Human, Social and Network Capital and its role in the Boardroom

MBA Thesis

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1.0 Summary

This research found that the old adage of ‘who you know’ continues to matter as much as ‘what you know’ when it comes to finding out about and securing a board appointment. The study revealed that the ability to develop and maintain a wide variety of professional relationships (social and network capital) is a crucial element to career success as it leverages and gives visibility to an individual’s skills, experience, capability and potential (human capital). A third of board appointments (32.4%) were unadvertised and came directly via contacts. Overall in 78% of board appointments contacts played a role during the recruitment process in alerting candidates to roles, helping with information on the organisation/industry/people and acting as advocates or references at interview. Only 22% of appointments were achieved through advertisement and interview where there were no connections with the organisation or head hunter.

The study found that strong relationships are forged most effectively when they spring from an interest in specific topics and interests and when working on cross industry groups or internal projects. Networking throughout a whole career is important with relationships maintained over the long term through the use of tools like LinkedIn, face to face meetings and conferences. It also found that being active and visible at conferences, networking events and via training and development opportunities enables people to access opportunities with new/weaker contacts.

An important aspect is the ability and willingness to both help and make use of contacts. Successful networkers generously provide information, make useful introductions and try and help others with professional work or career advice.
Equally they are not shy in seeking information from contacts asking for introductions and seeking help with work issues/problems. Networks are used in the round.

In accessing a board appointment the most useful relationships were with Chairs, CEO’s, recruiters/head hunters and Directors, although peers were also instrumental in alerting aspiring board members to opportunities and providing contextual information.

The use of social and network capital plays a key role in the boardroom as it is often used as a short cut for sourcing suitable skills and providing assurance about suitable board members or work partners. It is also useful for sparking innovation, business development, influencing government and regulators and meeting individual development needs. However when it is used without governance or process it can have negative consequences as it could give rise to conscious or unconscious bias. The negative impacts include lack of independence, lack of diversity or limited access to the full range of skills available. The role of the Nomination or Governance Committee in the Board environment is important in taking account of and harnessing the value of social and network capital but mitigating against these risks.

The research identified that men and women, already in Board positions, have very similar human and social capital characteristics. However the key differences were that female board members are much younger than their male colleagues and tended to come from a variety of professions (HR, PR, Legal etc) where as men were older and more likely to have a financial or engineering background. Men were more likely to sit on national and international boards with women on local or regionally based boards.
Both genders shared similar perceptions on networking, deployed similar strategies and used similar networking tools. Both genders made equal use of their professional contacts during the appointment process to a board appointment, although men were more likely to combine this with greater desk based preparation prior to interviews.

The study also found that once at a certain career level or stage people no longer actively seek new contacts which mean it is more difficult for aspiring board members to gain access into these networks. Women in particular found accessing the right network/s and key people more difficult.

In summary the study found that the people who achieve board positions are better connected and make use of their networks both to give and receive. This aspect of careers is an important area of career development for men and women.

2.0 The Sample

The study was carried out on a sample of 15 male and 15 female board members in March/April 2014. The sample came from a range of public and private sector boards, with a predominance of social housing and charities (47%) public sector (34%) and private (19%) boards.
3.0 Findings and Interpretation

3.1 Human Capital

Women and men in the sample had similar human capital in terms of their education and qualifications. It found that these female board members are equally qualified with their male colleagues and did not have to be more qualified.

For both genders it is a benefit to have a private or grammar school education. However those from a wider educational background were also present.
The sample found that both genders had similar human capital in most respects, although an important difference is that the female board members are statistically younger than male board members. This could mean that there is recruiting bias either against younger male applicants and/or bias against older women. It could mean that women are applying for Board roles earlier in their careers than men or recruiters are more favourably disposed towards younger women when recruiting for a balanced board.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age range</th>
<th>Mean</th>
<th>Median</th>
<th>Stand.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>47-67</td>
<td>58.07</td>
<td>59</td>
<td>5.91</td>
</tr>
<tr>
<td>Female</td>
<td>34-62</td>
<td>49.27</td>
<td>52</td>
<td>8.96</td>
</tr>
<tr>
<td>Total</td>
<td>34-67</td>
<td>53.67</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Women were more likely to come from a variety of professional backgrounds compared to men who were primarily in finance or engineering. The study showed less emphasis on financial backgrounds compared to FTSE companies. There was a broader base of skills present which can be argued provides greater opportunities for the board to benefit from a diverse range of skills, experience and know how.

<table>
<thead>
<tr>
<th>Professional Qualifications</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Engineering</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>IT</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Housing</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Various*</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>None</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

Women are more likely to serve on local/regionally based boards, with men on the more prestigious national and international ones. This may suggest that women are making head roads onto boards but that breaking into the private sector and larger organisations is still a challenge.

![Bar chart showing the number of women and men on international, national, and regional boards.]

Women tend to become board members to extend their knowledge where as men want to join boards to use their existing skills and experience. This could be due to the age difference and length of experience with men being more confident in their own abilities, compared to women who still view themselves as developing their skills and experience.

The evidence reviewed suggests that recruiters to Boards value specific knowledge first, followed by sector experience and then previous board/governance experience. Men are more likely to be selected for their ability to work as a team and to bring a team together; suggesting a bias against women’s leadership capabilities at board level. There is evidence that boards often recruit for very specific experience to solve specific problems. This short term perspective may limit the longer term capability to function at an optimum level. Board recruiters should seek complementary skill sets.
for both current and future needs as a short term approach may inhibit the full potential of the board over the longer term.

### 3.2 Social and Network Capital

The men and women in the sample were remarkably similar with regards to their ability to benefit from networking during the appointment process.

The recruitment process for board appointments favours those with high social and network capital. These are people who have developed positive relationships and contacts at peer and higher levels across a range of organisations and have gained respect for their work capabilities. A third of the board appointments in the sample (32.4%) were not advertised and the candidates were tapped on the shoulder via known contacts. Overall in 78% of board appointments contacts played a role during the recruitment process in alerting candidates to roles, helping with information on the organisation/industry/people and acting as advocates or references at interview. Only 22% of appointments were achieved through advertisement and interview where there were no connections with the organisation or head hunter.

In particular the relationships with former peers, CEO’s, Chair’s and recruiter/head hunters are the key to finding out and securing an appointment. The study found that CEO’s and Chairs are key roles in sourcing, selecting, or influencing the selection of candidates.

It was noted that men prepare more for interviews by carrying out more desk based research compared to women, suggesting that women are over relying on the social and network dimension. In this sample both genders make equal use of social and network contacts to help develop their understanding of issues and organisational context prior to interview, as well as the less conscious benefits of sharing language
and codes. Building contacts across a range of sectors and specialisms to complement individual knowledge and capabilities is therefore useful for accessing resources as part of a career strategy.

3.3 Networking Strategies

This research found that social capital is best developed by forming strong bonds whilst working with peers within organisations and between organisations at sector and industry level on peer to peer groups. Conferences are a key method for maintaining these bonds and building new ones. The formation of good networking relationships is most effective when they spring from an interest in specific topics or issues. Board members felt that good ways to keep in touch included LinkedIn and face to face meetings. Twitter is beginning to play a role in networking and could be an important tool for women wishing to raise their visibility.

Women recognise networking as important but this sample were less able to articulate the benefits of networking compared to men. Having a clear strategy on the purpose of networking could ensure efforts are focussed to maximum effect. Individuals need to take a long term view and positively work on networking, both in giving and receiving network benefits (reciprocity), throughout their career, with the ability to give increasing with experience and status.

In the sample people are happy to help each other once they have established a positive relationship. Helpful actions include providing useful information (often unsolicited), making introductions and helping by proving support and advice on work or career issues. Being prepared to reciprocate is important with the majority of the sample demonstrating that they are generous with their help. Understanding the
range of ways networking can help individuals with their career and work performance.

In addition new or weak contacts can be formed by being in the right place at the right time and lead to some appointment opportunities. The benefit of these is random and difficult to predict, but seem to coincide with situations where individuals were raising their visibility by talking at conferences, participating in dinners and undertaking training. Men seemed to benefit from these more than women. The critical point here is that attendance alone is insufficient; women need to be actively participating in the event or be visible by contributing to discussions. Women could use this strategy more to increase their opportunities for being seen at the right time, raising their profiles and accessing new networks.

Both genders shared similar perceptions on networking, deployed similar strategies and used similar networking tools. However women felt more excluded from networks due to cliques and ‘old boys clubs’, something men were unaware of.

A number of people commented on the maturity of their networks, leading to the point where they start to decay, as illustrated below:

**Network Decay**

![Network Decay Diagram](chart.png)
Many board members rely on existing networks which shrink as contacts retire and move on. However these board members said that they no longer seek to increase their networks. This aspect may inhibit aspiring board members from building relationships with key influential board contacts if they are below Executive or Board level. This could explain why the female pipeline is changing at a slow rate and acts as an invisible barrier.

4.0 Uses for Boards

Social and network capital is a key resource in the board environment and has a number of important roles for organisations which including sourcing and obtaining the right specialist knowledge and experience, sparking innovation and business development, accessing new or deep networks, influencing government and regulators, referencing (people or suppliers) who are reliable and skilled and providing individual development for board and executives.

The Board environment is a unique place where knowledge developed external to the firm is uniquely blended in a board structure to guide strategic direction, compliance and governance at the highest level. It provides the opportunity to increase the organisational resources with individuals who span organisations and bring new knowledge and contacts. The governance role of the board is considered a fundamental enabler that set the culture and opportunities for the right human, social and network capital to exist and release its benefits. This study shows how social capital at the level of the board brings knowledge and contacts together to create new business opportunities, innovation, access to skills and information, referencing and influencing as well as ensuring organisational compliance and
oversight. A greater understanding of these elements and appropriate systems to maximise their benefits but to minimise the negative aspects should be a key role for board governance. Despite the potential benefits it does not appear to be overtly and objectively measured at interview.

Social and network capital is used as a heuristic (shortcut) for sourcing suitable people or companies to work for the organisation and for validating these as suitable (referencing) without the need for process. Whilst this is reassuring and saves time this can mean that other potentially better candidates/companies are excluded from the process and that the board is not protected from conscious or unconscious bias. This could lead to a lack of diverse skills and experience in the Boardroom and potential implications for the ability of board members to exercise independence as some members may feel beholden to those who have secured their appointment.

A further negative consequence is the potential for corruption (backhanders given in return for business). Therefore the use of these links and benefits needs to be carefully bounded so that the negative aspects are understood and mitigated against.

The structures in organisations (organisational capital) play a role in the governance mechanisms for the board, particularly the role of the Nomination Committee. It plays a role in sourcing and deciding which resources join the board but can also play a role in the networks which are brought in. The role of the Nomination Committee is key to this, alongside the role of the Chair and CEO. This element of board capability is relatively under used or rarely consciously deployed and is not overtly considered or measured as part of the recruitment process, although experience and sector knowledge is taken as a proxy.
There needs to be greater understanding of networking and how this can operate effectively within clear governance codes. This could help some overcome the concerns some individuals have about the appropriateness of networking activities so that the positive effects can be realised. This needs to be coupled with appropriate processes and safeguards especially at the appointment stage, or when procuring services, to minimise the negative effects such as lack of diversity.

5.0 Conclusions and Recommendations

This study shows that the lack of women on boards may not be due to the lack of education, skills or experience as women with comparable human capital and who possess high social capital have succeeded in obtaining board appointments.

The success in obtaining a board appointment relates strongly to relationships with senior and influential people. Since women find it difficult to access these networks, and men are often unaware of this issue, mechanisms are need to facilitate relationship building between Chairs, CEO’s and recruiters/head hunters and senior and aspiring women.

Unpacking what skills, qualification and social and network capital is needed at the level of the board is vital to ensure that recruiters, head hunters and Nomination Committees can assess candidates more effectively and raise the level of transparency and consciousness of this area of board resource. This will enable women to better understand board requirements and develop accordingly.
Social and network capital is clearly used as a short cut for sourcing and referencing applicants and the successfully appointed women in this sample have been able to benefit from it to the same degree as their male colleagues. However this could be a barrier for women who are not able to access networks to the same extent and may inhibit boards from accessing the full range of talent available.

A number of key recommendations for practice have emerged from this study.

5.1 Networking

A greater awareness of the purpose, benefits and ethical boundaries of networking could help ensure a more open approach at both the organisation and individual level. At an individual level taking an issues led or interest based approach to networking is an effective strategy.

5.2 The Role of Chair and CEO

It is recommended that senior recruiters/head hunters should ensure that they proactively build network contacts with women as well as men to ensure balanced boards. This includes giving women access to networks through invitations, introductions and sponsorship. In addition those in key positions should look beyond their peer group and director level to ensure they reach a range of women rather than relying on decaying networks.

Perhaps the recruitment, and subsequent performance, of Chair/CEO roles should take account of the degree of diversity of their networks and how this is brought to bear in the Board environment.
5.3 Nomination Committees

Organisations should be aware that the structural elements around Boards, such as Nomination Committees, governance codes and recruitment processes and protocols influences the degree to which the human, social and network capital can provide optimum knowledge and experience in the board environment.

Nomination Committees should consider the role and value that social and network capital can bring to a board and be more overt in articulating what they need and how they will source candidates and measure it during recruitment. They should ensure that a wide range of skills is available to a board and not just those from professions traditionally dominated by men. They should also be aware that whilst social and network capital is a short cut to finding potential candidates it may not provide the best range of candidates and could interfere with the ability of Board members to act independently as those who are recruited via contacts may be biased towards or feel beholden to support those who have assisted their appointment. Nomination committees should put in place effective methods to ensure a good mix of professional expertise and experience is available to the board and to make sure that they evidence and validate skills, capabilities and networks at interview to compare candidates through a fair and transparent process.

5.4 Age Bias

Those who are interviewing for Board roles should take care to ensure that they do not overly favour older men compared with younger men and younger women compared with older women.
5.5 Preparation for Interview

Women should not overly rely on social and network capital in preparing for interview but also make sure to do sufficient desk based research and preparation.

6.0 Further Research

A number of areas are suggested for future research. An in-depth and granular study of a number of complete end to end recruitment processes for board appointments could help to reveal and pinpoint critical influences that result in the selection and rejection of candidates, including the area of age bias. It would also be useful to compare the differences in social capital between those women who have been appointed to boards and those who applied but were unsuccessful. This study demonstrates that those women who have equal human and social capital to men have achieved board appointments. It is not known whether more men than women fulfil this criterion compared to women. More could also be understood about how women on boards have gained effective acceptance into particular networks.

Finally, more studies into the role and benefits that social and network capital bring to boards would enable this area to be better understood and planned for in board appointments and enable more independent evaluation during the appointment process.

7.0 Conclusions

In conclusion, this study has revealed which aspects of human, social and network capital are important in securing a role in a UK Boardroom. It has revealed that there are more similarities than differences between the genders, although age and
professional background were statistically different. It has confirmed that social and network capital plays an important role in finding out about and securing a board appointment (78.6% of cases). It also plays a key role in preparing for interview through understanding the issues, language and context of organisations and in providing assurance about capability. Men and women are similar in their approach to networking and the use of tools, although women in the sample were more active with their use of Twitter. Women who are able to break into networks at the CEO/Chair level are able to access the same social and network capital as men. The similarities amongst males and females in this group were striking.

Given that so many aspects of human, social and network capital were similar it is still not clear why more men than women end up being appointed to UK boards. It is possible that the women in this sample are unusual and not representative of other women.

The substantial influence of social and network capital in the appointment process leads to the conclusion that this area must be understood in more detail if we are to equalise the number of women on boards as social and network capital is a key to the boardroom but is also a barrier due to the degree that women are excluded from networks. Chairs, CEO’s and Directors need to consciously address this area of unconscious bias.

Burt, 1999 p48 sums up the important and facilitative role of social capital “The human capital explanation is that the people who do better are better people (smarter, more attractive more skilled and so on). The social capital explanation is that the people who do better are better connected”.
Social and network capital can therefore legitimate human capital and gives visibility to human capital. Therefore we can conclude that Social and network capital is important as an antecedent to obtaining a board position.