors (significance level $p = 0.002$).

APPENDIX II

APPENDIX II: COMPARING WOMEN DIRECTORS ACROSS THE ENLARGED EUROPEAN UNION

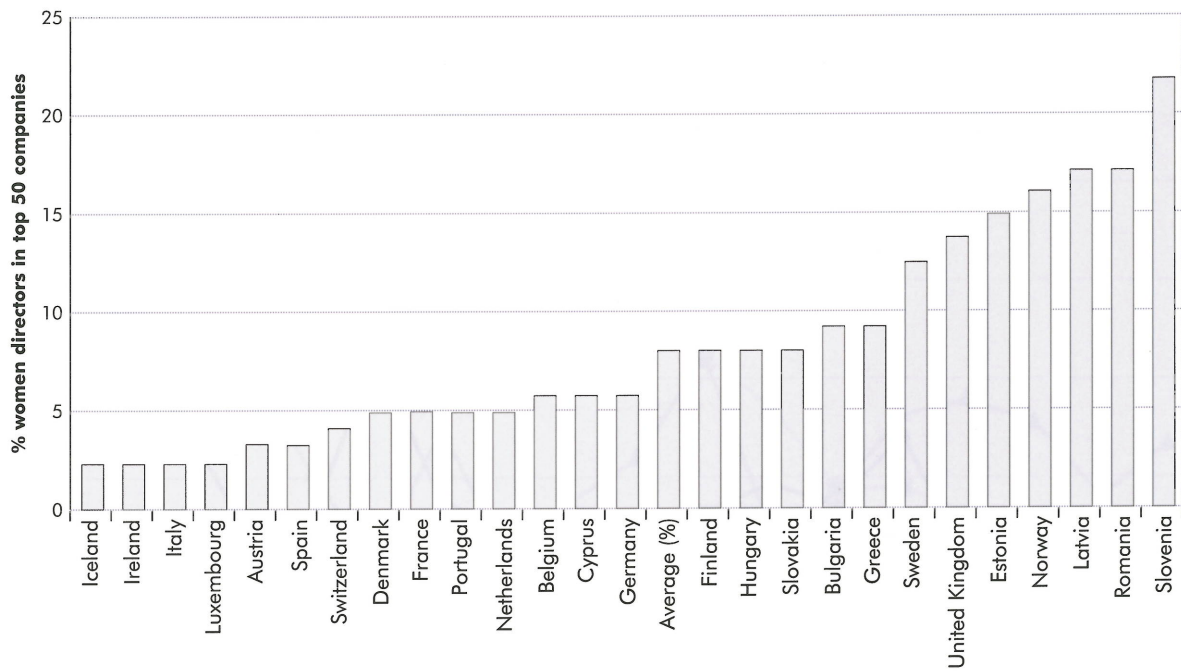
To put our UK data into a European context, we provide an overview of the position of women on top corporate boards in the wider European community, using the latest EU (EU, 2004) and UN (UNDP, 2004) statistics. Figure 1 presents percentages of women directors in the top 50 companies across the expanded Europe. Leading Europe on this statistic is Slovenia, followed as would be expected by some countries from the Scandinavian/Baltic regions (Latvia, Estonia, Norway, Sweden) and the UK. Other Scandinavian countries (Denmark and Iceland) have very low proportions of female directors, as do the Latin (Spain, France, Portugal, Italy) and the Germanic countries (Germany, Netherlands, Luxembourg, Switzerland, Austria).

See Appendix Figure 1.

The Masculinity and Gender Empowerment Measure (GEM) Dimensions

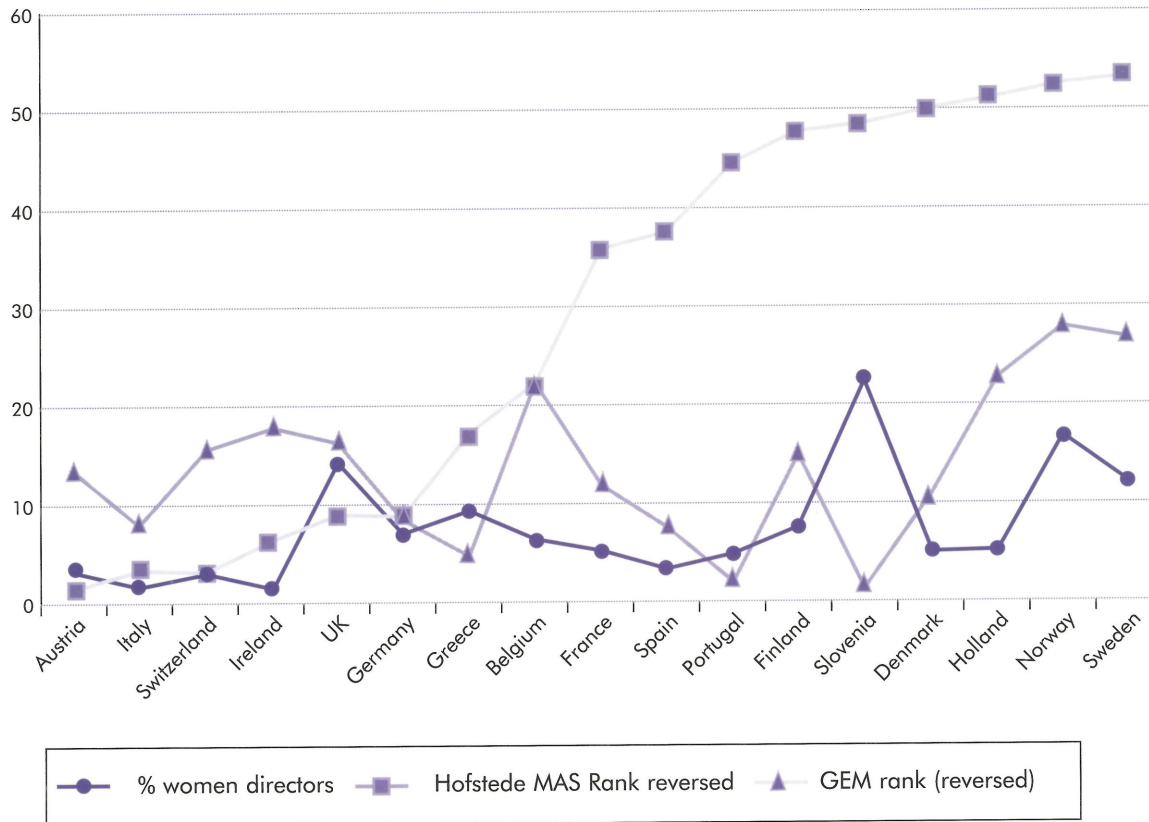
So why are there such differences across Europe, and why do they appear to cluster in this way? We refer back to a major study of cultural differences across the business world, including most European countries, undertaken by Geert Hofstede (1980). Hofstede's study identified five key bi-polar dimensions (power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity and long term orientation). The Masculinity Dimension (MAS) dimension is the degree to which people prefer achievement, heroism, assertiveness, work centrality and material success. The femininity end of the pole is about relationships, cooperation, and group consensus on decision-making. Hofstede reported a significant relationship between low masculinity (ie high femininity) scores and levels of women in management in the various countries. For those countries in the Hofstede study, we have examined the MAS scores in relation to these new EU statistics for women directors, as shown in Figure 2. The other statistic shown is the UNDP's GEM ranking, a popular international measure for gender equality. (For clarity in the graph, we have reversed the scores.) Norway has the highest GEM rating, whilst Slovenia is lowest, but we can see a relationship between GEM rank and the percentage of women directors. The UK scores relatively high on the proportion of female directors, but has a highly masculine business culture, so this does not fit the pattern of Slovenia, Norway and Sweden. Norway and Sweden lead the GEM index, and Slovenia is the lowest ranked of these countries, at 27th place just behind Portugal. So there is a paradox here: Slovenia has the highest level of women directors, and the lowest level of gender equality in the GEM index. We therefore consider why Slovenia has a higher proportion of female directors than other countries.

Appendix II, Figure 1: Percentage of Women Directors in Top 50 Companies by Country, 2004.



APPENDIX II

Appendix II, Figure 2: Percentage of Women Directors, Hofstede Masculinity-Femininity Scores, and Gender Empowerment Rank across Europe.



Women in Slovenia

Slovenia has a population of two million, with GDP per capita of US\$18540 in 2002, making it one of the most successful of the transitional economies of eastern and central Europe. Females make up 29% of legislators, senior officials and managers, as well as 55% of professionals and technical workers, but there is a gender pay gap of 0.62, despite the female economic activity rate being high (81% of that of males). Women hold 12% of seats in the parliament, first entering that office in 1992, and now women hold 15% of ministerial level jobs. As manufacturing declined during the post-communist transition, service jobs expanded, for example in finance, insurance, real estate, consulting, information services, catering and tourism (Orazem & Vodopivec, 1997). Education was particularly important during this period for both men and women, as better educated people were able to switch jobs.

Zagorsek, Jaklic & Stough (2004) provide Hofstede's four dimension scores specifically for Slovenia, indicating that it is a country characterised by high collectivism (27), a feminine society (19), with very high uncertainty avoidance (88) and high power distance (71). It could be argued that such characteristics would lead to a business culture where women would flourish. The feminine culture emphasises relationships, caring for others, and lack of aggression; the high collectivism would suit the collaborative way women often like to work, and the high avoidance of risk leads to preference for working within clear rules and procedures. (On the power distance dimension, Slovenians would be more likely to accept differences in status, so that does not add to the explanation.) Finding almost no differences in leadership practices of male and female MBA students with management experience, Zagorsek et al commented that gender equality is notably high in Slovenia, following official communist policies to eliminate discrimination. Women are accepted as leaders. Slovenia also has female labour force participation

similar to that of most Scandinavian countries. In Slovenia now, double income couples are the norm, and women have invested more than men in education over the last two decades. Extending the latter point, we gain insight from an article (Moulton, 2000) about Dr Danica Purg, founder Director of the Bled School of Management (IEDC), Slovenia. She established the first school of management in Yugoslavia at Brdo in 1986, moving it to Bled in 2000. All the tuition is given in English, providing a world-class education for its students with an international faculty from top business schools across the globe. Dr Purg is committed to the progress of women, commenting that there are more women in management teams in Slovenia than in most developed countries. Management education attracts women as well as men, and between 24-28% of management course participants are female at the IEDC, a relatively high proportion compared to many other European courses. The above provides some explanation for the success of the Slovenian women in progressing through the management tier where they make up 29%, to the top level where they constitute 22% of the largest company boards.

APPENDIX III

APPENDIX III: 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.

Professor Susan Vinnicombe

Susan is Professor of Organisational Behaviour and Diversity Management at Cranfield School of Management. Susan is Director of Graduate Research, and Director of the Centre for Developing Women Business Leaders at Cranfield – the UK market leader in women's professional development and leadership programmes. Susan has lectured, researched, consulted and published in the field of women in management for 20 years. She regularly speaks on radio, television and at international conferences and has written eight books, including "Women with Attitude: Lessons for Career Management" (Routledge 2003). Susan's women's training programmes have won several prestigious national awards. Her particular research interests are women's leadership styles and the strategies required in women advancing their managerial careers. Increasingly the focus of her work is on the issues facing women operating at, or striving to reach, the board level. The Centre for Developing Women Business Leaders has been running the Female FTSE Index for six years. It has become the UK's premier research resource on women corporate leaders. (s.m.vinnicombe@cranfield.ac.uk).

Dr Val Singh

Val is Senior Research Fellow in Organisational Behaviour, at Cranfield School of Management where she undertook her doctorate. She works in the Centre for Developing Women Business Leaders, undertaking research projects on women leaders, ethnicity of directors, diversity management, mentoring, work/life balance, role models and impression management, lecturing on these topics as well as on research methods for doctoral students. She is particularly interested in the discourses of leadership and diversity. She has published widely, in both academic and practitioner journals, has spoken about her research at many international events and conferences, as well as on radio, and is the Gender Editor of The Journal of Business Ethics. (v.singh@cranfield.ac.uk)

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