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A conceptual framework for reputational capital development: An exploratory study of first-time FTSE 100 NED appointees.

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ABSTRACT

This thesis seeks to explore and understand the appointment process of first-time FTSE 100 NEDs. It has been widely acknowledged for over three decades that the appointment process of NEDs is an opaque process involving a homogeneous group of people in an 'old boys' network. Corporate governance reforms recommend a formal and transparent appointment process which taps into a wider pool of talent. Companies comply with these recommendations yet there has been scant change in the composition of corporate boards.

The pilot study consisted of nine interviews with the main stakeholders in the appointment process of a NED, namely Chairman, Executive Search Firms and NEDs. Analysis of the interview transcripts revealed that reputational capital was the basis on which a first-time NED appointment was made after the Chairman had carried out an extensive vetting process to establish the fit of the individual. The main study, based on 15 first-time FTSE 100 NED interviews, sought to understand reputational capital, its constituent parts and how individuals developed it. Further, it sought to explore how an individual's fit for a NED was established. The analysis revealed that the reputational capital of an appointed NED was a blend of sufficient levels of human, social and cultural capital which had been communicated to the Chairman and other members of the corporate elite. A first-time NED, in gaining a foothold on a corporate board was also entitled to membership of the corporate elite. As reputational capital drives success of directors in the corporate elite, new individuals needed to fit with the norms and values appropriate for membership and carry no reputational risk for existing members particularly the Chairman.

This research offers three main contributions to the literature. Firstly, at a theoretical level it extends the concept of board capital to include cultural capital in addition to human and social capital. Secondly, it proposes a conceptual framework which demonstrates how an individual builds reputational capital over the course of a career to secure fit for a first- time NED, as a position in the corporate elite. The framework clarifies our understanding of reputational capital as a combination of human, social and cultural capital in a unique blend of board capital. This board capital is communicated through reputation building activities to members of the corporate elite. Thirdly, at an empirical level it provides an understanding of the FTSE 100 NED appointment process.

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I dedicate this thesis to my mother Mai and my late father Michael.

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LIST OF ABBREVIATIONS

ESF	Executive Search Firm
FSA	Financial Services Authority
FRC	Financial Regulatory Council
FTSE	Financial Times and Stock Exchange
IPO	Initial Public Offering
NED	Non-Executive Director
NV	New Ventures

1 INTRODUCTION

This chapter introduces the research topic addressed in this thesis and provides an overview of the thesis document. Section 1.1 outlines the aims of the research by describing the personal interest that underpinned the PhD and by positioning the research problem within relevant academic literature. Section 1.2 provides a summary of the thesis by outlining the structure of each chapter.

1.1 Aim of the research

This research aimed to explore the appointment process for first-time NEDs to FTSE 100 companies. Using a qualitative study it explored and described the reputational capital of NEDs, its constituent parts and the reputational capital development process for a NED. The research proposes a conceptual framework for the reputational capital development of a NED.

1.1.1 Personal interest

For years I was involved in the recruitment and selection of senior executives in organisations. For senior executives, there is a clear process for recruitment with clear criteria for selection often with the use of panel interviewing and selection committees. Individuals who had the best ability to do the job were given the appointment. Having gained a reputation in recruitment, many executives whose appointment I was involved in solicited my advice about their career move to a NED. Several things puzzled me about gaining a NED position. I spoke to ESFs regarding the criteria for a NED role and received chapter and verse from the corporate governance guidance manuals. However, I observed that many individuals who were actively seeking a NED were struggling to gain an appointment. Further, I had difficulty distinguishing between those candidates who did get an appointment and those who did not. They all seemed equally capable, with excellent credentials and a proven track record of sustained success at the top of the executive ladder. Further, the behaviour of ESFs in the NED appointment was opaque and could not be pinned down either in conversations with them or through involvement in NED appointments. In some extreme cases, my department paid the bills of an ESF without knowing how the appointment process happened.

This was a problem I wanted to find answers to and I came to discuss doing a PhD about the issue at Cranfield. Initially, my perception of the problem was that it was largely about how ESFs worked and I focused on them. However, after some suggested preliminary reading around the subject of NED appointments, I realised I needed to engage with all of the key stakeholders in the process, Chairmen, ESFs and in particular NEDs. This preliminary reading also highlighted to me that I wasn't the only person who had an issue with this problem. Corporate governance reforms had indicated that the process of appointing NEDs lay at the heart of weak governance and corporate failures. They had put in place guidelines for organisations to make the process more transparent and to tap into a broader talent pool than it currently did. From my experience, the talent pool was quite large, full of highly talented executives at the peak of their executive careers, but they were simply not getting through the appointment process. I dug deeper into the literature and found very little exploration of the appointment process. The scant literature available confirmed that it was a flawed process, which took place through referrals and the networks of Chairmen.

As there was little extant literature, which had explored the appointment process, I decided to conduct a qualitative exploratory study about the appointment process of NEDs. I decided to restrict it to first-time NEDs as my experience suggested that attaining a first NED position was the critical point. The literature suggests that once an individual gains a first NED, they join the inter-corporate networks, which secure future NEDs. This was also borne out by my own experience working with boards. There seemed to be a small community of individuals who cropped up regularly on different boards. I wanted to explore how individuals with a successful track record at the top of their field could attain a NED position. FTSE 100 companies seemed the appropriate place to investigate appointments, as many of the individuals I had advised were seeking to secure a FTSE 100 NED appointment.

1.1.2 Research problem

Following critical corporate failure and loss over three decades, successive rounds of corporate governance reform have sought to improve the corporate governance of organisations. The appointment process for NEDs has been highlighted as a key factor in corporate failure. Guidelines have been put in place to make the process more formal, rigorous and to tap into a wider talent pool that is more representative of society. The existing population of directors is described as a small, homogeneous

community who are demographically similar and through an opaque process of appointment self-replicate (Pye, 2000; Lorsch and MacIver, 1989; O'Neal and Thomas, 1996). Despite decades of reform, the Walker Review (2009), carried out in the wake of the 2008 financial crisis confirmed that weak governance was at the heart of the failure and that the appointment process for NEDs had not changed (Conyon, M,, Judge. W. J. and Useem, M. (2011).

The research literature about the appointment process confirms it is a flawed process, taking place through referrals and the networks of Chairmen. However, the literature does not explore the appointment process at the level of the individual. Studies that consider the appointment of NEDs to boards are largely quantitative using secondary data, which reveal little about the actual appointment process. There is a need for a qualitative study about the appointment process of a NED, to increase understanding about the processes involved (Pettigrew, 1992). The literature suggests that human and social capitals are selection criteria for a NED. However, these studies are again quantitative in nature and consider indicators of human and social capitals such as education, number of multiple board seats or tenure. The human and social capitals needed for an appointment are not explored. Further, Hillman and Dalziel (2003) suggest that it is human and social capitals in concert that provide board capital to a director and enable them to fulfil their responsibilities from an agency and resource dependency perspective. The literature suggests that board capital would be a useful concept in exploring the appointment process of a NED.

The literature suggests that ultimately it is reputational capital, which secures an individual a NED. The literature in corporate governance, although it evidences reputational capital as the driver of director appointments, does not offer theory about reputational capital and has no consensus on its definition. Other literatures have explored reputational capital and this study borrowed the concepts of reputational capital formation and signalling theory to explore the concept of the reputational capital development of first-time NEDs. As a result of these gaps and shortcomings in the literature, the following research questions have been formulated, which is designed to bring additional insight into the appointment process of NEDs.

RQ1: How does a first-time NED gain a FTSE 100 appointment?

SQ1:   How is reputational capital constituted?

SQ2:   How is personal fit established?

SQ3:   How is reputational capital developed?

1.2 Structure of the thesis

This thesis is structured into eight chapters, which are outlined in this section. Chapter 2 provides a review of the relevant literature regarding the appointment process for NEDs. The chapter begins by setting the scene of corporate governance and the context within which a NED appointment is made. This is followed by a review of the scant literature about the appointment process of a NED, which evidences it as a flawed process, which takes place through referrals and the networks of Chairmen. This is followed by a review of the literature, which gives insight into the criteria for a NED appointment and indicates the human and social capitals involved. Board capital as a construct, involving human and social capitals working in concert, is explored as a criterion for a NED appointment. However, it is the concept of reputational capital, which drives the market for NEDs that encapsulates the criteria for a NED appointment. Due to the lack of theorising about reputational capital in the corporate governance literature, the concepts of reputational capital formation and signalling are drawn on from the economics literature to explore the appointment of a NED to a corporate board.

Chapter 3 describes how the researcher designed and conducted this empirical study in order to address the research questions formulated. The chapter begins by clarifying the ontological and epistemological positions of social constructionism and interpretivism respectively that underpinned this study. The rationale for choosing an exploratory qualitative methodology is described, as are the details about the sample and fieldwork carried out. Through the use of semi-structured interviews, data was collected and analysed through the use of template analysis and NVivo software. Details of data analysis and the interpretive process leading to the final coding structure are provided.

Chapter 4 describes the findings of the pilot study. The three key stakeholders in the appointment process of a NED were identified namely Chairmen, ESFs and first-time appointed NEDs. A sample of 9 individuals was interviewed and a holistic picture of the appointment process is outlined. The importance of the context within which a NED is appointed is described and the role of the Chairman as the driver and decision maker

of the appointment process. The extensive referencing process conducted by the Chairman is described and the assessment of the personal fit of an individual for a NED appointment to a FTSE 100 company. The chapter concludes with the finding that the reputational capital of an individual is the criterion for fit with a NED and a more fine grained analysis of the appointment process and reputational capital in particular is required.

Chapter 5 and 6 describe the findings of the main study. Chapter 5 of the findings outlines the build-up of human capital, in the form of education and professional qualifications, employment experiences and industry recognition that is necessary for a NED appointment. Human capital as the threshold criteria is described as well as its facilitative nature in building social capital. The nature and build-up of social capital is described, with individuals accumulating capital through weak and strong relationship ties over the course of their career with increasing levels of prestige.

Chapter 6 of the findings describes how NEDs accumulated cultural capital to establish their cultural fit with the corporate elite. It describes how NEDs with enough prestigious connections gained entry to elite clubs and events and how their style and values fitted with members of the corporate elite in these culturally elite social circles. The chapter also describes how NEDs accumulated reputational capital as a blend of human, social and cultural capital. These were communicated via reputation building activities to Chairmen and other members of the corporate elite to secure a NED appointment. It also outlines the differences in the way that individual NEDs accumulated their blend of capitals and describes the interplay of capitals over the course of their careers. Finally, the chapter describes the reputational risk assessment both Chairmen and NEDs conduct before the appointment is made.

Chapter 7 provides a theoretically informed discussion of the findings and argues the contribution made by this study to the literature in corporate governance. Two theoretical contributions are discussed. The first contribution is confirmation of the concept of board capital and its theoretical development, in extending it to include cultural capital in addition to human and social capital. The second contribution is where this study takes the conceptual processes of reputational capital formation and signalling theory from the field of economics, to explore the process of reputational capital development at an individual level in the field of corporate governance. As a result it proposes a conceptual framework for the reputational capital development of a

NED at an individual level in the field of corporate governance. The third contribution is an empirical understanding of the FTSE 100 NED appointment process.

Chapter 8 concludes the thesis by restating the research problem tackled and by providing an overview of the study conducted and of its contributions. The chapter describes the contribution to practice of the findings and the limitations of the current study are acknowledged. Finally, directions for future research are suggested, with a brief comment about the personal learning gained during this PhD.

2 LITERATURE REVIEW

2.1 Introduction

The chapter begins by setting the scene of corporate governance, the context within which a NED appointment is made. This is followed by a review of the literature on the appointment process of a NED, which evidences it as a flawed process taking place through referrals and the networks of Chairmen. This is followed by a review of the literature on the selection criteria of a NED appointment and the human and social capitals involved. Board capital as a construct involving human and social capitals working in concert is explored as a criterion for a NED appointment. However, it is the concept of reputational capital, which drives the market for NEDs that encapsulates the criteria for a NED appointment. Due to the lack of theorising on reputational capital in the corporate governance literature, the concepts of reputational capital development and signalling are drawn from the economics literature to explore the appointment of a NED to a corporate board.

2.2 The Non-Executive Director within the governance context

2.2.1 Corporate governance background

Corporate failures such as Equitable Life, Polly Peck and the Maxwell Corporation led to concerns about creative accounting, loss of confidence in auditors (Macdonald and Beattie, 1993) and director remuneration (Keasey and Wright, 1993). The Cadbury Committee (1992) was set up to review financial reporting and accountability. The main recommendations as set out in the resulting Code of Best Practice were to: increase the number and powers of NEDS (who should be independent); separate the roles of CEO and Chairman; and set up sub-committees, including a nominations committee, to oversee the appointment process for directors. Companies were required to comply or explain their response to these recommendations. The Greenbury Report (1995) was a response to concerns over executive remuneration. It was followed by the Hampel Report (1998) which further developed the role of NEDs in delivering good corporate governance. This report recommended that at least one third of every board should be independent NEDs, and that committees including the nominations committee should be composed largely of independent NEDs. In 2002, Derek Higgs was appointed by the UK Government to review the role and effectiveness of NEDs in promoting accountability and company performance. This led to a revised Combined Code (2003)

incorporating a number of Higgs' (2003) recommendations. This Combined Code (2003) included the following recommendations relating to the appointment of NEDs:

1. Board composition to consist of fifty per cent NEDs

2. Formal and transparent procedures to be adopted for director appointments

3. Summary guidelines were provided for the accountabilities of the nominations committee

Following these reforms, the number of executive directorships decreased and the number of NEDs on corporate boards increased. The total number of FTSE 100 Directorships stood at 1116 in 2008, with 353 executive directorships and 763 NEDs. This was the highest number of NEDS ever recorded. In 2008, following critical loss and failure in the banking sector, a review of corporate governance was set up, which revealed continued weakness in the governance of FTSE 100 companies. Despite decades of reforms and recommendations little had changed in the appointment process for corporate directors and the corporate director community remains a homogeneous group of people (Walker, 2009).

2.2.2 The corporate board

The legal formation of limited liability companies in the UK has separated ownership from the control of corporations. Salaried managers serve to grow the investment of the shareholders, who are the legal owners of the business. The legal status of the board is covered by the Companies Act of 1985, which states that a board is required to act in the interests of its shareholders. However, the Act does not define the functions of a director. Corporate governance literature suggests a variety of theories about boards of directors and the nature of their contribution.

Stiles and Taylor (2001) provide a summary of five different theoretical perspectives:

1) Agency Theory, resulting from the work carried out by Jensen and Meckling (1976), suggests that as a result of the separation of ownership from control, the role of the board is as a monitor of management activities, because managers will act in their own interests rather than the shareholders.

2) Stewardship Theory suggests that managers' interests will be aligned with the overall interests of the organisation. Hence the pursuit of profits and

shareholder value will reflect positively on the individual manager and the governance structure. The role of the board is to facilitate and empower.

3) Resource Dependency Theory posits that the board links the company to the environment to secure resources and to protect itself.

4) Class Hegemony contends that organisations are the agents of individuals and the role of the board will emphasise recruiting the 'right' individuals in terms of social status and influence.

5) Managerial Hegemony suggests that the running of an organisation is assumed by corporate management.

There is a considerable overlap between these theoretical approaches and different theories may be relevant at different times.

The literature about governance and boards has been dominated by the assumptions of agency Theory. This dominance has been criticised for having a predominant methodology that remains too distant from observed corporate governance phenomena. There have been calls for greater theoretical pluralism and more detailed attention on board processes and dynamics (Roberts, McNulty and Stiles, 2005).

2.2.3 Role of the Non-Executive Director

Academic research on NEDs suggests three roles:

1) Board monitor, where in line with agency theory the board monitors executive directors to ensure that they pursue shareholder value (Weir & Lang, 2001).

2) Strategy developer, where NEDs are involved in the formulation of strategy and the allocation of resources (Tricker, 1984).

3) Conflict resolution, where NEDS contribute to the areas of board remuneration, board processes and the hiring and firing of board members (McNulty and Pettigrew, 1996).

These roles are supported by a qualitative study of senior decision makers by Dixon, Milton and Woodhead (2005). This study suggests that all interested parties including businesses, regulators, advisors and NEDs themselves see the three key roles of NEDS as: monitoring performance and the executives; strategy development; and

conflict resolution. However, Long, Dulewicz and Gay (2005), in their study comparing listed and unlisted companies, found that the role of NEDs in listed companies focused more on monitoring and conflict resolution. There was less focus on strategy development. This has some support from Pettigrew and McNulty (1995), who describe NED involvement in strategy as dependent upon the skills and motivation of the individual NED and contextual factors, such as crisis conditions.

Pye and Camm (2003: 57) in quoting Garrett (1996), describe the NED role in terms of the four directorial dilemmas:

- The need to be entrepreneurial and drive the business forward, while keeping it under prudent control

- To be sufficiently knowledgeable and answerable for the organisation's actions, but also to stand back and retain a longer term, objective view.

- To be sensitive to short-term pressures, but informed of broader trends in the external environment.

- To focus on commercial requirements, but also to act responsibly in respect of a broader range of stakeholders.

In this more behavioural description of the role, Pye and Camm (2003) acknowledge the potentially conflicting tensions of performing and conforming inherent in the NED role. They emphasize the importance of organisations consciously deciding what is expected of their NEDs, by examining the requirements of the business and the expectations of its shareholders. It is this clarity of role that will inform the variety of skills and personal characteristics required. Pye and Camm (2003: 52) evidenced differences between how investors and Chairmen saw the NED role and advocate moving beyond a 'one size fits all' description of the role. Pye and Camm (2003: 66) describe four possible types of role for a NED:

- An auditor role, where the environment is highly regulated.

- A consultant role, to advise on and facilitate strategy development.

- A tame pensioner, where there is little need for any active role, to provide an independent presence.

- A super NED, who fulfils high impact needs regarding risk management and strategy development.

This framework needs developing further but it does suggest a diagnostic approach that would enable boards to clarify their expectations of the NED role and assist the NED selection process. There is no consensus emerging from the literature about the role of a NED. It varies depending on organisational context and the skills and motivations of the individual. This presents a challenge to nominations committees and the board when appointing an individual to a NED position.

2.2.4 The nominations committee

As part of their role in conflict resolution, corporate board directors are charged with selecting, compensating, evaluating and (where appropriate) dismissing top managers. Criticisms have been levied at organisations that directors are not selected by the shareholders they represent, but instead by the managers they are supposed to oversee. Mace (1971) found anecdotal evidence of CEOs exercising authority over the selection of candidates, who often hand-picked individuals for nomination. Lorsch and MacIver (1989) evidenced CEOs wielding major influence in the selection of new directors. Supporting these findings, Shivdasani and Yermack (1999) suggest that CEOs influence the selection of new directors to reduce active monitoring on the behalf of shareholders.

Corporate governance reforms have responded by recommending that the appointment of a board director should be led by a nominations committee. This should be composed of independent NEDs, to drive a fair, rigorous and transparent process, which promotes meritocracy and diversity in the boardroom (Higgs, 2003). Further, Higgs (2003) recommends that nominations committees seek the support of ESFs in a bid to tap into a wider pool of talent. The literature suggests that nominations committees, supported by ESFs, are in place in FTSE listed organisations, but they are the least developed of the board's committees and meet irregularly without a clear understanding of their role in the appointment process. Further, the Chairman, as recommended by the Combined Code (2010), is the chair of the nominations committee and remains a dominant influence on who is appointed to the board (Pye, 2000). Dulewicz and Herbert (2008) evidenced the appointment of a new director being perceived as having the greatest perceived impact on board performance. However, the nominations committee was ranked lowest in terms of the thoroughness with which

its performance was judged. They also evidenced that more than four fifths of nominations committees had detailed descriptions of the role and abilities required of new directors.

Literature suggests that companies are following the recommendations of the Higgs Review (2003). Nominations committees are in place and working with ESFs in the appointment of NEDs. However, why has there been so little change in the composition of the NEDs sitting on corporate boards and why has there been so little broadening of the talent pool targeted for new appointments? Pye and Camm (2003: 60) remind researchers that companies may gain a 'tick in the governance box', by implementing recommendations about structural changes, but they do so without paying attention to process and behavioural implications.

2.2.5 The appointment process for a Non-Executive Director

The antecedents of director selection have long been an important issue in corporate governance (Zahra and Pearce, 1989; Hermalin and Weisback, 1988; Johnson, Schnatterly and Hill, 2013). The research interest in how and why individuals gain board appointments spans several disciplines from: Finance (Shivdasani and Yermack, 1999); Accounting (Gupta, Otley and Young 2008); Economics (Adams, Hermalin and Weisback, 2010); Management (Kor and Sundaramurthy, 2009) and Sociology (Mizruchi, 1996). Agency theorists, who have dominated the debate for decades, posit that directors are there to serve the best interests of shareholders and those individuals who are better able to execute board functions are selected for the positions (Jensen and Meckling, 1976).

Later, Pfeffer and Salancik (1978), theorise that the board serves as a mechanism to access resources from the external environment. As such, when a firm appoints a board member it expects that director to help the firm with their expertise, skills, advice and links to other organisations (Zahra and Pearce, 1989; Hillman, 2005). Pfeffer and Salancik (1978: 163) note that 'when an organisation appoints an individual to a board, it expects the individual will come to support the organisation, will concern himself with its problems, will favourably present it to others and will try to aid it'. Hillman & Dalziel (2003: 386), in integrating both the agency and resource dependency perspectives, argue that it is 'board capital - the composite of the human and social capitals of the board of directors', - that enables a board to meet the governance and resource needs of the firm.

However, much of this research focuses on organisational and environmental factors that have an influence on board composition. Researchers emphasise the firm or the board as the level of analysis and not the micro-level specifics of director selection. Therefore, much of what we understand about director selection is not from studies about potential directors and how they gain an appointment, it is from studies about board composition and firm performance (Withers, Hillman and Cannella, 2012). That said, the research suggests that a director needs to possess a necessary mix of human capital (knowledge, skills and expertise) and social capital (connections and prestige), in order to perform their monitoring and resource provisioning board functions (Hillman and Dalziel, 2003; Nicholson and Kiel, 2004).

The appointment process of NEDs has been highlighted as a flawed process and has been the focus of several rounds of review and reform (Cadbury, 1992; Hampel, 1998; Higgs, 2003; Tyson, 2003; Walker, 2009; Davis, 2011). It has been described as informal, relying on the contacts of the Chairman or the incumbent directors and through nominations which are often personal contacts, director referrals and via the 'old boys' network (O'Higgins, 2002: 24). The Combined Codes (2003, 2006, 2008, 2010 and 2012) make clear recommendations for a more rigorous, fair and open appointments process, to promote meritocracy in the boardroom and ultimately to raise the standard of corporate governance. Although corporate governance in general has received considerable interest in the research literature, there is a dearth of research about the specifics of the appointment process for corporate directors and more specifically about the appointment of NEDs. Difficulties with access to members of the corporate elite have often been quoted as the main reason for this paucity. Studies on US companies, which tend to have larger sample sizes, are considered relevant, because the US has the same unitary board structure as the UK. Also, when considering the appointment process for corporate directors, the role of the Chairman is seen as a critical one. Extant research studies about the director appointment process, both in the UK and US, consider the process from the perspective of existing board directors seeking new appointments. Insight is gained on the characteristics and demographics of new directors but not from the perspective of a director gaining their first board appointment, which is the subject of this study.

The first comprehensive study of 'outside' directors was undertaken by Lorsch and MacIver (1989). It was conducted in the US, where comparisons can be made due to a similar board structure with a mix of executive directors and NEDs (outside directors).

Their empirical study consisting of 80 interviews and 2000 questionnaires, examined director appointments over a three year period in large industrial and service companies in the manufacturing sector. Lorsch and MacIver (1989) evidenced the traditional model of selecting directors as the exclusive responsibility of the CEO (also the Chairman) and this sense of ownership was demonstrated by how often the CEO referred to 'my board'. However, they evidenced a trend in the process, moving away from being the exclusive responsibility of the CEO. This trend they argue is to, instil greater confidence in the investing public and maintain an image of objectivity and a response to the emergence of nominations committees. In their sample 84 per cent of the interviewees sat on corporate boards with nominations committees. However, 55 per cent of respondents indicated that the CEO (Chairman in the UK) was still the main source of nominations and that the nominations committees had limited influence in the process compared to the CEO.

These findings are supported by O'Neal and Thomas (1996) in their empirical studies of boards of directors (1992-1995). This study involved 80 CEOs, plus outside and inside corporate directors of 40 companies (14 Fortune 500 companies) spanning 23 industries. Interviewees indicated that the task of identifying the qualifications of a new director lay with the Chairman first and the nominations committee second, suggesting an increased role of the nominations committees. The study evidenced that the final decision was often made by the Chairman and the list of candidates was restricted to personal referrals from the Chairman and other board incumbents. This appointment process resulted in a board whose members were chosen from a narrow and homogeneous pool of candidates, driven by directors' personal, social, professional and business networks. Yet when directors were questioned on how to raise the effectiveness of the board, they suggested a more objective selection of directors. Although O'Neal and Thomas (1996) largely used a sample taken from outside of the Fortune 500 (making its findings less relevant to this study) they support a widespread view of a flawed appointment process for corporate directors.

Gay (2001), in a smaller UK empirical study (35 telephone interviews and 50 surveys) investigated the appointment process of NEDs on FTSE 350 companies. He found a traditional process dominated by the Chairman and/or the CEO with token consultation of the full board. Gay (2001) describes clear ambivalence among the sample group as to whether this appointment process had improved as a result of the Cadbury Report (1992). Companies had set up nominations committees and many were using ESFs.

However, almost half of the sample felt that the process was still dominated by one or two individuals. The process was evidenced to be more formal, professional and open yet the 'old boys' network was clearly still influential. Gay (2001) suggests that these findings reflect the mandates of the Combined Code for setting up board committees. Gay points out that although the nominations committee exists, it receives less attention than the audit or remuneration committees. Even though it may be argued that the nominations committee has influence over the composition of the board and ultimately the delivery of good corporate governance (Dulewicz and Herbert, 2008).

Pye (2000) evidences similar findings in a smaller yet significant longitudinal study of Executive Directors and NEDs across 12 large UK organisations during 1989 and 1999. In 1989, NEDs were allies of the Chairman or had connections into the 'right networks'. It was not uncommon to find ambassadors or wives of politicians on corporate boards. In 1999, all of the boards in Pye's sample had a nominations committee and it was common place to have ESFs involved in NED appointments. Compared to 1989, boards in general were smaller in 1999 with a greater number of NEDs and an increasing focus on the 'value added' by each member. 'Value added' was interpreted as a NED's current or previous executive experience on a board, a criteria which narrowed the pool of potential candidates to current or previous CEOs/Executive directors. Lorsch and MacIver (1989), suggest that CEOs have a preference for other CEOs on their boards, which often leads to the appointment of directors who have had similar experiences, are demographically similar and sympathetic.

These findings reflect Useem's (1984) landmark study evidencing the existence of a director community. Combining in-depth interviews and multiple data sources the study found that board members shared remarkably similar attitudes and beliefs regarding their roles and were highly conscious of themselves as a distinct community with shared values. Pye (2000), in her study of directors in 12 organisations in 1999, found 11 cases of overlap amongst the sample group and their FTSE 250 directorships. Pye (2000) suggests a tightly knit network, closely interwoven, reinforcing itself through a tendency to recruit 'who you know' in the interlocking networks of corporate board directors. Pye's (2000) longitudinal study evidences that the time invested in appointing new directors was significantly greater in 1998-2000 than it was in 1989. She describes directors working through the chair of the nominations committee to put forward names

of likely candidates. However, when it comes to a choice between a director who is known to the Chairman and one who is not, the known quantity is chosen.

Extant literature suggests that despite the formality introduced into the director appointment process by Corporate Governance guidelines, knowledge of a candidate, reliance on the unspoken rules of elite membership and gut feel play a significant part in NED appointments. Pye (2001) points out that in making board appointments, directors have a sense that someone is 'the right person for the job' and that their style, energy, relationships make them right for the board and the organisation. Useem and Karabel (1986) suggest that access to the corporate elite is restricted to those individuals who have elite social and educational credentials and who are demographically similar to incumbent members of the power elite, including the power elite. Maclean, Harvey and Press (2006) in a comparative study of directors of the top 100 companies in the UK and France evidenced a cohesive group of elite individuals. The authors suggest that in appointing new directors there is considerable reputational capital at risk at an individual, board and company level. Therefore, the perceived comfort factor needs to be high and the new director's face needs to fit (Hill, 1995). Relationships are critical in how directors make their name known, attain their NED appointments and establish and maintain their reputational capital in the networks for future appointments. The Chairman plays a significant part in 'conducting the NED ensemble, bringing forward potential names for consideration' (Pye, 2001: 341) and making the final decision on the NED appointment

In summary, the literature suggests that the process of appointing a NED has become more formal in response to changes in corporate governance. It is driven by the Chairman with the involvement of a nominations committee in the formal processes and often an ESF member is engaged. However, for all the formality introduced over the last two decades, the Chairman seems to engage in informal back-stage processes to find candidates and the concept of 'fit' which seems central to the actual appointment remains ethereal. The literature also suggests that an individual's human and social capitals are key criteria in the process. Individuals with CEO/senior executive experience are selected for board appointments, suggesting that an individual's human capital is relevant. Many appointments come through referrals and the networks of the Chairman, suggesting an individual's social capital is an inherent part of the process of appointment.

2.3 Appointment criteria for NEDs

2.3.1 The theory of human capital

Human capital is the combination of knowledge and skills that individuals possess as a result of their experiences, education and training (Becker, 1993; Kor and Sundaramurthy, 2009). The term first appeared in 1961 in an *American Economic Review* article entitled 'Investment in Human Capital' written by T. W. Schultz. The article focused on the concept that skills and knowledge are a form of capital and that this capital is a product of deliberate investment, which leads to increased prosperity and growth. The first major theoretical treatment of human capital was carried out by Becker (1962), who was interested in how education was related to the future earnings of individuals. He developed a theory where human capital defines the embedded resources within people. Differences in intelligence or ability may result in inherent individual differences. However, human capital is viewed as the result of choices made by individuals such as investment in education or experience (Finkelstein and Hambrick, 1989). Becker (1962) argues that individuals make choices to invest in productivity enhancing activities such as building knowledge, skills and experience and that these investments result in human capital, which can be used in subsequent situations. The argument further suggests that measurable differences in human capital are visible to employers and stocks of this capital result in higher productivity and higher wages.

In order to understand fully how human capital adds value, Becker (1993) distinguishes between capital classified as either general or specific. General human capital is defined as skill, knowledge or experience that is valuable across settings. Forms of general human capital would include a lawyer trained at one firm who would be likely to find their skills and knowledge applicable across a wide range of firms. On the other hand, Becker (1993) argues that specific human capital is tied to a specific function or location and is developed through direct experience. In reality, most knowledge and training is neither completely general nor completely specific. Education and the returns to education are often quoted as general capital. This is because the benefits of education are seen not just as what is learned, but also as the skills associated with an improved ability to learn. Becker (1993) highlights information gathering and improvements in general health as ways of building human capital. Individuals who invest time and effort in gathering information are able to improve their knowledge and

reap the benefits of improved returns to their investment in the future. He theorises that improved diet and general health give individuals an enhanced capability to be productive. An individual's productivity is not just reliant on their ability and skills, but also their motivation and desire. Expenditures on education, training, information gathering and health are seen as investments, where increased returns will flow in the form of increased future income. The research literature suggests a consistently strong correlation between education and higher earnings (Becker, 1993).

2.3.1.1 The elements of human capital

Davenport (1999) analysed the key components of human capital culminating in the human capital process model. Through this model he describes the process of building human capital. An individual builds ability through acquiring knowledge - i.e. a body of facts to which they add specific skills such as analysing balance sheets. These abilities are complemented by talent, which is an individual's innate ability to pull knowledge and skill together and perform in specific situations. In addition, behaviour appropriate to the tasks needs to be called upon and effort needs to be exerted to accumulate human capital from the potential of the individual elements. Time provides a context to an individual's investment and gives the chronological element of human capital indicating the investment in terms of hours per day or years across their career. Ability, knowledge, skills and talent will result in little human capital without the investment of time in the process. Davenport's model (1999: 19) is reproduced in Figure 2.1. This would tend to suggest that one may have all the abilities in the form of knowledge, skills and talent, but without the required effort and time investment an individual may not have the human capital to succeed. This is an important insight when exploring the appointment of a NED to a corporate board, which is a position at the apex of an organisation and normally achieved in the latter stages of one's career.

Although study of the concept of human capital originated in Economics literature, predicting wages and job mobility (Antel, 1986; Mincer, 1997), the concept has been borrowed by the Management literature (Finkelstein and Hambrick, 1989). For example, human capital has been used to predict higher compensation for individuals, especially CEOs and other top executives (Carpenter and Wade, 2002; Finkelstein and Hambrick, 1989). The literature suggests that directors who gain appointments to

corporate boards are in possession of three forms of human capital namely: education, board experience and work experiences, both specific and general.

Figure 2-1 Human capital process
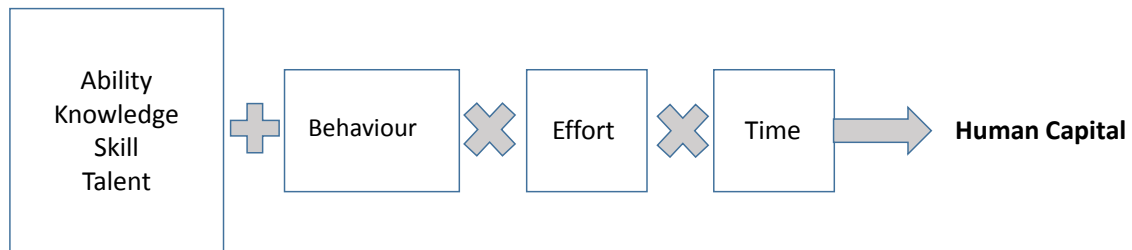
2.3.1.1.1 Education

Education level is a consistent indicator of human capital (Hambrick and Mason, 1984; Wiersenna and Bantel, 1992). Formal education enables individuals to develop enhanced skills in learning and information processing. Formal education shapes individuals' mental models and teaches cognitive shortcuts (Hitt and Tyler, 1991). Learning Theory suggests that education not only encourages individuals, but also teaches people to draw abstract concepts out of specific situations (Loewenstein, Thompson and Gentner, 1999).

Individuals can learn general principles, which can then be applied to multiple problems. Many degrees require students to learn facts, which lead to principles and to apply these principles across different scenarios. Further, the research literature differentiates between a novice and an expert, suggesting that one of the key differences is the ability of the expert to draw abstract principles from specific situations and apply these principles elsewhere (Chi, Glaser and Rees, 1982). Experts organise and structure knowledge in a more systematic way, due to a more sophisticated cognitive and processing architecture. As such, experts use information more effectively in situations where the problems are complex (Singley and Anderson, 1989). A variety of empirical studies have linked the level of education with the capacity for information processing and tolerance of ambiguity (Schroder, Driver and Streufert, 1967; Dollinger, 1984).

There is a dearth of research in this area regarding NEDs. However, research into top management teams (TMTs), who have some similarities with NEDs has shown that

individuals with more formal education at the top of organisations 'are likely to engage in boundary spanning, tolerate ambiguity and show an ability for integrative complexity' (Wiersema and Bantel, 1992: 99). Further, researchers reason that high levels of education will give TMT members a superior capacity for information processing and 'administrative complexity'. (Hambrick and Mason, 1984: 201). The literature evidences higher levels of TMT education with greater firm innovation and greater organisational change (Bantel and Jackson, 1989; Wiersema and Bantel, 1992; Wincent, Anokhin and Ortqvist, 2010). There is also evidence that educational affiliation, and especially the prestige of that affiliation, predicts fundamental differences in behavioural and leadership styles (Collins, 1979). Indeed, aspects of a manager's educational background are salient criteria for categorising candidates for promotion, notably the possession of an advanced degree or a degree from a prestigious institution (Useem and Karabel, 1986; Westphal and Zajac, 1995).

2.3.1.1.2 Board experience

The literature espouses board experience in the form of CEO credentials as being human capital coveted by corporate boards. Adams and Ferreira (2007) emphasise the importance of the advisory role of a board of directors and describe CEOs as ideal 'outside directors' (NEDs). A CEO possesses unusual authority and experience, which is perceived as very valuable to other organisations. Also, as they are a peer to the incumbent CEO, they may be perceived as having more credibility in giving advice. Lorsch and MacIver (1989) in their empirical study, conclude that despite formal changes in the appointment process in the US, the CEO/Chairman is the main driver of the nominations process and has a preference for other CEOs on their boards. The writers describe CEOs as 'the most desired outside directors' (Lorsch and MacIver, 1989:19).

Fahlenbrach, Low and Stulz (2010) studied 10,000 firms over the period 1988-2005, to examine what made a CEO such a desirable outside director. Despite their appointment making no difference to the performance of the firm, CEOs took their pick of board seats. Their human capital is seen as reputation sensitive and their appointment onto a board bestows a favourable signal on the appointing organisation and results in favourable stock market reactions. A CEO's mere presence on a board inspires confidence in the investors of a firm. Further, these authors conclude that CEOs are likely to sit on large, older and more prestigious firms. Fich (2005), in his

study about director appointments to boards of Fortune 100 firms from 1997- 1999, found that when a CEO in his sample was appointed to a firm, there were immediate positive reactions from investors and the stock market. The research literature suggests that CEOs are more likely than non-CEOs to be appointed as directors.

2.3.1.1.3 Work experiences

Stiles (2001) notes that the human capital an individual director brings to a board is a major source of competitive advantage for an organisation. Board directors' knowledge and skills enable them to scan and interpret the environment, make choices based on their interpretations and help management to deal with the complexities and uncertainties surrounding strategic decisions (Rindova and Fombrun, 1999). Their systems of knowledge and repertoire of skills are based on their prior business experiences and these experiences frame the perspectives they bring to corporate boards (Carpenter and Westphal, 2001; Certo, 2003; Hambrick and Fukotomi, 1991; Kor and Sundaramurthy, 2009).

Although the role of the NED in corporate governance has received considerable attention, it is only recently that the impact of knowledge and experience of board members has come to the fore. This literature suggests that directors need appropriate experience that is relevant to the focal board, in order to be effective in their role. Kor and Misangyi (2008) evidenced in younger entrepreneurial firms, that a dearth of top management industry experience was offset by the presence of outside directors with significant managerial industry experience. This 'experience supplementing' (Kor and Misangyi, 2008: 1345) suggests that directors are sought for providing the firm with general business knowledge, advice and legitimacy (Certo, Daily and Dalton, 2001), critical forms of human capital. Kor and Sundaramurthy (2009) examined the effects of experience based human and social capitals among outside directors on the growth of high-tech post-IPO firms operating in a high-velocity environment. Their evidence suggests that outside directors with multiple board memberships and industry managerial experience have strong additive effects on firm growth. An outsider's connectivity can serve as a conduit for information and other resources that can enrich the firm's general human capital base. Outside directors provide access to a variety of ideas and knowledge needed for problem recognition, analysis and solving. Outside directors who participate on multiple boards are exposed to a diverse range of strategic decisions, implementation challenges and complex governance issues (Carter and

Lorsch, 2004; Useem, 1984). Outside directors can contribute significantly to a board's general human capital, enabling that board to advise and counsel top management more effectively. These findings indicate that an outside director's general skills and knowledge, developed by serving on multiple boards are transferable and can add value in different settings.

The literature also indicates that the firm benefits from outside directors industry specific human capital. The path-development nature of major developments in industry (Arthur, 1994) provides outside directors with prior experiential knowledge of the industry, helping them to develop a sophisticated and tacit understanding of current and future industry challenges. Directors with industry specific experience have embedded the tacit knowledge of opportunities, threats, competitive challenges, technological changes and regulatory impacts that the focal firm could face in the future. They also hold the goodwill of buyers and suppliers (Bailey and Helfat, 2003). This capital enables them to challenge and advise top management on current and future strategies (Certo, Daily and Dalton, 2001; Hillman and Dalziel, 2003; Mizruchi and Stearns, 1994).

Carpenter and Westphal's (2001) findings support these arguments and suggest that directors are more effective in their role when they are familiar with the focal firm's strategy and have knowledge gained through board membership at firms with similar strategies. Ties in the form of appointments to other strategically similar boards, can provide directors with the relevant strategic knowledge and perspective that enable them to be more involved in the strategic process of the focal firm and to have an important influence on corporate governance. Firms may wish to recruit directors with industry specific experience and individuals with multiple board memberships. This latter point of multiple board memberships may go some way to explain why companies continue to recruit from an existing pool of directors, presenting a major hurdle for an individual seeking a first board appointment.

Directors are responsible for the oversight and counsel of top management (Demb and Neubauer, 1992; Lorsch and MacIver, 1989; Wesphal, 1999). However, the question is how equipped are directors to execute these roles effectively and particularly in such critical times as for example during an acquisition. Firms who have ambitions to acquire other firms may seek to recruit directors with experience of acquisitions. A study by Kroll, Walters and Wright, (2008), of 500 random acquisitions of publicly

traded companies over four years in the US, sought to understand how boards influence corporate acquisition performance. Kroll et al (2008) found that vigilant boards rich in appropriate experience were associated with superior acquisition performance. Boards that included directors experienced in the target industry, directors with prior CEO experience of acquisitions and directors with prior board experience of acquisitions were associated with significantly higher returns than boards without such experience. Acquisitions are important, but relatively rare strategic actions. Research suggests that prior experience of these decisions can inform future decision making and the amount of prior acquisition experience on the board is positively related to post–acquisition performance (McDonald, Westphal and Graebner, 2008). Directors with experience of acquisitions are sought after by companies with strategic ambitions for an acquisition.

The literature recognises that boards perform different tasks and suggests heterogeneity in skills and experience in board capital (Adams and Mehran, 2003). However, Jensen (1993) points out the need for financially knowledgeable directors. Indeed, corporate governance reforms both in the US and the UK requires every member of the Audit Committee to be financially literate and at least one person a financial expert. This emphasis on financial know-how is reflected in the research literature. For example, prior experience is significant in director appointments where the incoming director is elected a member of the Audit Committee. A sample, albeit small, of 136 director appointments in a study by Davidson, Xie and Xie (2004) evidenced appointments of individuals with financial experience onto Audit Committees causing a significant positive stock market reaction. Markets reward firms that appoint financial experts to their Audit Committees. Shareholders react more positively when the individual has auditing and audit firm experience, more so than when the individual has corporate financial management experience or financial statement analysis. This study is corroborated by a series of studies, evidencing the addition of financial experts on boards leading to improved resources. Financial expertise on the board is found to affect a range of firm issues, including credit access, debt strategies (Mizruchi and Stearns, 1994; Stearns and Mizruchi, 1993) and earnings management (Chen and Zhou, 2007). Chhaochharia and Grimstein (2007) documented a significant increase in the number of financial experts on U.S. boards in their study of the period 1997-2003. The authors' sample represented 80 per cent of the total market capitalisation of US public firms and the results led them to conclude that increased interest from investors,

financial institutions and regulators since the early 1990's has led organisations to recruit directors with more financial expertise.

One of the basic propositions of resource dependency theory is that an organisation's need for environmental linkages is a function of the levels and type of dependencies it faces. These environmental linkages are sought acquired in the human capital of new directors. Hillman (2005), in her study of 300 US firms evidenced individuals being appointed for their political capital. Her sample consisted of 150 heavily regulated firms such as telecommunications and the 'sin' sector with considerable dependencies on government and 150 less regulated firms like retail and electronics and less dependent on government. Hillman (2005) evidenced companies with politicians on their boards outperforming those that did not. Further, the more regulated organisations had more politicians on their boards. These findings suggest that organisations, in appointing politicians, strive to reduce the uncertainty in their dependency on government and create linkages for access, information, legitimacy and resources. As espoused by the logic of resource dependency theory, more heavily regulated industries manage their environmental dependencies on government by appointing individuals with political capital.

Hillman's (2005) results are supported by Lester, Hillman, Zardkoohi and Cannella (2008), who examined the board service of members of the House of Representatives, senators and presidential cabinet members when they leave political office. These authors posit that breadth and depth of human and social capitals directly affect the likelihood of a former government official being appointed outside director. A director's depth of capital reflects the length of time in political office and the breath of capital reflects the breath of experiences and connections they take away from political life. Etzion and Davis (2008: 157) refer to the "Revolving Door" in their network analysis of the corporate officers and US government officials focusing on the Clinton and Bush administration eras. Both administrations recruited from corporate officers and directors with the Bush administration recruiting more heavily. However, both administrations served as springboards for corporate board appointments, including the Joint Chief of Staffs' who served on the board of a military contractor. Research shows that candidates with specific expertise, in this case political capital, relevant to a given context are more likely to gain a director nomination.

Firms wanting to recruit director with skills and experiences that enable them to deal more effectively with their environment are borne out further in the research literature. A study by Hillman Cannella and Paetzold, (2000) examined a sample of US Airlines undergoing deregulation. The deregulation, in what was previously a highly regulated industry, led to significant changes in board composition. Hillman et al (2000) built a typology of director roles using Baysinger and Zardkoohi's (1986) earlier framework. The typology outlined four director roles: business experts, support specialists and community influentials. The study found that firms transitioning from a regulated to a non-regulated environment strategically altered the composition of their boards in response to the new environmental demands.. Specifically during regulation board replacements were more likely to be insiders (executives at the home firm) and support specialists (bankers and lawyers). While during de-regulation, board replacements were more likely to come from business experts (senior executives from other firms) and community influentials (politicians or academics). Environmental jolts such as deregulation change the nature of the interdependence and resource needs of the firm which alters the requirements for new outside directors. The study's findings support Pfeffer's (1972) earlier assertion that a board's composition reflects the firm's external environment.

Drawing on the typology of director roles drawn up by Hillman, Cannella and Paetzold (2000) and Baysinger and Zardkoohi (1986), Markaman and Parbonetti (2007) found similar patterns of change in director roles in response to levels of complexity. In a study of 150 firms in six industries over the period 2003-2005 the authors found that firms with high levels of internal complexity had more insiders and support specialists and less community influentials in their board composition. Firms with high levels of external complexity had more community influentials. Similarly, Agrawal and Knoeber (2001) found that lawyer-directors were more prevalent in firms where costs of environmental regulation are higher. This suggests that firms, cognisant of the liability and potential costs associated with poor environmental performance, are swayed in their recruitment of new directors with experience and skills which reduces their potential exposure (de Villiers, Naiker and Van Staden, 2011). The appointment of new directors is influenced by the firms need to manage and reduce its environmental dependencies.

The literature suggests that human capital in the form of education, board experience and work experiences differentiates those who make it to the upper echelons of

organisations. However, Burt (1997: 339) would argue that while 'human capital is surely necessary to success, it is useless without the social capital of opportunities in which to apply it'. Human capital provides the means and social capital provides the opportunity to use this means to gain a NED appointment.

2.3.2 The theory of social capital

Social capital emerges from accumulated and on-going social relationships (Bourdieu, 1986; Coleman, 1990). Social capital theory proposes that networks of relationships provide a valuable resource for the conduct of social affairs (Bourdieu, 1986). Social capital is embedded within networks of mutual acquaintances and recognition. Bourdieu (1986) postulates that durable obligations arise from feelings of gratitude, respect, friendship or indeed from institutionally guaranteed rights of membership of a school or club. Resources can be accessed through the connections that networks bring. Network members can access privileged information and opportunities through weak ties (Granovetter, 1973) or friends of friends (Boissevain, 1974). Social capital in the form of prestige or social status can be derived from access to specific networks particularly those in which membership is restricted (Bourdieu, 1986; Burt, 1992; D'Aveni and Kesner, 1993).

Although there is consistent agreement that social capital is created through the interaction of individuals and there are resources embedded in these created relations which can be mobilised by an individual for purposeful action, there is little consensus on the definition of social capital. Coleman (1990: 304) argues that social capital is defined by its function and that social capital is created 'when the relations among persons change in ways that facilitate action'. Burt (1992: 9) defines social capital as networks of relations per se – 'friends, colleagues and more general contacts through whom you receive opportunities to use your financial and human capital'. Although Coleman (1990) posits functionality, his conceptualisation of social capital includes relations and resources that could be accessed through the networks, a perspective supported by other scholars (Bourdieu, 1986, 1994; Putman, 1995).

Bourdieu (1984) defines social capital as existing in three forms (1) economic capital; (2) cultural capital and (3) social capital. He describes social capital as consisting of social obligations or connections and its meaningfulness is dependent on the size of one's connections and the amount of capital these connections possess. In this sense social capital is a collective asset shared by members of a clearly defined group with

boundaries, obligations, and mutual recognition. This echoes Coleman's (1990) view of social capital, where individuals engage their relations in order to exchange and transfer resources. Both Coleman (1990) and Bourdieu (1986) posit dense and closed networks as the means by which social capital is maintained and reproduced. Putman (1993: 167) defines social capital as a property of groups or communities rather than of individual's thereby construing it as "features of social organisations, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinating actions. Focusing more on the individual, social capital is created when individuals access and use resources embedded in social networks to achieve gains. In this way it is viewed more like human capital in that the relationship is an investment made by the individual (Lin, 1982). Burt (1992) furthers the concept of individualised networks by analysing the significance of location in networks. The network locations of individuals particularly those occupying structural holes secure competitive advantage by gaining access and resources unavailable to others in the network.

Social capital emerges from the literature as a multidimensional construct and allows the researcher to recognise both the actual linkages and the nature of the linkages. The widely applied dimensionality of Nahapiet and Ghoshal (1998) describes three dimensions of social capital: structural, relational and cognitive. The structural dimension involves the overall pattern of connections among actors, 'that is who you reach and how you reach them (Burt, 1992)' (Nahapiet and Ghoshal 1998: 244), the configuration in terms of density, connectivity and hierarchy. The relational dimension refers to social capital that accrues from the relationships in the networks such as development of expectations, norms, identification with the group or trust. It describes the relationships individuals have with each other after repeated interactions (Granovetter, 1985). The cognitive dimension describes shared mental schema, interpretations, language and systems of meaning resulting from shared experiences in dense networks with high levels of interaction. Nahapiet and Ghoshal (1998: 243) defines social capital as 'the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit'. This conceptualisation considers both the tie and the nature of the tie important (Burt, 1992; Scott, 2000).

In seeking to clarify the concept the more recent work of Adler and Kwon (2002: 23) argue that 'social capital is the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the

information, influence and solidarity it makes available to the actor'. Adler and Kwon (2002) draw attention to the external and internal nature of the construct as defined in the literature. External social capital is where the focal actor is tied to other external actors in a network, which forms a bridge, which helps to secure their success in competitive contexts. Internal social capital on the other hand, is where actors are connected internally in a community so that individuals form a bond, which builds cohesiveness and facilitates the pursuit of collective goals.

2.3.2.1 Social capital of directors

Research on social capital argues that individual social capital can be utilised to secure greater managerial success in organisations (Burt, 1992; Granovetter, 1973; Nahapiet and Ghoshal, 1998). The literature also evidences that the more senior the position sought after the more valuable social capital is (Useem and Karabel, 1986; Erickson, 2001). Although the social capital literature is extensive on middle and senior managers, there is sparser treatment of directors and particularly NEDs. Further, the literature that does exist on the social capital of directors and its influence on their success in the market for directorships, focuses on existing directors and not first-time directors. However, what can be gleamed from this literature is the social capital that is valued in a director's appointment. These are: Network connections, connections with ties that bind and prestige.

2.3.2.1.1 Network connections

Agency theory proposes that the main function of a board director is to reduce agency costs resulting from the separation of ownership and control (Fama and Jensen, 1983). Board directors are appointed to monitor management on behalf of shareholders and to evaluate managerial performance (Westphal and Zajac, 1995). Resource dependency theory asserts that board directors help organisations reduce their environment dependency and uncertainty by creating linkages with the outside world. In order to fulfil these joint responsibilities, directors need to provide resources to the organisation in terms of advice and counsel, legitimacy, channels of communication and preferential access to resources outside of the organisation (Hillman, Zardkoohi and Bierman, 1999; Zahra and Pearce, 1989, Pfeffer, 1972; Williamson, 1984). Directors who have more social capital in the form of network connections will be sought after as they will provide these much needed resources in greater supply. Information is costly and

directors who are embedded within networks and have more board ties provide differential access to fine-grained information. (Granovetter, 1985; Uzzi, 1999). Directors who can provide social capital in the form of access to influential persons or resources such as funding are more valuable to a board and hence are more likely to be appointed. The fundamental premise of social capital theory is that network ties provide access to resources and who you know affects what you know.

The research literature evidences social capital in the form of network connections facilitating the flow of information and influence between directors and organisations (Daily, 1996). Although much of the literature examines the impact of social capital on firm level outcomes, it is the social capital created by individual directors that drives the activity and the studies help identify a director's social capital and how it benefits a board (Haunschild, 1993; Lester, Hillman, Zardkoohi and Cannella, 2008; Payne, Benson and Finegold, 2009). Interlocking directorate studies indicate that decisions at one board in turn become part of the raw material for decisions at other boards. Davis (1996) argues that the process of creating connections, the density of the connections and the centrality of firms and hence directors in the network, influences how the whole corporate world operates. Network theory suggests that the number of ties a director has to others is a measure of degree centrality. A director with greater centrality has increased connectivity and embeddedness, which offers greater benefits to the focal firm (Granovetter, 1985; Stevenson and Radin, 2009; Nahapiet and Ghoshal, 1998).

Studies suggest that this connectivity generates a community of directors who share and exchange business critical information for the benefit of the boards they sit on:

> *Board interlocks may be a fortuitous by-product of board preferences for recruiting experienced directors, with little strategic intent (with the possible exception of bank ties), yet the result is the creation of a network that is highly consequential for board decision making. The prior experience of directors is part of the raw material of board decision making, and it is thus unsurprising that a director who has been involved in acquisitions, alliances, adopting takeover defenses, creating an investor relations office, or any other board-level decision (including recruiting other directors) would bring that expertise to bear; indeed, it would be bizarre if things were otherwise." (Davis, Yoo and Baker, 2002: 305).*

Greater network connections can give more power to directors in their relationship with management and allow them greater influence in decision-making (Westphal and Zajac, 1995; Zajac and Westphal, 1996). Highly connected directors can exercise more influence with key external stakeholders (Filatotchev and Bishop, 2002; Uzzi, 1999). For example, directors with ties in political circles can influence government legislation so that it is favourable to the focal firm (Domhoff, 2002; Useem, 1984) and particularly in heavily regulated industries (Hillman, 2005). Research also shows the influence of network ties in the spread of acquisition strategies (Haunschild, 1993), tactics for defending against takeovers (Davis, 1991) and compensation levels (O'Reilly, Main and Crystal, 1988). Stuart and Yim (2010) found that directors with ties to private equity deals increase the likelihood of private equity deals at their focal firm. Similarly directors with ties to firms expanding into China influence successful expansion there (Connelly, Johnson, Tihanyi, and Ellstrand, 2011).

This literature captures how a director's social capital impacts in the inter-corporate network (Mizruchi, 1996) and the resulting impact on the board processes of the focal firm. The appointment process is seen as a way to gain access to critical resources derived from a director's overall network position (Mizruchi and Stearns, 1994). Hence directors already in the inter-corporate networks will find it easier to fulfil these requirements. Directors, being appointed for the first-time to a FTSE 100 company will need to build network ties in order to have the appropriate levels of social capital in the form of access to information and resources. Network ties act as a conduit for organisations and individuals to share these critical resources. However, both the nature of the ties and the personal relationships between directors suggests that these network ties impacts on an individual's opportunities for a board appointment (Zajac, 1988).

2.3.2.1.2 Social capital as ties that bind

The board has long been recognised in the literature as a social institution and as such the appointment of new members is steeped in a social context. The preferences and bias of the individuals involved will be reflected in it (Khurana and Pick, 2004). Bazerman and Schoorman (1983: 212) argue (1) the search for directors will not be complete and will be biased by social contacts; (2) selection of the perceived optimal director will be influenced by political factors due to social contacts; (3) the cost of an

optimal search often will lead to making the choice within the bounds of existing social networks (O'Neal and Thomas, 1995; Mace, 1971). Useem (1984: 51) in his seminal work suggests:

> *When managers holding outside directorships were asked to describe how at least one of the directorships was initiated in more than three out of four instances they identified factors unrelated to trade or any other strictly business relation between the companies. Commonly, the man was already personally acquainted with the Chairman or other directors on the board he was asked to join. Such contacts stemmed from a range of sources. Often, they had a prior business relationship – but not as a product of any dealing between the two companies.*

In a review of the literature on the appointment process of directors, the 'old boy's' network and referrals through it were the predominant means of identifying names for an appointment. This process has led to a small tightly knit homogeneous pool of demographically similar directors (Mace, 1971; Lorsch and MacIver, 1989; Pye, 2000, 2001, 2005). The literature evidences Chairmen's (CEOs in the US) preferences for recruiting CEOs onto their board for their human capital. However, the literature also evidences that these CEOs, who are members of the corporate elite, are likely to be known by the Chairman. (Johnson, Ellstrand, Dalton and Dalton, 2004; Tosi, Shen and Gentry, 2003; Hillman, Shropshire, Certo, Dalton and Dalton, 2011). This 'relational embeddedness' (Nahapiet and Ghoshal, 1998: 244) governed by the laws of social exchange and reciprocity provide relationship ties with behavioural norms around respect and trust (Fukuyama, 1995; Putman, 1993), sanctions for deviant behaviour (Colman, 1990; Putman, 1995) and obligations and expectations (Burt, 1992; Granovetter, 1985; Coleman, 1990). The relationship ties, which have been developed over time between the Chairman and the appointed CEO, reduce the uncertainty around their future behaviour and influence their behaviour in favour of the Chairman.

There is considerable evidence that outside directors (NEDs) increase their opportunities for board appointments by adapting their behaviour and being more deferential to the CEO and top management business judgements (Davis, 1993, Westphal and Stern, 2006; Stern and Westphal, 2010; Westphal, 1999; Mizruchi, 2004). Behaviour such as compliance with top management, sophisticated interpersonal behaviour, ingratiation and flattery towards the CEO were identified as

the most efficient ways of gaining a board appointment. Further, Westphal and Khanna (2003: 361) in a combined quantitative and qualitative study found that directors who participated in efforts to increase board control over top management, experienced 'social distancing' from other directors and reduced their opportunities for board appointments. 'Social distancing' is a form of sanctioning for violating the normative expectations of the larger social group, in this case the corporate elite (Cohen, 1966; Olson, 1982). Sanctions, in the form of reduced opportunities for board appointments have also been evidenced by Zajac and Westphal (1996) when directors engaged in measures to reduce CEO power on the board.

More than 50 years ago, Mills (1956: 294) suggested that directors at the apex of U.S. organisations 'often seem to know one another, seem quite naturally to work together and share many organisations in common'. The literature evidences the demographic homogeneity of corporate directors and suggests that directors appoint directors with similar demographic characteristics to themselves. Traditionally viewed as a homogenous group of elites, directors have similar socio-economic backgrounds, similar functional backgrounds, shared educational experiences at school and/or university, hold degrees, professional training and are predominantly white males (Domhoff, 2002; Useem, 1984). In a 2008 UK study of 286 directors of FTSE 350 companies, ninety per cent of directors were male, over sixty per cent were over the age of 50, seventy one per cent held undergraduate, postgraduate or master's degrees, confirming that little has changed over the decades (Kakabadse, Kakabadse and Myers, 2008).

The demographic homogeneity of directors at the pinnacle of corporate life has been identified as a powerful factor in building the cohesiveness and solidarity that exists within the corporate elite. Through similar and shared experiences directors develop social capital in the form of a shared language and meanings, norms and beliefs about how business operates and obligations and expectations, in the sense that exchange of resources involves future obligations (Nahapiet and Ghoshal, 1998; Coleman, 1990). Shared vocabularies bind members together and make conversing more efficient (Cohen and Prusak, 2001). Shared language enables the synthesis of information from disparate sources and the formation of narratives with rich meanings. Further, a belief is established that an individual's actions will be appropriate, their intent is good and they are competent and capable. According to Misztal (1996: 9-10), trust can start to build on the basis that the 'results of somebody's intended action will be appropriate

from our point of view'. A multidimensional trust begins to form, which indicates a willingness to be vulnerable to another party (Nahapiet and Ghoshal, 1998). The building of trust enables individuals to co-operate and exchange critical information (Fukuyama, 1995; Putman, 1993, 1995; Kor and Sundaramurthy, 2009). These norms of vulnerability and openness to exchange reinforce an individual's membership of a broader social group, in this case the corporate elite (Nahapiet and Ghoshal, 1998; Lewicki and Bunker, 1996). It is membership of a broader social group, the corporate elite that is significant in the appointment process of a NED. The role of prestige and status in the rise to the apex of organisations further reinforces the importance of membership of the corporate elite.

2.3.2.1.3 The role of prestige

The literature suggests that prestigious board members are valuable to the organisation in helping top managers (Baysinger and Butler, 1985). Directors that are affiliated to prestigious organisations can access vital information and thus reduce the environmental uncertainty a company faces (Daily and Dalton, 1994). In tapping the full potential of prestigious directors' resources, the executive management improve their abilities to make strategic decisions (Westphal, 1999; Judge and Zeitham, 1992; Zahra and Pearce, 1989).

Social capital theory suggests that individuals who are considered prestigious and of high status will gain a higher level of resources than those individuals with less prestige and status (Belliveau, O'Reilly and Wade, 1996). The sociological literature posits that prestige can present itself in the form of the status of a structural affiliation (e.g. Oxford University, Chair of the Advisory Board) or the status of an individual (e.g. being a Goldsmith), (Lin, 2001b). An individual associated with a socially regarded position will reap the prestige that these positions bestow upon them. An individual who occupies a position of high standing and prestige is more likely to be given the opportunity to occupy other positions of high prestige (Lin, 2001a). Further, an individual with an affiliation to a prestigious educational establishment is likely to expand their relations into elite circles, due to their perceived and direct access to the social resources of that high standing institution. The higher the position in the upper echelons an individual occupies the wider the circle of connections they are able to make generally (Johnson, Schnatterly, Bolton and Tuggle, 2011).

An important source of prestige is an individual's ability to influence other's perception of his/her influence. In this way, prestigious individuals legitimise less prestigious individuals by their association with them (Meyer, Scott and Deal, 1983) and individuals prefer to interact with those of higher standing than themselves (Laumann, 1966). In organisation studies, D'Aveni (1993:146) argues that 'prestige and power are expected to create a signal (perhaps even an 'illusion') of managerial competence'. D'Aveni and Kesner (1993) argue that prestigious individuals are viewed as competent and credible. Being prestigious is a multidimensional construct and is associated with membership of an elite network and in the case of NEDs, the corporate elite. The facilitative nature of human capital is critical to the generation of social capital in the form of prestigious connections. For example, an individual seeks out a degree at an elite university. The degree itself adds to the individual's human capital. However, association with an elite university and an individual's perceived access to prestigious connections and resources generates the social capital that widens the individual's connections in the elite network. The prestige accumulated by the individual enables them to present themselves as someone that would be rewarding to associate with (Homans, 1958). The reciprocal nature of prestige serves both individuals as each person who associates with another offers prestige and seeks to receive it.

Combining conceptualisations of prestige suggested by D'Aveni (1990) where prestige is almost akin to a traded commodity with the more sociological perspective of prestige as an individual's subjective evaluations of another (Wegener, 1992) gives a more holistic construct. Consistent with these streams of research and the work of Certo (2003) on board prestige, this study suggests individual prestige results from the subjective evaluations that individual's associate with another's objective characteristics in the form of skills, experiences and social connections. In other words, an individual's prestige results from their accumulated social capital facilitated by human capital.

The literature evidences the importance of elite credentials in gaining an appointment on a corporate board. Useem and Karabel's (1986) study of 2,729 managers associated with 208 major corporations found that success to the top of organisations is facilitated by the possession of a bachelor's degree from a prestigious college, an MBA from a prestigious university or a law degree from a prestigious university. Similarly, in an earlier study of directors in the UK and U.S. Useem (1984) found elite credentials in the form of association with elite education establishments, organisations

and connections to be critical in the ascent to the top. Entrants, in particular to the corporate elite, are subjected to a careful scrutiny and screening through the inter-corporate director network and intra-class criteria. Useem (1984) suggests subtle differences in the elite credentials needed in the U.S. compared to the U.K. For example, in the U.S. an MBA from Harvard has tremendous prestige, whilst often in the U.K. the 'old boy' connections go back to contacts at Eton, Harrow or Cambridge.

Although social clubs are a regular activity for directors on both sides of the Atlantic, the role of social club membership as social capital for directors in the U.K. is salient. Social clubs such as the M.C.C. are places where the corporate elite meet and entry is difficult to acquire, which makes them an exclusive enclave of elites. Members of the corporate elite meet each other and through repeated interaction get to know each other, thereby improving their prestige and status (Domhoff, 1970; Palmer and Barber, 2001; Zeitlin, Ewen and Ratcliff, 1974; Boivie, Graffin, and Pollock, 2012). Old contacts from Eton and Harrow are re-established and nurtured in the intimate world of London clubs and country weekends (Useem, 1984). Literature would suggest that these are the social nodes within which the socialisation process on norms and values takes place, to equip directors for the top positions in society. Useem (1984: 106) suggests that if individuals do not have sufficient NEDs in the inter-corporate directorate or are not luminaries of such bodies as an arts or industry body, then membership of such a club 'doubles their probability of service on a public board'. The literature has consistently demonstrated over the course of many decades that the social and educational backgrounds of directors at the top of organisations are far higher than other managers. In the ascent to the top, managers who have the credentials are screened into the corporate elite. This is done through prestigious educational associations from an intra-organisational perspective; through prestigious social connections in the inter-corporate directorate; and from an intra-class perspective, through social connections with the elite in society, whether that is through membership of a social club or being a luminary of the arts world.

In summary, individuals, seeking a director appointment need social capital in the form of network connections. The larger the network, the higher the density and the greater the centrality of their connections, the more likely is their appointment. Their network ties need to provide relationship ties that access the corporate elite club and enable the individual to work with the governing rules of reciprocity and social exchange for their progression to corporate director. Further, individuals need the level of prestige and

status either personally or by association to be considered for entry to the corporate elite.

2.3.3 Board capital

Hillman and Dalziel (2003: 386) introduced into the management literature the concept of 'board capital' as a composite of the human (Becker, 1964) and social capital (Coleman, 1988) of the board of directors. The authors suggest that it is the human and social capitals of directors in concert that enable directors to provide board capital. This board capital enables the board of directors as a group to fulfil their responsibilities in monitoring management and in the provision of resources. Earlier, Burt (1997: 339) contended that 'managers with more social capital get higher returns to their human capital' suggesting that at least an individual needs both human and social capitals to succeed to the top. However, it also suggests that there is a dynamic interplay between human and social capital. For example, a degree from an elite university would suggest that there are human and social capitals at play, which provide a result that is greater than the sum of the individual capitals. A degree gives the educational credentials, the elite status of the university provides social capital in the form of prestige and the social connections provide social capital in the form of relationship ties and prestige.

Haynes and Hillman (2010) point out that although board capital can be easily understood in separate constructs of human and social capital, scholars have noted the interdependent nature of both and the inability to isolate the effects of one from the other (Coleman, 1988; Nahapiet and Ghoshal, 1998). Mizruchi and Stearns (1994) support this in indicating the benefits of the knowledge, skills and expertise (i.e. human capital) members of financial institutions can bring to the firm when serving as directors. They also indicate the benefit of a director's access to financial capital, which their ties (i.e. social capital) allow. Geletkanycz and Hambrick (1997) demonstrate that extraordinary ties (social capital) lead to exposure to novel information (human capital). The literature suggests that the benefits of the inter-dependence of both human and social capitals render it difficult to separate a director's human and social capital.

Kor and Sundaramurthy (2009) describe how board members, who have both the experiences of serving on multiple boards and firm-specific experience, contribute to greater human and social capitals simultaneously. This combination of human and social capitals is important above and beyond each form of capital considered separately. In the appointment process of a NED, a Chairman needs to consider the

board capital of an individual and the contribution that capital will make to the aggregate board capital for the benefit of the firm. This study will follow the work of Hillman and Dalziel (2003) and adopt board capital as the relevant criterion for consideration in the appointment process of a NED.

2.4 Reputational capital

2.4.1 Reputational capital in the labour market for directors

Research in corporate governance literature suggests that reputational capital, for example prior experience, can provide a signal of a candidate's attractiveness in the market for directors and generate success in gaining NED appointments (Fama, 1980; Zajac and Westphal, 1996). Directors' reputational capital has been appraised in several different ways in the literature. Research studies taking a resource dependency perspective have investigated the role of directors' human capital emphasising the role of knowledge and competence of directors (Huse, 2007). A director's social capital in the form of network ties, prestige and status has been investigated (Kim and Cannella, 2008; D'Aveni and Kesner, 1993).

Kim and Cannella (2008) highlight the internal social capital, in the form of ties in the focal organisation; and external social capital, in the form of ties to powerful external resources. Hillman and Dalziel (2003), taking an integrated agency and resource dependency perspective, introduced board capital, which they define as the human and relational capital individual directors contribute to the aggregate board capital. Human capital consists of past experiences and expertise, whilst social capital is the social ties to other firms and external contingencies. From an agency perspective, Fama (1980) argues that the size and performance of firms on whose boards individual directors sit will result in the accumulation of human capital. Human, social and board capital provide reputational capital that signals a directors value and attractiveness within the inter-corporate directorates, the facilitating mechanism for director appointments.

Evidence of the salience of reputational capital in the appointment process of directors is provided by the extensive literature on how directors are sanctioned and rewarded. The literature suggests that changes in a director's reputational capital provide the market with reliable signals for the rewarding and sanctioning of directors. The change in the reputational capital of a director leads to an increase (rewards) or a decrease (sanctions) in their marketability for director appointments. (Fama, 1980; Certo, 2003;

Pozner, 2008). Studies in the agency tradition have examined reputational capital signals capturing a director's past experience in exercising control and monitoring and the likelihood of gaining future board appointments (Agrawal, Jaffe and Karpoff, 1999; Coles and Hoi, 2003; Helland, 2006).

Fich and Shivdasani (2007) investigated 580 companies accused of financial fraud in a study covering the period 1998–2002 and the impact on the directors sitting on the boards of these companies. Despite little turnover of directors on the boards accused of fraud, there was a large and significant decline in the number of board appointments held in other companies by the outside directors concerned. This study reveals that when a director is associated with fraud, their reputational capital is damaged and this reduction in reputational capital leads to a large and significant reduction in future board appointments. In several studies of the U.S. director labour market, outside directors are less marketable when their reputational capital has been reduced when: serving on dividend reducing firms (Kaplan and Reishus, 1990); in firms that are liquidated (Harford, 2003); or in firms that perform poorly (Yermack, 2004).

Coles and Hoi (2003) show an increase in the reputational capital of directors of companies that rejected the restrictive anti-takeover provisions and the increase in capital that led to more outside directorships. Zajac and Westphal (1996) similarly found that directors who send signals of board passivity increase their reputational capital and gain more director appointments on boards with powerful CEOs. Vafeas (1999) argues that directors with high levels of reputational capital are viewed as high quality directors and will have multiple board directorships. The literature suggests that an individual director's reputational capital is a signal of their attractiveness in the market for directorships, with high reputational capital leading to more appointments and low or damaged reputational capital leading to fewer or no appointments.

However, the interest that the reputational capital of directors has received in the literature raises a number of issues. Firstly, the focus has largely been on how reputational capital impacts on factors such as firm performance, behaviour during or after acquisition, behaviour of investors or CEO-board power. The studies do not explore the construct of reputational capital per se. Further, these studies assume reputational capital as a given construct and operationalise it in many different forms such as the number of multiple directorships a director has, titles a director is endowed with, elite connections in the social register or media coverage. Secondly, this research

has tended to be positivistic, quantitative research using secondary data. There is no qualitative research using primary data on the reputational capital of directors and its constituent parts.

2.4.2 Reputational capital theory

While research on individual's reputational capital is nascent, theoretical and empirical research on reputation and the reputational capital therein as a firm-level construct is nuanced and rich (Barnett, Jermier and Lafferty, 2006; Rindova, Williamson, Petkova and Sever, 2005; Lange, Lee and Dai, 2011 for review). The literature suggests that an organisation's reputational capital is an outward manifestation of its past actions and future expectations (Fombrun, 1996). Reputational capital signals to stakeholders that the organisation is able to produce quality goods over time (Rindova and Fombrun, 1999; Rindova et al., 2005). Organisations with high reputations are perceived as consistent and stakeholders know what to expect based on past actions (Clark and Montgomery, 1998). As an organisation's reputation grows, it reduces stakeholders uncertainty about its future actions, stakeholders engage with it more thereby increasing its access to resources and ultimately the chance for economic success (Rindova and Fombrun, 199); Rindova et al., 2005). Empirical studies have shown a positive relationship between an organisation's reputational capital and organisation performance (Fombrun and Shanley, 1990; Roberts and Dowling, 2002; Rindova et al., 2005). The literature suggests that an organisation's reputational capital can be defined as the collective judgement of the consistent quality of its activities and outputs over time (Deephouse, 2000; Rindova et al., 2005; Barnett, Jermier and Lafferty, 2006). Reputation is the cumulative result of adhering to consistent actions over a period of time.

Three main theoretical perspectives have been advanced to understand reputational capital. Namely: the institutional view - reputation as a position in reputational capital rankings; the social constructionist view - reputation as an amalgamation of collective perceptions; and the economic/game theory view - reputation as a signal;

Institutional theory characterises reputational capital as a firm's relative position in explicit rankings created by powerful institutional intermediaries in organisational fields such as financial analysts and media (Fombrun and Shanley, 1990; Rao, 1998; Pollock and Rindova, 2003). Institutional intermediaries generate lists, which specify the standing of an organisation relative to others based on set criteria (Martins, 2005), such

as FT rankings and Fortune magazine rankings. These rankings are seen by actors and audiences as a firm's position compared to its peers and as a reflection of a firm's reputation on one or more of the criteria. This hierarchical ordering of firms may be based on objective indicators of past firm performance or on subjective evaluative judgements of stakeholders. The hierarchical rankings make what is perceived as otherwise private or privileged information more accessible and reliable for comparison across firms, hence giving an objective status in a field. Therefore, reputational rankings have been used as a measure of a firm's reputational capital as they are perceived to capture in a validated way the diverse perceptions that make up a firm's reputation (Fombrun and Shanley, 1990; Rindova, Williamson and Petkova, 2010). In this way, reputational rankings reduce stakeholder uncertainty in the firm and enable exchange with these firms. Institutional theory posits that it is institutional intermediaries that control the reputation of a firm within a field through the hierarchical rankings and as such define the reputational capital of the firm.

From a social constructionist perspective, diverse and cognitive perceptions of stakeholders in an organisational field amalgamate into the construction of reputation. As reputation is socially constructed from this broader range of perceptions of multiple stakeholders, theoretical definitions can be imprecise and numerous. For example, reputation has been defined as: general awareness (Shamsie, 2003); salient attributes (Fombrun and Shanley, 1990); evaluative judgements (Rindova et al. 2005); fame and esteem (Hall, 1992; Fombrun 1996). The more recent research by Rindova et al. (2005) have prescribed two dimensions of reputation for clarity, one of prominence and one of perceived quality. Prominence refers to the overall level of recognition given to an organisation in the interpretive field, with some similarities to visibility and perceived quality. It is an amalgamation of stakeholders' evaluative judgements and pays attention to the favourability of a firm in the eyes of its stakeholders. This perspective emphasises that a firm's reputation is not only affected by a firm's actions, but also by interactions and information exchanges between its stakeholders. As such a firm's reputation is not within its control, it is distributed among diverse stakeholders.

The third perspective comes from the earliest literature on reputation in the field of economics. Economic models of reputation formation consider a process where stakeholders form beliefs in response to a firm's past actions over time. Based on these beliefs, they predict the future behaviour of the firm (Shapiro, 1983; Milgrom and Roberts, 1986; Weigelt and Camerer, 1988). Further, research in the field of economics

using game theory, investigates how a firm can signal though its actions unobservable attributes to specific stakeholders about a firm's ability in the future. These actions reveal information about the underlying unobservable attributes of firms. Different actions suggest different attributes (Basdeo, Smith, Grimm, Rindova and Derfus, 2006). These signals (actions) sent by the informed player, the firm, enhance the predictability of the firm's behaviour in the future towards its stakeholder, the uninformed player. The locus of control over a firm's reputation lies largely within the firm as it chooses what actions to take and therefore what signals it will send to form reputational capital. However, studies have also shown that uninformed players can use reputational capital signals as a screening strategy to determine the true type of another player (Stiglitz and Weiss, 1981). Such screening strategies are useful when adverse selection conditions exist, namely, when it is difficult to get the informed player to reveal unfavourable information that is known to them. The labour market is particularly prone to adverse selection and it is likely to be the case in the market for a NED.

This definition of reputational capital, which is rooted in the economics literature, suggests that an organisation builds reputational capital over time through signalling a specific characteristic such as quality to a specific stakeholder group. This study will apply the lens of reputational capital formation from the economics literature combined with signalling theory to explore the reputational capital of a first-time NED. Directors take actions, which signal their quality as individuals and builds reputational capital in the market for NEDs. Potential NEDs signal their quality to a specific group of stakeholders, specifically members of the corporate elite. However, the literature on corporate governance and reputational capital suggests that reputational capital is multidimensional, containing both human and social capital. This study suggests that it is this multidimensional construct of reputational capital that potential NEDs signal to members of the corporate elite.

The process of reputational capital formation is a particularly important point for NEDs who are gaining their first NED position with a FTSE 100 company. Unlike established NEDs, with established reputational capital in the corporate elite, first-time NEDs are likely to be building their reputational capital for first-time entry to the corporate elite. The literature on reputational capital is mostly based on large, well-established organisations with well-established reputations, which indeed have many similarities with well- established NEDs. The small but significant literature about NVs and firms

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aiming to post their IPO gives a more fine-grained analysis of how new firms accumulate their reputational capital to establish themselves in the corporate world. This process of reputational capital accumulation has some similarities with a first-time NED appointment to a FTSE 100 company. Petkova, Rindova and Gupta (2008), in their study of 23 NVs, which was a combined qualitative and quantitative piece of research, analysed the reputational building activities of the firms. The researchers found that in order to accumulate sufficient reputational capital in the market, significant investments were made in both human and social capital. These deliberate investment decisions were made as a way to signal the appropriate reputational capital (Rindova, Petkova and Kotha, 2007). Investments in human capital, such as recruiting a director with experience in a major firm, a degree from a top university or proven track record, were consistently noted. Investments in social capital such as relationship building and relationships with prominent players were regarded as critically important to be able to make credible signals to the market. These investments secured the recognition and resources NVs required (Porter, 2004; Eisenhardt and Schoonhoven, 1990).

Certo (2003), in his conceptual paper on how IPOs influence investors, discusses the importance of prestige in a firm's signalling to the market to establish its credibility. The 'liability of newness' (Certo, 2003: 437) and the associated uncertainty drive new firms to make costly investments in order to build their prestige. Certo (2003) posits that prestige is derived from a firm's aggregated human and social capitals and is often built by affiliations with prestigious bankers, auditors or clients. IPO studies suggest that the accumulation of human and social capitals and the prestige carried with them is a prerequisite for making credible signals to form reputational capital in the corporate market (Chemmanur and Paeglis, 2005; Sapienza and Gupta, 1994). The researcher would argue that a potential candidate for a first-time NED needs to accumulate the human and social capitals and the prestige therein, in a similar fashion to a new firm, in order to signal their credibility and develop reputational capital for a NED appointment on a corporate board.

2.4.3 Signalling theory

Signalling theory is relevant for labour market decisions under information asymmetry. According to Spence (1973) hiring decisions are fraught with uncertainty, as potential employers cannot directly observe the likely contributions of a potential employee. Spence (1973: 356) suggests:

In most job markets the employer is not sure of the productive capabilities of an individual at the time he hires him. Nor will this information necessarily become available to the employer immediately after hiring. The job may take time to learn. Often specific training is required. And there may be a contract period within which no re-contracting is allowed. The fact that it takes time to learn an individual's productive capabilities means that hiring is an investment decision. The fact that these capabilities are not known beforehand makes the decision one under uncertainty.

As a result, potential employees have an incentive to invest in credible and observable indicators that signal their worth such as education or work experiences. Weiss (1995) suggests that prospective employers may actively screen potential employees on the basis of observable characteristics when the desired attributes cannot be observed. An attribute like education can act as a signal if it is correlated with a valued characteristic such as quality (of employee) and if it would be more costly for an actor who is less well endowed with the characteristic to send a signal, than one who is more endowed with it (Spence, 1974). The classic example of a job seeker wishing to signal their quality to an employer may invest in a credential such as a university degree and this signal will lead to success in the labour market. However, according to Spence's (1974) original formulation, what the employee studied at university may not actually improve their ability to do the job better. It is the employer's perception of ability as a result of the signal sent that results in an appointment. Signals are useful when the quality in question is difficult to observe and there is uncertainty and information asymmetry such as in the labour market for directors.

There exists significant information asymmetry between the Chairman in charge of selection and the potential director candidates (Akerlof, 1970). This information asymmetry exists because the Chairman is not in possession of all the relevant information concerning the potential director candidates and the latter may have an incentive to misrepresent important information. Information asymmetry can lead to incorrect assumptions about the abilities and future behaviour of potential director candidates. With such conditions in the market for directors, the recruiting Chairman will rely on signals to obtain a more reliable evaluation of abilities and the future conduct of potential director candidates. To be credible, such signals must be observable and costly to imitate (Spence, 1974; Certo, 2003). Signalling theory suggest

that a director's reputational capital plays a pivotal role in the efficient functioning of the labour market for directors (Spence, 1974). Governance literature argues that the reputational capital of a candidate may represent reliable signals about the quality of a candidate for appointment to a NED role (Fama & Jensen, 1983; Vafeas, 1999; Musteen, Datta & Kemmerer, 2010).

2.5 Conclusions and argument for the research gap

Following critical corporate loss and failure in the last three decades, successive rounds of corporate governance reform intending to improve the governing of organisations have made changes to the appointment process for NEDs. The process is required to be more formal, transparent, and to tap into a more heterogeneous talent pool in society. However, the banking crisis of 2008 and the subsequent Walker Review (2009) highlighted the poor governance of FTSE 100 companies and indicated that despite the increased formality of the appointment process little has actually changed.

The literature on corporate governance suggests that the process of NED appointments is flawed, taking place informally through the networks of Chairmen and by referrals (Mace, 1971; Lorsch and MacIver 1989). This process of appointment for NEDs has led to a relatively homogenous corporate community of directors (Useem, 1984; Lorsch and MacIver, 1989; O'Neal and Thomas 1996; Pye, 2000). However, much of the research interest has been about changes in board composition and company performance (Wesphal and Zajac, 1996; Hillman, 2005; Fich and Shivdasani, 2007). This has raised two issues: firstly the unit of analysis has been the board as an aggregate or the organisation and little attention has been given to the micro processes of the individual director; and secondly, the studies have been of a quantitative nature with secondary archival and publicly available data with little insight into the actual processes involved in an appointment of a NED (Zajac and Westphal, 1996; Dalton, Daily, Ellstrand and Johnson, 1998). The literature calls for more qualitative studies exploring actual processes at board level and this qualitative study will answer that call by exploring the appointment process of NEDs (Pettigrew, 1992; Roberts, McNulty and Stiles, 2005).

In the extant literature, human and social capitals are cited as important criteria in the appointment process of NEDs. Research on top management teams (TMTs) suggests that higher levels of education enable directors to engage in boundary spanning

activities and to deal with ambiguity and complexity, factors that are important in board activities for the firm (Wiersema and Bantel, 1992; Hambrick and Mason, 1984). Board experience and particularly CEO experience is desirable in a NED (Lorsch and MacIver, 1989; Adams and Ferreira, 2007). CEO experience can bring credibility to a board and lead to more positive reactions from key stakeholders such as investors (Fich, 2005; Fahlenbrach, Low and Stulz, 2010b).

A director's business experiences provide knowledge and a repertoire of skills that frame the perspectives they bring to a corporate board. Both business experience in general and industry specific experience are sought in new directors (Carpenter and Westphal, 2001; Kor and Sundaramurthy, 2009; Certo, Daily and Dalton 2001b). In this way, they provide knowledge, resources and advice to the firm. In addition, financial skills and knowledge are suggested in the literature as a much needed resource for a board. Not just in contributing to board workings (Jensen, 1993), but also in dealing with external stakeholders where financial expertise is increasingly in demand (Chhaochharia and Frimstein, 2007). Similarly, organisations, in dealing with external stakeholders such as regulators, may recruit a director with political expertise (Hillman, 2005).

Extant literature suggests that a range of different types of human capital may be required in a new director. The specific criteria will depend on the specifics of the organisation, its challenges and its external dependencies, such as stakeholders (Davidson, Xie and Xie 2004; McDonald, Westphal and Graebner, 2008; Kroll, Watkins and Wright, 2008). However, many studies have focused on one type of human capital, for example, political expertise. This qualitative study will take the individual as the unit of analysis and explore the range of human capital that directors require for a NED appointment.

Social capital theory suggests that social capital is important in managerial success and its relevance increases as roles become more senior. However, much of the literature on social capital theory focuses on middle and senior managers, with little focus on directors (Granovetter, 1973; Bourdieu, 1986; Nahpiet and Ghoshal, 1998). The literature on interlocking directorates evidences social capital, in the form of network connections, as an important factor in an individual gaining a NED. Network connections provide a director with access, in some cases preferential access, to resources and influential people which are beneficial to the focal board. Benefits to the

focal firm increase as a director's connectivity increases, making them more attractive for appointment (Daily, 1996; Lester, Hillman, Zaidkoohi and Canella, 2008). Indeed, the appointment of a director is a way for the focal firm to access these resources and benefits. Much of the literature on inter-corporate directorate networks is at the firm level of analysis (Mizruchi, 1996). This qualitative study will explore social capital in the form of connections at the individual level of analysis.

Corporate governance literature suggests that a director's connections which reveal 'binding' relationships cannot be ignored in the appointment process. For example, Bazerman and Schoorman (1983) suggest that the appointment process of directors is biased and sometimes politically driven by a director's social contacts. The literature corroborates this view as it posits that the main means of appointing a NED is through the Chairman's network and by referrals to him (Mace, 1971; Lorsch and MacIver, 1989; Pye, 2000; 2001). In this way, candidates are likely to be known by the Chairman, which suggests a 'relational embeddedness' (Nahapiet and Ghoshal, 1998: 243), which is governed by the laws of social exchange and reciprocity (Coleman, 1990; Hillman, Shropshire, Certo, Dalton and Dalton, 2011). These connections provide relationship ties that have obligations and expectations that result in norms of behaviour (Domhoff, 2002; Useem, 1984). These norms of behaviour reduce the uncertainty a Chairman has about a potential director. There is evidence that directors behave according to certain norms of behaviour and if these norms favour the specific Chairman (CEO in the U.S.), the director concerned gains further director appointments (Stern and Westphal, 2010; Mizruchi, 2004).

Behaviour such as compliance with top management, sophisticated interpersonal behaviour, ingratiation and flattery are evidenced as the most efficient way to gain a NED. There is also evidence that when norms of behaviour are not upheld, sanctions for deviant behaviour are imposed in the form of 'social distancing' and reduced opportunities for NED appointments (Westphal and Khanna, 2003: 361). Further, the literature suggests that if the Chairman appoints individuals who are known to him or to someone in his network, the 'relational embeddedness' will reduce uncertainty about the newly appointed director's future behaviour. The individuals are likely to have shared experiences where social capital has accumulated in the form of shared languages, meanings and beliefs about how business operates. These norms and behaviours are what the Chairman is likely to want in a new director (Nahapiet and Ghoshal, 1998; Cohen and Prusak, 2001).

The vulnerability and openness to exchange governed by theories of social exchange and reciprocity lead to a belief that an individual's actions will be appropriate and their intent will be good. The demographic similarity of corporate boards and the stability of the demographics over time may be testimony to this process (Domhoff, 2002; Useem 1984). However, what studies indicate is that the norms and beliefs of directors at the apex of organisations come not just from shared experiences with connections, but more specifically with prestigious connections.

The significant role of prestige in the process of progressing to the top of organisations is noted in the literature (Useem and Karabel, 1986). Social capital theory suggests that the more prestige an individual has the more resources and connections they are able to obtain. Prestige gives the 'illusion of competence and credibility' and can be described as the subjective evaluations that one associates with another's human and social capitals (D'Aveni and Kesner, 1993; Belliveau, O'Reilly and Wade, 1996). Corporate governance literature has indicated the importance of elite credentials in gaining a NED. Further, literature in sociology suggests that elite credentials in the form of educational level, educational institution and social clubs are critical in the path to membership of the corporate elite. Useem (1984) suggests that entrants to the corporate elite, such as a first-time NED, are subjected to screening and scrutiny through the inter-corporate and intra-class networks criteria.

Further, Hillman and Dalziel (2003) introduced the concept of board capital into the literature. According to the authors, board capital is the aggregate of human and social capitals of the directors on a board and enables the board to fulfil its responsibilities in monitoring management and the provision of resources (Mizruchi and Stearns, 1994; Kor and Sundaramurthy, 2009). This would suggest that directors are appointed for the board capital they bring to the board. Indeed, Hillman and Dalziel (2003) suggest that human and social capital, although conceptually distinct constructs, work in concert with each other (Haynes and Hillman, 2010). An individual, who attends a prestigious university, will gain human capital in a degree, social capital by association with a prestigious university and social connections. Similarly, a prestigious banker appointed to a board brings connections, resources and expertise. In both cases it is the interplay of capitals that gives the director the appropriate level of board capital for a first appointment. This study will follow on the work of Hillman and Dalziel (2003) in exploring the board capital of an individual appointed as a NED to a FTSE 100 board.

Corporate governance literature on the labour market for existing directors, suggests that it is reputational capital that drives the market for new appointments (Fama, 1980; Zajac and Westphal, 1996; Vafeas, 1999; Fich and Shivdasani, 2007; Certo, 2003). Directors accumulate human and social capitals in order to signal required reputational capital to recruiting Chairman and other board directors. This signalling builds reputational capital through the inter-corporate networks and vouches for the quality of the director in terms of education, overall business experience, expertise, connections and levels of prestige. Existing directors are already members of the corporate elite with the appropriate reputational capital. A first-time NED being appointed to a FTSE 100 company, needs to have accumulated the reputational capital that gains them a directorship and gains them entry to the corporate elite. Extant literature in corporate governance focuses on the established reputational capital of existing directors, and pays little attention to the development of reputational capital, a process that is relevant to a first-time NED.

Further, studies examine the effects of reputational capital rather than the construct itself as it is taken as a given. Much of the research on reputational capital as a construct has been with reference to corporate reputational capital (Lange, Lee & Dai, 2011). Three major theoretical perspectives have been advanced to understand corporate reputational capital. Scholars taking an institutional perspective (Fombrun and Shanley, 1990), view reputational capital as a position in hierarchical rankings, whilst those taking a social constructionist perspective (Rindova, Williamson, Petkova and Sever, 2005), view reputational capital as the sum of collective perceptions. The economic and game theory perspective looks at the formation of reputational capital in the accumulation of human and social capitals and how these elements are signalled to the market (Shapiro, 1983; Weigelt and Camerer, 1988).

The researcher would argue that the formation of reputational capital is salient for a first-time NED on a FTSE 100 company. The literature on new companies who are trying to establish themselves in the corporate world, a similar position to a first-time NED, supports the salience of reputational capital formation as a way of overcoming the 'liability of newness' (Certo, 2003; Petkova, Rindova and Gupta, 2008). Therefore, the concept of reputational capital formation and signalling theory will be used as the lenses for exploring the concept of the reputational capital of a first-time NED. The economic literature suggests that organisations signal through actions, specific attributes that are difficult to observe or unobservable to a specific stakeholder group.

Literature in corporate governance posits that reputational capital in the director labour market is multidimensional, in that a range of human and social capitals is signalled to the networks of the corporate elite. Therefore, this study defines reputational capital as the accumulated human and social capitals that are signalled to a specific stakeholder group, in this case members of the corporate elite.

In addition, signalling theorists (Spence, 1973) would argue that it is a suitable theoretical lens for exploring hiring decisions in the labour market. Potential employees signal their quality to prospective employers in order to gain an appointment and employers can use the signalling of reputational capital to screen the suitable candidate. Spence (1973), in his seminal work on signalling in hiring conditions, describes the plethora of information that is available about a candidate, but yet the important information is very often unobservable. Signalling is an effective tool in conditions of such information asymmetry. The corporate governance literature suggests signalling is used in the market for directors which has information asymmetry (Fama & Jensen, 1983; Musteen, Dalta and Kemmerer, 2010). The researcher would argue that it is an important tool for a first-time NED. Directors signal their quality to members of the corporate elite, through observable data and actions, in order to gain a NED. Further, the researcher would argue that the process of signalling occurs in a social context and is a social construction between the potential NED and members of the corporate elite. The board is a social institution with board processes often taking place 'back stage' in an informal and social context (Davis, 1993; Khurana and Pick, 2004; Pye, 2005). The appointment of a first-time NED is a key, board process and would be embedded in this social context.

In conclusion, the literature suggests that reputational capital is the driver of new appointments in the market. However, there have been no qualitative studies on the exploration of the concept of reputational capital of a director in the appointment process. Studies have largely been of a quantitative nature with secondary data addressing the impact of reputational capital on other variables such as firm performance. As a result, the concept has been taken as a given, with little consensus on the definition of it. This study will follow the stream of research on reputational capital in the corporate governance literature and scholars such as Zajac and Westphal (1996). However, this study will take a qualitative approach using primary data to explore the appointment process and clarify understanding of the reputational capital of a first-time NED.

In addressing the gap in the corporate governance literature, this study will explore the constituent parts of reputational capital, following the conceptual work of Hillman and Dalziel (2003) on human and social capitals in concert as board capital. Further, this study will explore the process of reputational capital development and how it unfolds for a first-time NED, using as lenses the concepts of reputational capital formation and signalling from the economics literature. Lastly, this qualitative study on the appointment of a first-time NED, will answer the repeated calls in the literature for qualitative study on the 'black box' of board processes, using primary data from the actors involved. This is a study on the appointment process of a first-time FTSE 100 NED and the main research question is:

RQ1: How does a first-time NED gain a FTSE 100 appointment?

This is supplemented by the following questions:

SQ1:   How is reputational capital constituted?

SQ2:   How is personal fit established?

SQ3:   How is reputational capital developed?

3 METHODOLOGY

3.1 Introduction

Having identified a research gap and question, it is necessary to consider the methodological and underlying philosophical choices that inform the study. This chapter will present the ontological and epistemological foundations of this research and the rationale for a qualitative study on the appointment process of a first-time NED It will provide details of the data collection and analysis methods used for the study.

3.2 Philosophical perspectives

It is acknowledged that situating the research within the context of an appropriate philosophical framework or research paradigm is a necessary precondition for rigorous social science research (Blaikie, 1993; Denzin and Lincoln, 2000; Easterby-Smith, Thorpe and Lowe, 2002). Blaikie (2007: 13) suggests:

> *The fundamental methodological problem that faces all social researchers is what kinds of connections are possible between ideas, social experience and social reality. Ideas refer to the ways of conceptualizing and making sense of experience and reality – such as: concepts, theories, knowledge and other interpretations. Social experience refers to individual conduct, social relationships and cultural practices in everyday life and to the everyday interpretations and meanings associated with these. Social reality refers to the material and socially constructed world within which everyday life occurs which can have an impact on people's lives.*

Research paradigms and research strategies differ in their ontological assumptions; their view of the nature of social reality and their epistemological assumptions; their view on how knowledge of this reality can be obtained. As such, they offer different ways of making connections between ideas, social experience and social reality. Researchers need to consider appropriate philosophical approaches for their study and design the research accordingly, taking into account the nature of the phenomenon under study and the influence of their own view of reality, as well as their own ideas on how it can be understood.

3.2.1 Ontological assumptions

Traditionally found in a branch of philosophy known as metaphysics, ontology is concerned with the nature of social reality, what kinds of things do or can exist and how they are related (Crotty, 1998). The ontological assumptions of the researcher shape how the phenomenon that is the subject of the study gets defined. Ontological approaches range along a continuum, from the scientific and objective classical positivism to the more subjective constructionism (Crotty, 1998; Easterby-Smith et al., 2002).

The **Positivist** ontology is premised on a belief that society like nature exists in a scientifically observable form, independent and external to the individual and is an objective reality. Research is conducted on the basis of observation and claims to objectively measure phenomena to create, confirm or falsify theory. Positivism expresses a worldview that praises the achievements of science with the researcher in control and objective. It presents reality as 'unembroidered evidence of the senses – with innocent unprejudiced observation' (Medawar, 1969b: 147) that applies across time and space and constitutes general laws. Explanations are found by demonstrating that any regularity is a specific case of some more general law. This view when applied to the social sciences holds that society operates according to general laws like the physical world. Value judgements cannot be verified by experience and are therefore meaningless. Language is considered a means of communication and has no impact on our perceptions of reality. Chia (2002); Comte (1970) and Durkheim (1964) introduced positivism into sociology and forms of it have dominated research since.

However, the raft of perspectives and nuanced positions that have developed over the last 60 years along the ontological continuum from positivism to constructionism, represent largely successful challenges to this dominant position and its appropriateness to many areas of interest in the social sciences. Positivism in the social sciences is usually characterized by quantitative studies. Much of the research work on corporate boards and boards of directors, has taken a positivist perspective where demographic data or publicly available secondary data have been the subject of quantitative studies. Explanations of phenomena relating to boards have been derived from this objective data.

Realism, which is half way between positivism and constructionism, accepts fundamental differences between the natural and social sciences. It argues the

existence of an objective reality and suggests that the core principles of scientific observation must be applied if we are to understand the nature of that social reality (Blaikie, 1993). Yet realists recognize a distinction between the way the world is and the meaning and interpretation of that world by individuals (Snape and Spencer, 2003). According to Bhaskar (1979: 36) people do not create social reality, it pre-exists them and through their activity it is reproduced and transformed:

> *Society does not exist independently of human activity (the error of reification). But it is not the product of it (error of voluntarism).*

Social structures are real in an objective sense, but they could not exist without human activity and it is the human acceptance of these structures that confirms their very existence. This is a critical point of difference with social constructionism, where reality can only exist in the minds of humans who helped to create it.

3.2.2 A social constructionist ontology

Constructionism contends that individuals construct their reality through their interactions and make sense of their encounters with the physical world and with other people. This process of constructing meaning can be seen as either an individual or a social activity. Hence constructionism has two strands: constructivism and constructionism. Both are predicated on the core belief that knowledge and meaning are constructed representations of reality and are the product of experiences and interactions between individuals in a social context. Constructivists believe that these meaning-giving processes take place internally to the individual, where knowledge is either integrated into pre-existing cognitive schemes or results in adapted schemes. Constructivism refers to the meaning-giving activity of the individual mind and more cognitive processes. For social constructionists, meaning is created and shared through social interaction and conversations. It refers to the inter-subjectively shared knowledge, meaning-giving that is more social (Schwandt, 1994). The focus of social constructionism is the collective production and transmission of meaning (Crotty, 1998).

This study is a social inquiry into a social process with social actors and fits with a social constructionist philosophy. Therefore, ontologically this researcher's core assumptions are that people are active interpreters of their own social worlds, such that reality is a social construction built out of meanings, which are social in origin. As a

social constructionist, she believes knowledge is not objective or external and is more a result of on-going negotiation between individuals. Social constructionists point to the primacy of relational, conversational and social practices as the source of reality (Stam, 1998). Social phenomena and their meanings are continually being accomplished by social actors and are produced and revised by these actors (Bryman, 2008). Knowledge is sustained by social processes, while knowledge and action go together (Raskin, 2002). Knowledge is not something to be discovered, but is created by the sense making processes of humans sharing their experiences and interpreting their interactions and relationships via the medium of language (Easterby-Smith, Thorpe and Lowe, 2002). Language is used according to the accepted rules in the 'language game' (Wittgenstein, 1978) and there are explicit and implicit rules. One of the challenges of this study has been the careful and sometimes contradictory nature of the use of words by the informants in the research. For instance, many of the informants dismissed the concept of 'networking' and treated the word with much distain in their body language and facial expressions. However, they would later describe their 'networking activities' as a critical part of their appointment process.

Constructionist writers such as Denzin and Lincoln (2000) reject the idea that meanings are fixed entities, which can be discovered and are independent of the interpreter (Schwandt, 2003). Constructionists would argue that fallible human beings are incapable of observing an external world uncompromised by concepts, theories and past experiences and knowledge. Activities that construct knowledge occur against a backdrop of shared interpretations, practices and language that occur within our historical and cultural ways of being. As such, the way humans view the world is culturally and historically specific and dependent on their current ways of living. The assumption cannot be made that one person's knowledge and way of understanding is any closer to the 'truth' than another's. Current knowledge is steeped in existing traditions. Social Constructionists reject the idea of inherent human nature and posit that humans are composed of multiple identities that are defined within different relationship and cultural contexts.

The corporate board is a social institution (Hill, 1995) and the appointment process to the board is a social process involving formal and informal practices with myriad social interactions (Pye, 2002). This study is exploring the lived experiences of NEDs in gaining their first appointment to a board and their story unfolds through their many social interactions. Their story and experiences are socially constructed and define

their reality therefore social constructionism is the most appropriate perspective for this research.

3.2.3 An interpretivist epistemology

Epistemology is the theory of how human beings come to have knowledge of the world, how we know what we know. It is concerned with how social science theories are constructed, evaluated and justified. (Gill and Johnson, 2002). It provides a basis for establishing what kinds of knowledge are possible and the criteria for deciding how knowledge can be judged (Blaikie, 2007; Crotty, 1998). Given this researcher's ontological assumptions, an interpretivist epistemology is applied to this study. As suggested by Burrell and Morgan (1979: 260), interpretivism views knowledge as:

> *The subjective creation of individual human beings who, through the development and use of common language and the interaction of everyday life may create and sustain a social world of inter-subjectively shared meaning.*

Interpretivists attempt to articulate common forms of understanding as they now exist and as they have existed (Gergen, 1985). Meaning is constructed by both the researcher engaging with the subject to be studied and the understandings that already exist (Crotty, 1998).

Extant research on corporate boards has been largely quantitative with a positivist philosophical position and a reliance on secondary data and surveys. The corporate board as a social institution has been acknowledged in the literature (Hill, 1995), an institution where relationships are complex and social norms and values are guiding principles of behaviour. Literature recognizes the dearth of research of a more qualitative and process centric nature about corporate boards and board processes, based on an interpretivist epistemology (Pye and Pettigrew, 2005). This study seeks to explore and understand the subjective and socially constructed processes that lead to the appointment of a NED. Interpretivists see their role as making sense of the individuals' and groups' lived experience of their reality (Prasad and Prasad, 2002) and follows logically from the social constructionist ontological paradigm. An inquiry based on these philosophical perspectives is:

Principally concerned with explicating the processes by which people come to describe, explain or otherwise account for the world (including themselves) in which they live. (Gergen 1985: 266)

Taking an interpretivist position allows the researcher to see the players in the NED appointment process as interpreters of their social reality, having lived the experience. (Easterby-Smith et al., 2002). The role of this researcher as social scientist is to gain access to these people and their common sense thinking and interpret their actions from their points of view. Her interpretations as a researcher will be further interpreted through concepts and theories from the relevant literature and reconstructed into social scientific language and theory. Blaikie (1993: 176) suggests:

For Interpretivism, the social world is the world perceived and experienced by its members from the inside. Hence the task of the social scientist is to discover and describe this insider view, not to impose an outsider view on it.

3.2.4 The case for exploratory qualitative research

This is an exploratory study on the appointment process of a first-time NED to a FTSE 100 company and thus suited a qualitative research approach. Extant literature indicates the appointment process is informal, opaque and mostly occurs 'backstage' from the boardroom. This inquiry seeks to explore processes and practices that are by their very nature nuanced and discrete. It is therefore unlikely that quantitative techniques could meaningfully explore such areas. Qualitative techniques have emerged as the more widely adopted exploratory mechanism for probing individual experience and dealing with emergent themes and discovery of new issues (Easterby-Smith et al., 2002; Symon and Cassell 1998).

Substantively, a qualitative study involves getting inside and adopting the role of the learner, drawing out key themes and interpretations. As Creswell (1998: 162) states:

Qualitative research occurs in natural settings, where human behaviour and events occur. The researcher is the primary instrument in data collection rather than some inanimate mechanism. The data that emerge from a qualitative study is descriptive.

Qualitative data provide well-grounded rich descriptions in identifiable local contexts and give fruitful explanations. Good qualitative data are more likely to lead to serendipitous findings and to new integrations. Further Miles and Huberman (1994: 1) suggest that findings from qualitative data have a quality of 'undeniability' about them.

> *Words, especially organized into incidents or stories, have a concrete, vivid, meaningful flavour that often proves far more convincing to a reader – another researcher, policymaker, a practitioner – than pages of summarized numbers.*

The researcher's aim in this study is to provide a rich understanding of the NED appointment process from the lived experiences of the NEDs. In the governance and boardroom literature Pettigrew and others have argued for more descriptive research into board level processes (Pettigrew 1992; Pettigrew and McNulty, 1999). However, the problem for many researchers has been the lack of access to the phenomenon leading to a largely 'hands off' approach and a dependence on positivist research. Quantitative research pays less attention to context than qualitative research (Guba and Lincoln, 1994) and provides good insights where theory development is already well advanced. Quantitative studies are of limited value during the early stages of understanding and theory development (Blaikie, 1993). The reliance on quantitative research may go some way to explain the lack of theory on boards (Pettigrew and McNulty, 1999) and in particular the NED appointment process. Mintzberg (1979: 587) argues that quantitative research is not an appropriate method for theory building, because creative insight seems to require the sense of things, a quality that qualitative data lend itself to:

> *Theory building seems to require rich descriptions, the richness that comes from anecdote. We uncover all kinds of relationships from our 'hard data', but it is only through the use of our 'soft data' that we are able to 'explain' them and explanation is of course the purpose of research. I believe that the researcher who never goes near the water, who collects quantitative data from a distance without anecdote to support them, will always have difficulty in explaining them.*

Therefore for this study, qualitative techniques will provide rich descriptions and explanations of the appointment process of a NED as described and articulated by the main social actors. The methodology must be able to capture these data and through

an inductive process develop categories and concepts that help to construct theory. (Blaikie, 1993)

3.2.5 Methodological choices

The choice of method follows from the philosophical perspective and the research question. The main methods used by qualitative researchers are observation, documentary analysis, interviews and audio/visual recordings. These approaches are often combined in one study (Silverman, 2006; Cresswell, 2009; Locke, Silverman and Spirduso, 2010). The researcher anticipated challenges researching individuals such as Chairmen, ESFs and NEDs of FTSE 100 companies who are members of the corporate elite. Extant literature has highlighted the difficulty in gaining access to them for the purposes of research. There are well observed rules of confidentiality with regards to matters in and around the boardroom and disclosure is difficult to obtain. In addition, the scant research on the appointment process of board directors indicates that it takes place 'backstage', through informal and discrete processes and is rarely documented.

Observation techniques, where the researcher becomes a participating observer or a non-participant observer in order to gather data on the phenomenon of interest, would have been difficult to achieve with members of the FTSE 100 corporate elite. Further, as this study is concerned with the lived experiences of individuals involved in the NED appointment process, observation techniques were not considered appropriate. Documentary analysis and/or recordings could have been a useful method. However, there is none available publicly on the NED appointment process. Interviews were considered the most appropriate mechanism for gathering rich data. Kvale (1983: 174) defines the qualitative research interview as:

> *An interview whose purpose is to gather descriptions of the life-world of the interviewee, with respect to interpretation of the meaning of the described phenomena.*

The goal is to see the topic from the perspective of the interviewee and to understand why and how they have this perspective. In order to meet this goal, qualitative interviews have the following characteristics:

> *A low degree of structure imposed by the interviewer; a preponderance of open questions; and a focus on specific situations and action*

sequences in the world of the interviewee rather than abstractions and general opinions (Kvale, 1983: 176).

A key feature of the qualitative interview is the relationship between the interviewer and interviewee. The interview is an opportunity for the researcher to probe deeply to uncover new clues and to secure vivid and accurate accounts that are based on personal experience (Burgess, 1982). The researcher is actively involved in enabling the participant to explore their experiences and opinions in detail (Easterby-Smith et al., 2002). Qualitative interviews vary in length and style depending on the researcher's philosophical assumptions. As a social constructionist, this researcher's focus is on the constructive nature of language and how it actively constructs the social reality of the interviewee in interaction with the interviewer. This researcher adopts a loose structure to the interview, uses probes to follow up points of interest and is mindful of the need for reflexivity as the researcher. In deciding on the degree of structure to bring to the interview, researchers need to be mindful of the main reason for conducting the interview. The aim of interviewing NEDs in this study is to understand how they construct the reality of their appointment experiences using their personal framework of beliefs and values, which they have developed over the course of their lives. These beliefs and values help them make sense of and explain their experiences as they have happened in their appointment as NED. As Pettigrew (1997: 338) explains:

Process is a sequence of individual and collective events, actions and activities unfolding over time and in context.

The researcher must conduct the interview such that the opportunity is present for these insights to be gained. The researcher chose a loose semi-structured interview as the most appropriate mechanism for this exploratory study; to provide direction towards the main topic of the interview and to allow for some probing without being intrusive as the story unfolded. In this way, the interview can provide an interactive opportunity for the researcher to explore ideas, themes and experiences with the interviewee. The interviewer is instrumental and actively involved in enabling the participant to explore their experiences in detail (Easterby-Smith et al., 2002). An interview protocol was drawn up for the interviews with NEDs using three broad questions to frame the appointment process:

1) How did you get appointed as a NED to x company?

2) Who was involved in the process?

3) a.. What were the criteria for selection?

    b. Why do you think you were appointed?

These questions were each supported by further probing questions to ensure that rich data was obtained from each NED. In the pilot study, the interview protocol for NEDs was adapted for interviews with Chairmen and ESFs (see Appendix B). For the main study, the interview protocol for NEDs was used with additional probing questions to be used if needed (Appendix C).

In interviewing board directors who are members of the corporate elite, the researcher is presented with some challenges, which have been widely acknowledged in the literature (Pettigrew, 1992) and impact the design and output of this study. These are issues of, access, confidentiality, power and openness.

3.2.5.1 Issues with interviewing – access and confidentiality

A major reason for the dearth of empirical research about board processes is one of access and confidentiality. Zald (1969: 110) wrote about this difficulty:

> *There is a scarcity of meaningful data and only at a few points have I been able to tie my arguments to evidence. Boards of directors are hard to study.*

Twenty years later, Zahra and Pearce (1989) underscored Zald's point and noted the difficulty in studying process components of corporate governance. According to Leblanc and Schwartz (2007: 843), boards of directors as a class, they tend to be closed groups, bound by confidentiality, privilege and custom, with significant access difficulties and other practical limitations as well. For instance, corporate directors tend at present to be fairly homogeneous in terms of gender, race and socio-economic level. In terms of absolute numbers, they are a relatively small, concentrated and inter-related group of individuals, with behaviours, linkages and associations not commonly apparent or accessible by most lay people and academics. As a result, accessing and studying boards of directors empirically and effectively becomes a very difficult undertaking for researchers.

In fact, Leighton and Thain (1997; XV) go on to liken a board of directors to a 'black box'. Even though extant literature has for over thirty years called for more qualitative studies about the 'black box' of board processes, a review of the published qualitative literature on corporate governance by McNulty, Zattoni and Douglas (2013) found that, between 1986 and 2011, less than one percent of the research on corporate governance was qualitative. The challenge of access has been highlighted as a critical barrier. Fortunately, a small number of qualitative studies have been identified that suggest access is challenging, but not impossible. Demb and Neubauer (1992) interviewed 71 board members in eight countries using structured interviews lasting two to three hours. Mace (1972) used a similar methodology in the United States, though his 75 interviews were conducted in the 1960s. Lorsch and MacIver (1989) interviewed 'nearly 100' directors for their study. Pettigrew and McNulty (1995) conducted in-depth interviews with 20 NEDs in the UK. They obtained access by using two distinguished connections from the Centre for Corporate Strategy and Change Advisory Board. These connections sent out letters to twenty directors and produced a one hundred percent positive response rate. This success led the researchers to claim that 'access to elites is best effected by fellow elite members' (Pettigrew and McNulty, 1995: 851).

This qualitative study confronted this challenge in its most acute form by interviewing first-time NED appointees to FTSE 100 companies, an acknowledged tight knit community. Studies advise researchers to use their institutional affiliations and personal connections where possible (Hertz and Imber, 1993). In this study the researcher utilised known connections, who were distinguished members of academia, to make contact by letter with an identified group of NEDs who had gained their first appointment to a FTSE 100 company in the last 12 months. Through this method the researcher gained access to two directors. Following up on these the researcher used a snowballing sampling technique to identify the remainder of the sample. The snowballing technique is useful for researching a unique population that is difficult to access through traditional means (Heckathorn, 1997). Forms of 'snowball techniques' range from: utilising a gate-keeper in the form of a director previously interviewed who would act as sponsor for a recommendation to another board director; to a peer process where one director would suggest access to one of their peers and follow up on the suggestion (Leblanc and Schwartz, 2007).

Although these techniques were very effective in gaining access to members of the corporate elite, concerns regarding their validity have been raised in the literature. If researchers only gain access to certain informants then the issue of random error exists and the sample could be declared a non-random and at worst an invalid sample. Whilst these dangers are acknowledged and the disadvantages of a dependency on personal recommendations, Leblanc and Schwartz (2007) would argue that these concerns are not critical when one is engaged in qualitative, grounded research. As an alternative to non-access, snowballing is justified in these circumstances (Pettigrew and McNulty, 1995). Further, the issue of confidentiality was partially addressed by using snowballing. Inter-related directors who had offered access to their peers often know one another on a first-name basis and are members of the same social circles. There often exists a 'club' mentality and there is a good deal of goodwill towards the recommended researcher. The researcher supported this further by emphasizing the confidential nature of the interviews and the anonymous nature of the findings with each interviewee in detail at the beginning of their interviews.

3.2.5.2 Issues with interviewing: power and openness

Studies on elite interviewing are unanimous that a power balance exists in favour of the interviewee (Kvale, 1996). The problem of power asymmetry begins at the access stage, when the desired interviewees seem so remote that the distance between them and the researcher is emphasized. In addition, interviews are normally held in the interviewee's own 'territory' (Fitz and Halpin, 1995) making the physical environment appear quite daunting. As a result, the researcher is put into the position of a 'supplicant' so humbly grateful to obtain an interview that they are unwilling to be demanding in the interview (Cochrane, 1998; Thomas, 1993).

Another problem emanating from power inequality and an overly deferential interviewer (Berry, 2002) is the difficulty of getting prestigious, well informed people to hew to a 'standardised line of discussion' (Dexter, 1970: 2). Further, elite subjects may easily dominate the interview because they are 'professional communicators' (Fitz & Halpin, 1995: 68) used to addressing a wide range of audiences and developing elaborate and persuasive arguments (Ostrander, 1993). In this case, the researcher is at risk of displaying a form of 'hostage syndrome' by suspending their judgement in the face of an elite member's display of power. The researcher risks overestimating the importance of what elite members have to say or can become overly partisan in their

reading of the interviewee's version of events. (Ostrander, 1993; Useem, 1995). Ultimately, problems of this kind are not easy to discount with explanations of methodological rigour. The role of the researcher is to acknowledge these challenges and through self-awareness and honesty guard against them. In addition, the reflexive approach I adopted when doing this study has helped me to challenge these processes, by preparing thoroughly for interviews to ensure maximum credibility and rigor in the interview and the ensuing data analysis.

Literature debates the issue of the openness of elite interviewees with some regarding elite members as being individuals who will give the party line. Others see elite members as more open than more junior executives, in fact liking a challenge to their intellect and being very frank (Thomas, 1993; Fitz and Halpin, 1995). In this study most interviewees were exceptionally open and through skillful probing, the researcher was satisfied that she had got a full version of the story from those who were more selective or discrete. This skill of the researcher has come from over 20 years of interviewing experiences.

3.2.6 Reflexivity

Given the researcher's social constructionist approach, with its inherent belief in the emerging social world which people are continually fashioning, she needs to acknowledge not just her philosophical assumptions, but also make explicit the context she brings to the theorizing (Cunliffe, 2003). Bourdieu (1992) argues that as social scientists researchers are laden with biases and only by becoming aware of them can they rid themselves of them. Researcher bias is a contentious issue with qualitative research. The fact that the researcher in this study has chosen to carry out research in this particular field, means she has an interest in it and has some existing ideas about the social reality she is interpreting. It is inevitable that her context will shape the interpretation and representation of the results of the study. The process of selection of material to: include; or discard; to highlight; or ignore; will be affected by her biases and experiences. However, the researcher has constantly challenged her limitations, explored the data from different angles and questioned her initial interpretations, to provide rich and alternative viewpoints (Alvesson, 2003).

3.2.7 Validity and reliability

The design of a research study has to address the criteria of validity and reliability in order to ensure the quality of the research findings. It is not just about justifying that the research is legitimate, accurate and lacks bias. It is also necessary to provide standards and rigor (Miles and Huberman, 1994; Patton, 2002). This corresponds to the question, 'How can the inquirer persuade his or her audience that the research findings of an inquiry are worth paying attention to?' (Lincoln and Guba, 1985: 290). Although reliability and validity are tools of an essentially positivist epistemology, Patton (2002) suggests that any qualitative researcher should be concerned about them while designing a study, analyzing results and judging the quality of the study. However, underlying assumptions of social constructionism make conventional notions of validity and reliability problematic. Healy and Perry (2000) assert that the quality of a study in each paradigm (positivist or social constructionist) should be judged by its own paradigm's terms. For example, reliability and validity are essential criteria for quality in quantitative paradigms. In qualitative paradigms, the terms credibility, neutrality confirmability, consistency, dependability, applicability or transferability are to be the essential criteria for quality (Lincoln and Guba, 1985). Strategies need to be built into the qualitative research process to ensure a set of findings is rigorous. A continuous process of checking, confirming, making sure and being certain, was used during the process of this research to incrementally contribute to ensuring reliability and validity and thus rigor of the study.

Validity determines whether the research measures that which it was intended to measure. In other words, do the findings make sense and are they credible to the reader? Connelly and Clandinin (1990) suggest that interpretative studies generate understandings and as such should have an apparency (clearly understood), authenticity and plausibility. Kvale (1989b) emphasizes validity as a process of checking, questioning and theorising. Miles and Huberman (1994) suggest guideline questions such as: how context rich and thick are the descriptions? Does the account ring true and make sense? Are the data well linked to prior or emerging theory? Did any triangulation of data take place? Is the account a comprehensive one? These questions enhance internal validity. However, the researcher needs to attend to the vexed question of external validity. In other words, are the conclusions transferable and can they be generalized?

The literature identifies four levels of generalisation: from sample to population; analytic or theory-connected; case-to-case transfer and theoretical validity - where a more abstract explanation of described actions and interpreted meanings are present. Questions such as: is the sample sufficiently described to permit comparisons with other samples? Are the findings congruent with, connected to or confirmatory of prior theory? Have the findings been replicated in other studies? Finally, questions related to pragmatic validity (Kvale, 1989a) must be addressed. The ultimate test of the credibility of a study's findings and hence its validity is the response of decision makers and information users. For example, a piece of research that informs policy makers in society can lead to more intelligent action with real people's lives being affected (Patton, 1990). Good, qualitative research enhances levels of understanding and sophistication and enables stakeholders to take action (Miles and Huberman, 1994). Fruitful probes should focus on how accessible the findings are to potential users; what the level of usable knowledge is; and how the findings can stimulate action to solve a problem.

Reliability is the extent to which the findings can be replicated or repeated to give the same results. If the results of a study can be reproduced under a similar methodology the research is considered reliable. Miles and Huberman (1994) distinguished between external reliability or objectivity and dependability or auditability. External reliability questions whether the research is free of unacknowledged researcher biases and whether the inevitable biases of the researcher have been made explicit and managed throughout the study. As Guba and Lincoln (1981) suggest, the study needs to depend on the subjects and conditions of the inquiry rather than the researcher, to achieve external reliability.

Miles and Huberman (1994; 278) offer a set of questions the researcher should regularly ask of the study such as: Are the study's general methods and procedures described explicitly and in detail? Can we follow the actual sequence of how data were collected, processed, condensed and displayed for drawing specific conclusions? Are the conclusions explicitly linked with exhibits of condensed data? Lincoln and Guba (1985) define dependability as a notion closely corresponding to reliability and emphasise an inquiry audit as one measure, which may enhance dependability. Dependability is concerned with consistency and stability over time. These can be addressed through inquiry about clarity of research questions and alignment of research design, when the steps of the research are verified through examination of

such items as raw data, data reduction products and process notes (Miles and Huberman, 1994).

In this study, the guideline questions of Miles and Huberman (1994) were attended to throughout the course of study design, data collection and analysis. The researcher has already acknowledged that the 'snowballing techniques' used in forming a sample group, compromised the validity of the study and raised the possibility of random errors affecting the findings. The sample of nine individuals for the pilot group included representatives from all three key stakeholders in the appointment process, which resulted in rich triangulated data. The data provided the researcher with thick descriptions from each of the stakeholders and enabled her to check, compare and contrast the different versions of the story from the different stakeholders. This resulted in a robust and holistic description of the appointment process. The findings of the main study are specific to the context of 15 first-time FTSE 100 NEDs and due to the small sample size generalizability beyond their context is limited. However, this chapter includes detailed information about the sample groups for both the pilot and main study to allow comparison with other samples and to provide context for the study. In this chapter the researcher has provided an audit trail for study design, data collection and analysis and has been rigorous and transparent in her use of analytical techniques, such as template analysis, thereby attending to reliability.

The researcher has adopted a reflexive approach throughout the project to enable her to consider questions of reliability and in particular to reduce bias. Data collection from interviews were recorded and professionally transcribed to reduce personal bias in transcription and to stay close to the language of the interviewees, in line with the researcher's ontological assumptions. In analysis, an iterative rather than a linear process was adopted. The researcher moved backwards and forwards between interview data, analysis and interpretation. Through the mechanisms above, data was systematically checked, focus was maintained and the fit of data and the conceptual work of analysis and interpretation was monitored and repeatedly confirmed. Collecting and analyzing data concurrently allowed the researcher to establish what was known and what she needed to know. The iterative interaction between data and analysis enhanced the validity and reliability. In using a grounded approach to her analysis, the researcher identified themes in individual interview data and across interview data. This iterative process enabled the researcher to move from a micro perspective about the

data to a more macro conceptual and theoretical understanding, inching forwards without making cognitive leaps.

3.3 Fieldwork

3.3.1 Phase one - pilot study

3.3.1.1 Aims of the pilot study

The pilot study was taken with a number of aims in mind. Firstly, the researcher needed to confirm the feasibility of the research methods with members of the FTSE 100 corporate elite and assess their effectiveness in providing rich data that would support a grounded approach to her analysis. She wished to confirm whether access was possible and whether the interview questions would yield reliable and appropriate data for exploring the appointment process of NEDs to FTSE 100 companies. The interview questions were derived from the main research question and discussion with the researcher's supervisor. Secondly, she wished to use the pilot study to explore the appointment process and gain data that could be triangulated in order to build a holistic understanding of it. There are three main stakeholders in the appointment process of a NED namely: NEDs; Chairmen; and ESFs. The researcher sought to elicit data through the use of interviews from three representatives in each stakeholder group, in order to be able to triangulate the data and gain a context rich and meaningful description of the appointment process. This valid and holistic picture of the appointment process guided the researcher in refining the methodology for the main study.

3.3.1.2 The sample group of stakeholders

Chairmen and newly appointed NEDs were identified using the database BoardEX for FTSE 100 company data, combined with data about corporate boards reported on corporate websites. An initial list of 156 new appointments was reduced to 42 individuals who had gained their first NED with a FTSE 100 company. The researcher made contact with a total of 27 newly appointed NEDs with a letter of invitation to participate in the project. These 27 individuals were chosen as they had connections with Cranfield University and the researcher used this institutional connection to eventually gain access to 3 NEDs who were willing to be interviewed. As described in her methods, the researcher incorporated 'snowball' sampling, which calls upon interviewees to make further introductions. One NED gave introductions to two Chairmen who agreed to be interviewed and one Chairman gave an introduction to the

third Chairman who agreed to be interviewed. Six ESFs were contacted, three agreed to be interviewed, one who had strong affiliations with Cranfield and two who had been introduced by a NED candidate. In this way the researcher gained access to nine interviewees. While 'snowball' sampling has emerged as an important qualitative tool for gaining access to members of the corporate elite, it is vulnerable to the introduction of sample bias. Given the difficulties associated with securing interviews with corporate elites, it was felt that any bias introduced via sampling was unavoidable. This study makes no claim beyond being a qualitative study designed to better understand the appointment process of NEDs to FTSE 100 companies.

The researcher gained access to nine stakeholders who had been involved in the NED appointment process the year before she interviewed them. This timing was to ensure their experiences were recent and easier to recall. For the pilot, she interviewed nine stakeholders during the period November 2009 – November 2010 as follows:

- Three NEDs who had been successful in gaining their first appointment to a FTSE 100 board in 2008-2009.

- Three Chairmen who had appointed a first-time NED to a FTSE 100 board in 2008-2009.

- Three ESFs who had been involved in the appointment of a first-time NED to a FTSE 100 board in 2008-2009.

Despite the problem with access to the corporate elite, there was a purposeful attempt to have a reasonable spread of industries represented and a gender mix. Sector and gender of individuals detailed in Table 3.1.

Table 3.1 Sectors and gender of stakeholders

Job Title	Gender	Sector
Chairman, FTSE 100 company	Male	Mining
Chairman, FTSE 100 company	Male	Financial Services
Chairman, FTSE 100 company	Female	Property
NED, FTSE 100 company	Female	Retail
NED, FTSE 100 company	Male	Brewing
NED, FTSE 100 company	Male	Energy
ESF Member, Founding Partner Top 10 Global Executive Search Firm	Female	Interview on NED appointment to a retail organisation
ESF Member, Chair of Board Practice Top 5 Global Executive Search Firm	Female	Interview on NED appointment to a manufacturing organisation
ESF Member, Chair of Board Practice Top 5 Global Executive Search firm	Male	Interview on NED appointment to a media organisation

Source: BoardEx

3.3.1.3 Data Collection

Each face to face interview with a stakeholder lasted between 60-90 minutes and all interviewees agreed to be digitally recorded. The researcher went through the confidential nature of the interview process and ensured the anonymity of individuals during the analysis and reporting stages of the project. Eight interviews were conducted in the interviewees' offices and one was conducted in a public coffee house, which was insisted upon by the interviewee. Based on the main research question, an interview protocol for interviewing NEDs was drawn up consisting of three questions on their first appointment to a FTSE 100 company. Each question was supported by a number of probing questions to use if candidates did not open up and to ensure all candidates provided similar levels of rich data. (See interview protocol in Appendix B).

The interview questions were adapted for appropriate interviewing of the Chairmen and the members of Executive Search Firms. After each interview the researcher completed a 'Contact Summary Sheet' (Miles and Huberman,1994) in Appendix A. Interviews were the principle method of data collection supported by demographic information about interviewees from BoardEx.

3.3.2 Phase two – Main study

3.3.2.1 Pilot findings that influenced main study design.

The pilot study explored the appointment process from the perspectives of the three main stakeholders in the appointment of a NED. Namely: the Chairman, the ESF and the appointed NED. Interview data were analysed from: three Chairmen, three ESFs, and three NEDs. Each of the NEDS had gained their first NED appointment with a FTSE 100 company in the last 12 months. The Chairmen and ESF members that were interviewed were asked to identify an appointment they had made in the last 12 months and base the interview on these NED appointments. From this analysis a holistic picture of the appointment process for a first-time NED to a FTSE 100 company emerged. The conclusion of the pilot study was that credentials were necessary as threshold criteria. However, to gain a NED appointment an individual needed reputational capital and this capital would have been vetted in the networks of the corporate elite and the interviewing process by the Chairman. In the main study, the researcher needed to gain more data on the appointment process to build up a more fine-grained analysis of the appointment process and the reputational capital needed to secure a first-time NED to a FTSE 100 company.

On the basis of the pilot research, the researcher decided to refine the population for the main study to improve access and validity. The interviews of the Chairmen and the NEDs provided data on the process that told a very similar story and were equally rich in detail. Therefore, the researcher decided to interview NEDs in the main study as their accounts were proving to be detailed and rich. For the NEDs, their first appointment was a big personal accolade in their lives and they tended to want to talk about it in depth and share information freely and accurately due to the recentness of the appointment. Further, NEDs were easier to access than Chairmen.

The researcher also learnt from the pilot study that the process of 'fit' was a salient factor in the appointment process. In order to ensure the researcher got rich data from

all interviewees on this process, the probing questions were retained in the interview protocol to encourage all interviewees to explore this part of the process (see amended interview protocol in Appendix C).

3.3.2.2 Sample for main study

I planned to interview a further 12 NEDs for the main study. Using the database BoardEx and board data from corporate websites, a list of the NED appointments made to FTSE 100 companies in the period July 2010 to July 2011, was drawn up. This period was 12 months before the researcher's interviews took place with the NEDs to ensure experiences were still fresh and easily remembered. This list of 162 NED appointments was reduced to 43 first-time appointments to FTSE100 companies. Contact was made with all 43 NEDs by letter of invitation using the researcher's institutional connections with Cranfield University. An initial response from two NEDs secured two interviews and a number of personal recommendations and referrals securing a further five interviews. The remaining five interviews were secured through extensive follow-up emails and phone calls on the original invitations. The three NEDs who had been interviewed for the pilot study were considered part of the final sample data as all NEDs had been asked the same interview questions. The data was considered valid for analysis in the main study. This gave the researcher a total sample of 15 NEDs for the main study, which was considered a reasonable sample from this elite group of directors. Sample demographics detailed in Table 3.2.

Table 3.2 Demographic characteristics of NED sample

Age	Mean = 52. range = 43-60
Gender	7 men and 8 women
Nationality	10 British, 3 American and 2 Dutch
Sector of NED appointment	Automotive, retail, property, financial services, brewing, utilities, pharmaceutical, mining, construction, aerospace and energy.

3.3.2.3 Data Collection

As this is an exploratory qualitative study, semi-structured interviews were chosen as the most appropriate method for data collection. Use of the interview protocol enabled the researcher to maintain consistency with each interviewee, whilst allowing sufficient breadth for the NEDs to explore the whole range of factors, which had relevance in their appointment process. The interview protocol, which was used in the pilot, was based on three questions:

1. How did your NED appointment to a FTSE 100 company come about for you?

2. Who was involved in the process?

3. a) What were the criteria for selection?

   b) Why do you think you were appointed?

Each question had sub questions for probing in the interview (interview protocol in Appendix C). The researcher adopted a minimalist approach in following the interview protocol with one or two questions being asked under each theme and probing with further questions only if the information was not fully flowing from the interviewee. Personal reflection by the interviewee was encouraged, in order to obtain context rich data. 13 interviews were conducted face to face in the NED's offices. Two interviews were carried out on the phone. Face to face and telephone interviews lasted between 40-60 minutes. All interviews were digitally recorded and professionally transcribed resulting in 34-38 pages of interview data. Interviews were the principle method of data collection, supported by demographic details of NEDs from the database BoardEX and corporate websites. A 'Contact Summary Sheet' was completed after each interview (Appendix A).

3.3.2.4 Impact of changes in corporate governance guidelines

It became apparent in the researcher's interview schedule that women were responding in greater numbers and more quickly to my request for an interview on their appointment. As the researcher wanted a balanced sample of men and women, she adopted a much more persistent follow up procedure with the male appointments, in order to secure seven interviews with male NEDs. The data collection took place during the period March 2010 to January 2012. In June 2010, the revised UK Corporate

Governance Code (2010: 13) came into effect. It included for the first-time a principle recognising the value of diversity in the boardroom stating that:

The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.

During this time the incoming UK Government also made a pledge in the Coalition Government Agreement (2010) to:

Look to promote gender equality on the boards of listed companies.

Following this, Edward Davey the Business Minister, and Lynne Featherstone the Minister for Women, invited Lord Davies of Abersoch to undertake a review of gender diversity on boards. This review was to identify the barriers preventing more women reaching the boardroom and to make recommendations regarding what government and business could do to increase the proportion of women on corporate boards. In September 2010, Lord Davies began consulting with a range of stakeholders among them senior business figures and women business leaders. Lord Davies' independent review into female representation on UK corporate boards was published in February 2011.

The review recommended that FTSE 100 companies should aim for a minimum of 25% women board members by 2015 and quoted companies should disclose annually the proportion of women on their boards. He also recommended that the UK Corporate Governance Code should be amended by the FRC to require listed companies to establish a policy concerning boardroom diversity, on which the FRC started consulting with business leaders in 2011.

Chairmen of FTSE 100 companies were required to announce their aspirational targets by September 2011. In 2012 Lord Davies' annual monitoring report demonstrated an unprecedented pace of change in the boardrooms of UK PLCs. In the period 2011-2012 the biggest-ever reported increase in the percentage of women on boards was recorded. Further, during this time the European Commission also debated what measures might be taken to bring about gender parity within boardrooms and discussed setting a quota for women on boards across Europe, with legally binding penalties.

During the period of this study's data collection, Chairmen were under political pressure to ensure that more women were appointed to boards. This had several impacts on the data collection. During the researcher's quest for NED interviews, women responded to her invitation much more quickly than men and in greater numbers. In order to achieve a balanced sample the researcher actively and persistently had to pursue male candidates for a much longer period of time in order to secure interviews with seven men. In addition, many male candidates were negative in their interview about the NED process and the public debate and focus on increasing female representation on boards. They expressed a view that during the period 2011-2012, men were finding it more difficult than women to obtain interviews for NED positions. Further, the researcher found it particularly challenging to focus the male interviewees on the main points of the interview, as many of them drifted repeatedly into expressing views about women on boards. The researcher found it necessary to repeat some questions and used more probes to bring the interviews back on track.

Appendix D graphs the main changes in corporate governance that had an impact on the data collection.

3.4 Data preparation and analysis

3.4.1 Transcription

The same approach to analysis was used in both the pilot and the main study. All of the Interviews were digitally recorded and professionally transcribed verbatim. Each transcript was 34-38 pages long and together they totalled approximately 550 pages of data.

3.4.2 Unit of analysis

Deciding on the unit of analysis is critical to research concerned with theory building (Eisenhardt, 1989). Defining the unit of analysis explicitly is also central to the planning and conceptualisation of the research project (Neuman, 2000). The unit of analysis for this study is the individual. Through the use of semi-structured interviews, NEDs have provided accounts of their experiences and perceptions of inter-subjective meanings that explore and explain the appointment process of a first-time NED to a FTSE 100 company.

3.4.3 Template analysis

As this is an exploratory study and there is lack of theory on the appointment process of first-time NEDs, a grounded approach to analysis and theory development was taken. This approach allows theory to emerge from the data through an iterative analytic process, in order to conceptually describe the phenomenon being studied. The researcher used template analysis as a technique for thematically organising and analysing the textual data (King, 2004b). The essence of template analysis is that it enables the researcher to produce a list of codes (a template) representing themes identified in the textual data. A code is a label attached to a section of text, to index it as relating to a theme in the data, which the researcher has identified as being important to interpretation. Initial codes are more descriptive, requiring little or no analysis. As the analysis continues, codes become more interpretative. In template analysis, codes are modified and added to as the researcher reads and interprets the texts. A feature of template analysis is the hierarchical organisation of codes, with groups of similar codes clustered together to obtain more general higher-order codes. Hierarchical coding enables the researcher to analyse data at varying levels of specificity. Higher-level codes are broader and can help to give an overview of the interview data, while lower order codes allow for more detailed distinctions to be made. The template is organised so that the researcher can define the relationships between common themes in a hierarchical structure.

In taking a grounded approach to the data, the researcher simultaneously undertook data collection and analysis, while inductively constructing codes and categories from the data. In this way, the researcher advanced theory development during each step of data collection and analysis. However, the researcher found that the grounded theory procedures for data gathering and analysis were too prescriptive (Strauss and Corbin, 1990). Template analysis in contrast, is a more flexible technique with fewer specified procedures. It allows the researcher to tailor it to match their requirements. One feature of its flexibility is the use of parallel coding, which permits the same segment of text to be classified within two or more different codes at the same level. In using the hierarchical nature of template analysis, higher order codes can be sub-divided into

several levels of lower order codes. Although King (2004b), cautions against having too many levels of coding as they can be counter-productive and can reduce clarity. Template analysis thus allows a summary of emergent thinking using six clear analytical tasks: 1) Preliminary coding; 2) Clustering codes; 3) Producing an initial template; 4) Modifying the template; 5) Interpreting findings; 6) Quality checking.

Thematic analysis has its roots in phenomenology and is concerned with seeing the world afresh. It is this ability to go beyond the taken for granted approaches, which fits well with the social constructionist perspective of this type of research. The use of language is also emphasised, in how reality is socially constructed and the researcher aimed to maintain informants' unique expressions of their experiences. Template analysis allows this emergence of individual experiences, whilst at the same time establishing a structure for how the themes interrelate. In research that adopts a minimalist approach to interview structure, a sub-set of transcript data can be used to draw up the initial template in the light of the project aims. This can be used as a provisional template on a fuller set of data. Using this template, the researcher works systematically through the transcript data identifying sections of data for coding. During this process, inadequacies in the template will be revealed and changes will need to be made to it. The changes made can be to any or all of the following:

1. Insertion -where an issue emerges in the data and is not covered by existing codes

2. Deletion - where a code finds little data to support it

3. Changing scope - where a code is too narrowly defined

4. Changing higher order classification - where a sub-category under one higher order code is re-coded as a sub-category under a different higher order code.

One of the most difficult decisions in template analysis is when to stop the process of developing the template and no template is considered final according to King (2004b).

3.4.4 Use of NVivo software

NVivo is a set of tools that assists researchers in undertaking an analysis of qualitative data. It is a data management system, which helps the researcher to organise and keep track of large volumes of data and provides rapid access to it. It allows the organisation of interview schedules, transcripts, field notes and demographic details.

Questions can be asked of the data and graphical models can be developed to show concepts and relationships within the data. It supports the analysis of the data rather than actually conducting the analysis (Bazeley, 2007). The ability to build knowledge of the data through coding and provide access through the retrieval of coded text provides a level of closeness (Bazeley, 2007). Also, the general ease with which it allows the researcher to move from the specific to the more general and back again supports iterative analysis.

3.4.5 Coding and analysis

In this study, data collection and analysis were conducted simultaneously. Data analysis was guided by King's (2004b) six steps. The researcher spent considerable time reading each manuscript several times and listening to the taped interviews before attempting to code. Although presented as a linear, step-by-step procedure, the research analysis was an iterative and reflexive process.

Preliminary coding. She began the analysis by developing a set of codes that emerged inductively from three interviews as opposed to using a priori codes from the literature. Using line by line coding, she remained open to the data and coded close to the words of the interviewees in order to gain a deeper understanding of their perspectives. These were essentially descriptive codes following an adapted version of Lofland (1971) suggested scheme for coding, whereby the researcher looked at:

1. Acts and activities - actions that took place of both long and short duration, e.g. meeting an ESF or attending an industry function.

2. Participation – individual's involvement in the actions, e.g. meeting involving the Chairman and individual or off site meeting with members of the corporate elite.

Simultaneously to conducting initial coding she read and re-read the field notes in order to build up a sense of the whole. Inevitably this process led to a substantially long list of tree nodes. At this stage of analysis she considered the somewhat unwieldy list of codes to see what was of interest numerically. Although it is important not to mistake frequency for importance, as some salient factors may occur only once or twice, this did give her a sense of what was the most commonly discussed activities. After several iterations of re-ordering and reduction, 47 codes emerged from the data. For example in the first coding of activities five different educational activities emerged which eventually were coded as one on education in the round. Starting the analysis with no

pre-defined codes from the literature, followed by line by line coding avoided the danger of blinkered analysis, which may have prevented the researcher from considering data that conflicted with her researcher assumptions.

Clustering the codes. Descriptive codes have little intellectual shape on their own, but after coding three interviews broader themes had begun to emerge. Clustering codes and organising nodes in a meaningful rather than a logical way helped to create an operative coding scheme. Codes started to take on more interpretive elements rather than purely descriptive. Pattern coding is the quest for 'repeatable regularities' and is analogous to cluster analysis or factor analysis in quantitative research (Miles and Humberman, 1994: 69.)The 47 codes, derived from the sub-set of the transcript data, were further analysed and clustered into 19 themes. Clustering codes is a more inferential and explanatory process and the researcher began to discern more emergent patterns, themes and relationships. For example, there were codes on perceptions of relationships, ambiguity in relationships, informality and social nature of relationships and these were all clustered around 'how individual's connect. There were codes on status and prestige both of self and others. These codes described individuals' job titles, prestige of organisations, status of connections and were clustered around prestige as ultimately these were carriers of prestige that enabled individuals to connect with corporate elite.

Producing the initial template. These 19 themes formed the basis for a provisional template. A further five interviews were coded using the provisional template (including the three NED interviews from the pilot study). NVivo software was used to organise and categorise the data, supporting analysis of the data but playing no part in its interpretation (Bazeley, 2007). Thematic analysis is a search for themes that emerge as being important to the description of the phenomenon. The process involves the identification of themes through careful reading and re-reading of the data. It is a form of pattern recognition within the data, where emerging themes become the categories for analysis. Again, salience, importance and frequency of themes were considered. When reporting the findings the researcher will demonstrate salience by the use of indicators such as 'all', 'most', 'several', or 'some'.

Modifying the template. As the template continued to evolve the remaining seven interviews were coded. The template was modified continually with new codes emerging, codes being deleted or recoded in the hierarchy. With each iteration of the

template, interviews coded earlier were revisited. The scope of themes was adapted where appropriate and similar themes consolidated. With continual reference to the research question, the researcher analysed the data using an iterative approach of moving back and forth between the transcript data and the identified themes. This allowed her to be more reflexive, which helped spark insight and develop meaning from the data.

Included in the code on chemistry and fit were statements referencing values and philosophy. When coding using the fifth iteration of the template it became clear that values and philosophy were related to chemistry and fit, but also to relationship to Chairmen and to conversations with other board members. As a result, values and philosophy was inserted as a code in its own right. The coding of formality in early versions of the template lacked evidence as more interviews were coded and although frequency is not equivalent to salience, the researcher made the decision that the formal processes were not prime considerations in the NEDs experiences of the appointment process. In early versions of the template, references to interviews, meetings, making connections had a cultural context. However, as the template continued to modify, it was clear that the cultural context was salient in all of the social vetting processes, which eventually led to the second order theoretical theme of social vetting in the corporate elite. This body of evidence was a critical part of a NED establishing cultural fit with the corporate elite.

The hierarchical nature of template analysis supported the organisation of the themes. For instance, 'educational experiences', 'work experiences' and 'professional background' were all incorporated into a single higher order node of 'credentials'. King (2004b) cautions against having too many levels of coding, which can be counter-productive and reduce clarity. In this study four levels of coding were utilised. Parallel coding was particularly useful, allocating the same excerpt from an interview to more than one code. The following extract was allocated to several nodes: prestige, status and work experience.

> *This was a little Scottish company and it was a company in some difficulties, I have to say. And they wanted someone with big company name experience for what was a very small company. Being a VP of Asia with X (FTSE 100 company) impressed them big time and I am an ex-*

Partner of Y (auditing firm) so you pretty much couldn't' get any better than that. (Gwen).

The researcher continued to code all 15 interviews despite having reached saturation point after 12. In other words, no substantially new evidence was forthcoming. It is recognised that there is never going to be an absolutely final template and the template in its current form is in Appendix E.

Interpreting the findings. The template analysis initially moved the interpretation from first order themes to the second order theoretical categories. Statements on, for example, 'education, work experiences and industry recognition' were categorised under a higher order theme of 'credentials'. Descriptions of '*who and how NEDs connected with',* were categorised under 'breadth and depth of social connections'. This resulted in nine second order themes. These more theoretical categories were considered and the emerging relationships between them. Holding the research questions in mind these theoretical categories or themes were scrutinised to explore what they were telling the researcher about the appointment process and how they were answering the research questions. As the researcher did this, it became clear that the nine themes fell into four aggregate dimensions, namely; human, social, cultural and reputational capital. These four dimensions form the basis of the two findings chapters.

3.5 Summary and presentation of findings

In this chapter I have outlined how the PhD moved from theory to practice, how the data was collected and analysed. The research findings will be presented over the next three chapters. Chapter 4 provides an overview of the NED appointment process as understood by a sample of Chairmen, ESFs and NEDs in the pilot study. Chapter 5 and 6 provide an in-depth description of the appointment process as experienced by first-time NEDs to FTSE 100 companies. As such they describe how an individual builds up reputational capital that secures them a NED appointment and membership of the corporate elite.

4 PRELIMINARY FINDINGS OF PILOT

4.1 Introduction

Chapter 3 described how the researcher conducted the study in order to answer the following main research question and three supplementary questions

RQ1: How does a first-time NED gain a FTSE 100 appointment?

SQ1:   How is reputational capital constituted?

SQ2:   How is personal fit established?

SQ3:   How is reputational capital developed?

This chapter also described how the transcripts were analysed and coded using thematic analysis.

Findings will be presented over three chapters. This chapter will report on the pilot data which consisted of interview transcripts with nine stakeholders in the NED appointment process, three Chairmen, three ESFs and three first-time NEDs. The NEDs had gained their first FTSE 100 NED appointment in the 12 months prior to their research interview. Stakeholder interviews were conducted to give a holistic understanding of the NED appointment process. Interviews with the stakeholders were recorded and transcribed but were not subject to the same in-depth analysis as were the interview data of the 15 NEDs under consideration in the main study.

Chapters 5 and 6 will present an in-depth analysis of the 15 NED interviews exploring individual's experiences in the appointment process. Chapter 5 will focus on RQ1 and SQ1 and Chapter 6 will focus on SQ2 and SQ3.

4.2 The NED appointment process

The appointment of a NED emerges from the data as a highly context specific process. At a macro level, the process is influenced by governance regulations and guidelines whilst at an organisational level, it is influenced by organisational strategy and culture. All the stakeholders described how the Chairman is central in an appointment and their dominating influence pervades the process. While Chairmen described their approach in the process as consultative and collegial, involving other members of the nomination committee and broader board, it is evident from the data that they are the decision

makers at every stage in the process. Further, newly appointed board members need to fit in with the existing board in order to be able to make a board contribution and extensive use is made of referencing to establish the reputational capital of prospective NEDs. This referencing process is led by the Chairman and is conducted through the networks of the Chairman and other board members.

4.2.1 The importance of context

The pilot data suggest that the appointment process of a NED to a FTSE 100 company is specific to its context. At a macro level, the process is influenced by factors such as the UK corporate governance framework, whilst at an organisational level it is influenced by factors such as company strategy and the nature of the business. A NED appointment takes place within the corporate governance arena and as such will reflect the requirements of corporate governance regulations. The UK Corporate Governance Code 2008(updated 2010) provides guidelines on the criteria of background experiences, behaviours and attributes for a NED position. One Chairman talked about the need to recruit a NED who was a.

> *Global, industrial, major capital, business woman. (Chairman 2)*

This evidence echoes corporate governance requirements for NEDs to have extensive knowledge and experience of the sector in which the organisation is operating. Chairman 3 described the process of identifying a NED vacancy and how important it was to get someone with depth of experience in their sector.

> *Being an X company, we needed to begin to look at how we could get external X expertise on the board, to add some sort of counsel to the discussions and provide some balance in terms of the non-executive's contribution through the spectacles of somebody who had been in the X world all his or her life. (Chairman 3)*

Similarly ESF 3 described the financial criteria required in the recruitment of a candidate to Chair the Audit Committee.

> *I met the Chairman, deputy Chairman and Chief Executive to discuss the brief. They had a highly competent chair of the Audit Committee, who was stepping down and they wanted to replace him. Yes there were clear*

> *criteria in place. The person needed financial qualifications to chair the*
> *Audit Committee. (ESF 3)*

Corporate governance guidelines stipulate the specific financial qualifications needed to Chair an Audit Committee. When a candidate is sought for this position, the field of possible candidates is narrowed down very quickly.

NED Niels, in discussing his appointment thought his selection was based on his depth of experience in the industry and his status as an independent NED in line with the UK Corporate Governance Code.

> *Yes, I had some experience in the business as being a former Chairman*
> *of X. There were a number of board members who already had more*
> *than nine years and after that some needed to go. That was how they*
> *selected me as an independent.   (NED Niels)*

The evidence suggests that early discussions on the criteria for the role pay close attention to the requirements of The UK Corporate Governance Code. As such, the Code influenced where the initial focus was in the search process and whether the search was for someone with a financial background, sector experience or independence.

The context of the current and future strategy of the organisation influences the board's thinking on the criteria for new candidates. NED Tami described her organisation as having international ambitions and as a result wanted to appoint a NED with international experience to complement the existing board.

> *30% of X company's revenues are gained outside the UK. So X company*
> *is expanding internationally and it is important to have people on the*
> *board who think with an international perspective. (NED Tami)*

An organisation which had an agenda about corporate social responsibility and sustainability needed people on the board who had an interest in how the industry would change over the next 30 years.

> *We now have two board members at X company who are interested in*
> *the concept of tomorrow's company. We have a big agenda on corporate*
> *responsibility, emissions and carbon footprint. (Chairman 3)*

Chairman 2 described a situation where as an X company there was a need to deal with increased regulation. The politics of international contracts made it necessary to consider NEDs, 'who could penetrate Whitehall' (Chairman 2). ESF 1 concurred on the need to have NEDs with regulatory experience on the board of an organisation in a highly regulated industry.

> *It is a highly regulated industry. Therefore, having the insights through a board member into that area is very important. (ESF 1)*

Chairman 1 made apparent the challenges of working in emerging markets and the need to have more local expertise with an inside track on local issues. In his case board decision making needed to reflect an African perspective and candidates who satisfied this criteria were sought after.

> *We're a company that's big in Africa, we want a black African. So there may be some very, specific criteria. (Chairman 1)*

This was also reflected in Chairman 2's description of an organisation that changed strategy to enter the Indian market in a joint venture. As a result the criteria for the NED changed.

> *We needed an Indian Non-Exec because of the nature of the joint venture in India. It's got to be consistent with the strategic direction. (Chairman 2)*

The context of the nature of the business also emerged as significant in the appointment process. The type of work an organisation carried out and the nature of its day to day operations influenced board thinking on who might be suitable candidates for a NED. For example, a natural resources company needed people with the appetite for supervising a company engaged in extracting natural resources from the earth and its subsequent relationship with the environment.

> *You can't have someone in an X company who has a problem with (company activities). I'd say to people, "Well how do you feel about us digging huge holes in the ground and you know driving huge trucks belching smoke and stuff? Is that something that bothers you? Because if it bothers you! We're not going to change doing that. Our role in life is to*

> *dig big holes in the ground so don't' join us expecting to change us.*
> *(Chairman 1)*

Similarly, Chairman 2 reflected on the nature of an X organisation, the level of data complexity inherent in the business and the real challenge for a NED to get to grips with.

> *It's just about the most complex business that I've ever been involved with. A long-term business, you don't know whether you've made a profit, in some cases for fifty years. All your approximations on whether or not it's a good business to do and how well it progresses over the next fifty years is all based on assumptions and they're all virtual. So it's very complex, it's highly numerical and there are four different regulatory regimes that apply to it. So a very powerful intellect and high levels of numeracy are needed to break through a lot of undergrowth, to find where the real issues are. (Chairman 2)*

All interviewees agreed that NEDs needed to be able to deal with the nature of the business, have an affinity with the products and be able to easily comprehend the operations of the business. Most NEDs described NED positions that appealed to them and positions that didn't based on the nature of the business involved.

> *To be a non-executive on a cigarette company I would say no because I would have nothing to do with cigarettes. I think it's very important if you accept a non-executive position that you have affinity with the business. If you don't like the product or you don't like the environment, don't take it.   (NED Niels)*

NEDs emphasised that the culture of an organisation was derived from the nature of the business and it was important to find the right NED for a specific board. NED Tami articulated how it was important for a NED to understand the culture and underlying values of an organisation and be able to relate to them.

> *You don't' want to be a laid back kind of person as you need fit with the people in the company who are working their backs off. I mean people at X company work every hour that's given to them. The NEDs must albeit in different environments, respect what they (employees) are doing. (NED Tami)*

Further, NED Tami emphasised that this behaviour and culture in (company X) was reflective of specific values, values that she shared and fitted with. She elaborated on the importance of these values in establishing a fit between the candidate and a NED position on the company board.

> *That's what I mean by the values and I think I fitted in with those in that first conversation. Although my world and (company X)'s world were so different. I mean there were some of those basic values that fitted. The sense of how that attitude can help the business move forward. It's not just what you've done, people appoint you for what they think you can bring to the table and that's why attitude is so important. (NED Tami)*

The context of the organisation, the nature of its business and the culture prevalent in its people seemed to come together for NED Tami in that first meeting with a member of the board. NED Ross reinforced this point when he described the nature of the business and how it was reflected in the board members around the table.

> *I think we all tend to be sort of entrepreneurial and inclinational and (company X) is like that. It's a fast moving business and it works in difficult places and manages risk, but it has to take risk. It has a board who are fundamentally comfortable with that stuff. (NED Ross)*

NEDs seem to suggest that there a link between the nature of the business, the ensuing culture and values as espoused by the board and in particular the Chairman. A candidate's fit with these underlying values seems salient in a successful appointment.

The pilot data suggest that the context of the UK corporate governance framework and the strategic intentions of the organisation influence board thinking in the early stages of a NED search. This context determines where the focus of the search for a NED should be and what the credentials should be in terms of qualifications, background experience, and personal attributes. The data also suggest that the context of the nature of the organisation and the culture inherent in its people are important factors in considering the selection of a particular individual for an appointment to a company board. Furthermore, the evidence, in particular from NEDs, suggests that the culture reflects the underlying values of the people that work for the organisation and that there needs to be a fit between these underlying values and the underlying values of a NED candidate. Interestingly, NEDs' evidence also seems to suggest that these underlying

values of the organisation and its people are espoused by board members and in particular the Chairman. It is encounters with board members and in particular the Chairman that exposes potential NEDs to the expression of these values and their subsequent understanding of them.

4.2.2 The role of the Chairman

The Chairman of the board emerges not only as the main driver of the appointment process of a NED, but also the decision maker at every stage. Both formal and informal processes are employed by the Chairman in the search for and selection of a NED. However, the data reveal that it is the informal processes which inform the Chairman's decisions throughout. Chairmen described themselves as having a responsibility to regularly assess the board's collective capability and from these assessments, capability gaps were identified. These gaps can range from the need to replace a retiring Chair of a Committee, a NED not wanting re-election, or a need to strengthen the expertise of the board in support of the organisation's future strategy. Once a recruitment need had been identified, the formal search for a NED was initiated by the Chairman. Chairmen described how nominations committees were involved in the process and how ESFs were engaged to deliver the mechanics of the appointment and in particular carrying out due diligence on candidates under consideration.

> *I chair the nominations committee, which has views. Typically, the debate at those committee meetings would be based on a paper from myself explaining the rationale for my thinking. (Chairman 3)*

> *There were several meetings of the NomCo., looking at a succession plan for the board. Have we got enough people on the committees? Have the people got the requisite skills? Where's the next chair of Audit? I would usually canvas widely and of course you always knew the people who always have an opinion about everything and then sit down with the headhunter and go through the list. (Chairman 1)*

The existence of nominations committees and the engagement of ESF's in the process, echo the UK Corporate Governance Code 2008 (updated 2010). The Code recommends the setting up of a nominations committee and the engagement of ESF services, in its bid to create greater transparency and formality in the appointment process and to generate greater diversity of candidates. The evidence suggests that

although these formal structures have been put in place, Chairmen have done so with some reluctance and they either question or limit their contribution to the process. Chairman 2 pointed out that governance reforms had led to over-specification in the appointment process, creating a complicated mechanical device for 'something that requires its own particular thought according to particular need' (Chairman 2).

> *We are in an over-specified state. You've got to do it this way. The danger with the over specification process is that you can't see the wood from the trees. The danger is that you go into a process without actually thinking clearly about what it is that you're actually after in a candidate. (Chairman 2)*

Pye's (2001) suggestion that Chairmen are reluctantly ticking these corporate governance boxes and yet continuing to personally employ informal processes in the appointment of a NED is supported by this study. For example, Chairman 3 described having had several formal discussions with the nominations committee regarding 'the rationale of her thinking' (Chairman 3) on a NED appointment. However, her evidence suggests that a long list of candidates had been drawn up through her informal 'backstage' meetings with the CEO. Indeed it was this list, subsequently given to the retained ESF for due diligence that gave rise to a short-list of NED candidates suggesting that her informal processes drove the candidate search and selection.

> *In fact, some time before we (Chairman and CEO) actually went out and over a drink tried to put together a list of people. The Chief Executive and I sat down and ran through people in the X world who we thought would fit into the chemistry of the X board. We listed people and then we turned to retained headhunters, who did a lot of scrutiny and gave us a lot of background on them………one of these was appointed. (Chairman 3)*

The formal discussions took place around her thinking about what should happen. However, there is no evidence that other people's views on criteria and candidates were taken forward to the more informal meetings with the CEO, the meeting where the decisions were made about which candidates would go forward for the position. Chairman 2 emphasised his meetings with other board members, where he elicited their suggestions formally and yet the process followed a similar route to Chairman 3 above.

The Chief Executive and I were very clear on what we needed, so we came up with a very tight spec. We hired a headhunter, but against a very tight remit. There's no point in him coming up with names, because we said they didn't fit the spec. Take that list away, none of them are any good. (Chairman 2)

ESFs were formally engaged, yet their contributions were either scrutinised or considered of little value. Contributions were scrutinised against a tight specification which included a list of possible candidates from the Chairman, as in the evidence above or of little value, as the Chairman had himself sourced the candidates informally in his networks as indicated here.

Whether you use a headhunter or not, I'm entirely neutral. Who would really add some value to my little tie and who else do you know in company X or company Y? (Chairman 2)

The ESFs' contribution was most valued by Chairmen when they carried out due diligence and collected soft sensitive data on possible candidates.

If the headhunter is well connected. So and so is fed up with that board and would be quite happy to retire and so it's not just once again the hard data. A lot of the good headhunters in this space have got a lot (of) the soft data. You know, they've seen people. (Chairman 1)

ESFs demonstrated awareness of the formal systems employed in the appointment process namely, the Chairman driving the process, the nominations committee meetings, the role criteria which ESFs were often called upon to document, the interviewing schedules and due diligence work. However, they evidenced little awareness of the informal processes at work. Moreover, the ESFs perceived the nominations committee members and other board members as influential in the decision making. Such was the influence assigned to these persons in the decision making process that ESFs saw it as critically important to lobby board members' views once they were engaged. ESF 3, when asked who drew up the criteria for the role replied 'I think a healthy mix across the floor (the board)'.He elaborated further by describing the extensive interviewing of board directors in order to gain 'chapter and verse on the likely ambassador (NED Candidates)'. However, he later revealed that the Chairman was his point of contact for the appointment giving him the briefing for the

required due diligence work on selected candidates. ESF 3 saw his value add in delivering the required due diligence intelligence to the Chairman, thereby equipping the Chairman with the information he needed to make his decision.

> *I have got to equip the Chairman with information so that he understands exactly what he is getting in terms of the person and then he'll make a judgement. (ESF 3)*

Similarly ESF 1 who described her approach to executive search as more consultative than other ESFs and her relationship with the Chairman as a trusted confidante, revealed little awareness of the behind the scenes informal methods used by the Chairman to inform his decisions. What is striking in ESFs' evidence is that despite not being aware of the Chairman's informal methods for candidate sourcing and selection, ESFs used precisely the same methods to carry out due diligence on candidates. The soft data ESFs provided was gained mainly through informal and off the record discussions, where they encouraged people to open up and provide a frank reference on an individual. These conversations were with members of corporate networks familiar to the Chairman. This may go some way to explain why the most valued part of an ESF's contribution in the eyes of Chairmen, is the ability to collect soft reliable data in corporate networks on potential NEDs.

In contrast to ESFs, NEDs revealed acute awareness of the informal methods used by the Chairman and understood that the Chairman was the decision maker. NED Niels described how he knew both his reputation as Chairman of the smaller acquired company and his reputation in cultural and political circles were key in him being considered for the position. He was also aware that these credentials would have been checked out informally by the Chairman.

> *I had experience in business, a former Chairman of X . I am part of the governance committee and I think that played a role. I'm always mentioned as someone who likes to collect modern art and I'm known in those circles and that would have counted when the Chairman did his rounds and they always do the rounds. In one of his rounds he would have checked me out. (NED Niels)*

The pilot findings capture a paradox in the NED appointment process. All three Chairmen skilfully described the formal and transparent processes utilised in recruiting

a NED: meetings of the nominations committee, consultation with other board members and important stakeholders. Even the engagement of an ESF, despite their contribution being viewed as limited was described. Yet the Chairmen also described how once the search was initiated, they employed more informal processes to find the right candidate. These informal processes included off the record conversations with other board members, including the CEO, and conversations with peers in their networks at informal and social gatherings. These conversations identified names of possible candidates and provided reference material. The Chairman used the acquired information to inform his decisions on candidates for an appointment. These conversations were described as having 'a light and subtle touch' and were often characterised as orchestrated informal catch-ups, where people opened up to provide information they may not be willing to share in more formal settings. In the words of Chairman 2: 'the best time to do it (reference possible candidates) is at cocktail parties in London, particularly headhunters' ones'.

If the Chairman, as the pilot data suggest, uses informal processes to inform his decision making in the appointment process, why employ extensive formal processes that appear to add little value to the search and selection of a NED? The Chairmen's interview data reveal that these formal processes are used to build a consensus on the candidate who will eventually be chosen and to build a sense of collegiality during the appointment process, so that the whole board supports the chosen candidate. Chairmen stressed the need to build a sense of involvement in the process, so that the final decision would be perceived by all as a team decision.

> *I would say that it's a combination of things, chosen from people I knew or the Chief Executive knew or other board members that had views. At the end of the day, everyone is given a say and are involved and that's very important in the process. (Chairman 3)*

Chairman 3 described a situation where the nominations committee had engaged in several debates about the appointment process before "we tried to put together a shortlist". However, she then revealed that the shortlist had been drawn up by her and the Chief Executive. She went on to say: "I'm a consensus builder on boards, I mean I will ask them if they agree or disagree, one tries to build a consensus". Later she adds, "if there was any concern about a candidate by anybody then I'd be very wary". The evidence reveals the negligible influence these discussions had on her decision

making, yet how important they were to her as a means of building consensus around her thinking and her candidates.

Similarly Chairman 2 reinforced the point by describing how he elicited suggestions from other board members and opened up the shortlist for discussion, so that 'directors have effectively a platform to share any knowledge that they've got. If they have negative worries before we proceed to appoint it's best to air them'. Whilst it is clear from his interview that his thinking was being largely shaped by the information he obtained through informal channels, he went on to say.

> *The total process ends up with a 'we'. Everybody wants that person (the one chosen by him). Because they've been involved right the way through with the spec, in the thinning out and they've put their own names in. They've all been part of the interview process. I get them all to meet the likely candidate and have to positively sign off the one. So ownership by the whole team of who's joining the team is crucial and you can only get that by involving people, just so that they can track through and remark at each stage. So the trick is to get to the team ownership of the outcome.   (Chairman 2)*

Overall, Chairman 2's evidence suggests that he orchestrated lots of discussion around the board table during the appointment process to give board members a sense of involvement and buy-in on the appointment. However, he searched and selected his candidate using trusted people in his corporate networks, through a much more subtle and informal way than a board discussion. Chairman 1 echoed this view in his interview, when he described how he canvassed views quite widely to get everyone involved in the process. He stressed that the selected candidate was presented to the board as a 'two-way courtesy call' between the candidate and the rest of the board members. He suggested the board's views had not been part of the selection process and that the chosen candidate had come through discussions with specific people in his network in private conversations.

> *The first thing I say is can I have your views of who you think the candidate should be. I would talk to specific people. I would talk to those usually privately as well and then sit down with the headhunter and go through the list. Then the final successful person meets the rest of the*

board so, you know, almost a courtesy due diligence in both directions.
(Chairman 1)

As the process progressed to short-listing and interviewing, the Chairman dominated the highly informal interviewing, often meeting individual candidates up to five or six times. Both NEDs and Chairmen evidenced these interviews as 'getting to know you' sessions. Descriptions reflect the informal nature of the process employed by the Chairman and NEDs' acceptance of how it is done. Although ESFs described interviews with ESFs as conversations, reflecting the informality of Chairmen and NEDs, yet NEDs in particular suggest ESF interviews emphasised high levels of formality in both nature and location often being held in formal head offices in a formal manner. This suggests that ESFs tend to take a more formal approach that is not in tune with the approach of the Chairman.

In summary, the Chairman employed informal processes to search and select a NED for his board. NEDs were aware that these processes were in play through the referencing and interviewing stages. They were also cognisant that it was the information flow through these informal conversations that informed the final decision of the Chairman. ESFs conveyed a lack of awareness of these informal methods adopted by the Chairman. Yet when describing their due diligence work on gathering soft data, a contribution on their part valued by Chairmen, ESFs pointed to an informal off the record style of referencing. In contrast a far more formal style of interview was employed when dealing directly with NED candidates.

4.2.3 Assessment of personal fit

The pilot data reveal that the appointment process of a NED is influenced by the particular nature of the NED role and the nature of the board as a social institution. Credible NED candidates need significant executive experience at a senior level yet the very nature of the role requires an individual to step back from execution. Successful NEDs use their high level experience to both challenge and support the executives who are driving the business on whose board they sit. The nature of the role requires NEDs to challenge but in a manner considered constructive by the executives and to support without being compliant in the eyes of the shareholders, the owners of the company. This duality in the role necessitates both, a range of challenging and supportive behaviours a fit of these behaviours with existing board members.

Discussions on candidate criteria revolve initially around high level executive credentials. ESF 1 talked about one organisation wanting 'someone who had marketing and consumer facing skills'. Another organisation wanted business leadership 'so someone who'd led a global business'. Chairmen echoed this view of the need to find NEDs with strong credentials in their executive careers to gain the respect of the executives.

> *I knew precisely what I wanted. I wanted somebody big from international X who could help me with the X markets. And I wanted somebody who could penetrate Whitehall for me. And I turned out X a retiring Global Executive Vice President.* (Chairman 2)

A NED gains credibility in the boardroom by bringing extensive senior executive experience to bear in the boardroom in a non-executive fashion.

> *Having a combination of being able to challenge and of being supportive. So if you are sitting there as the Chief Executive with his three other executives on our board, they want to be challenged. What is very difficult is where you have a Chief Executive sitting on a board (as an NED) telling everyone how to run the company "this is how I do it and I don't know why you're not doing it the same way as I used to do it, because that's what worked".* (Chairman 3)

Background credentials are important for a candidate to be considered for a NED, but the data reveal that they are merely threshold criteria. It is the candidate's ability to 'add value' that becomes the most salient factor in the selection process. All interviewees evidenced that success in the boardroom was a candidate's ability to 'add value'. By using their background experience and expertise NEDs needed to challenge and support the executives, in a manner that was considered constructive around the board table. Therefore, there was considerable emphasis in the selection process on whether a candidate understood the true nature of the NED role, in terms of the expected behaviour at board meetings.

> *It is around someone understanding what a non-exec does and actually moving from an executive role into a non-executive role. So it's more around behaviour. We don't want the board to get sucked into the*

business and we don't want the board (to) second-guess the executive and the Chief Executive. X candidate, I thought she would get it. She would understand how you provide challenge in a way that's robust and constructive, but not destructive. (ESF 1)

I mean I can think of one person who is just always going to be awkward. Actually it's just a pain (in) the backside and everyone dislikes this person. It's become dysfunctional. Someone who is perpetually awkward just wears the executive down. No one wants to listen and I had to lever them off the board. (Chairman 1)

Candidates were aware of the challenges they faced in behaving appropriately in the boardroom.

One of the things that interest me is that you do all the normal on-boarding and induction processes about governance and what you need to do and what are your duties and stuff. But actually it never equips you for how do you behave at the board meeting. No one talks about that and of course it's about getting that balance right. As a non-exec you can always ask difficult questions, you can always catch people out, but how do you get the balance right? Exercising some sort of governance process versus you've got to encourage and support. You've got to know when to probe and when not to probe. Sometimes saying nothing is a good contribution.   (NED Ross)

First-time NEDs face particular scrutiny on their behaviours in the boardroom.

I think particularly for people who are coming in being new non-execs, because I think there is that concern. Do they understand what being a non-exec is? You know, we had one non-exec who I always thought still wanted to be an exec and still kind of had a chip on his shoulder that he'd never been the CEO of whatever the company he'd been involved with. (Chairman 1)

The data draw out the complexity of a corporate board and the challenge of running a board. The board is a cast of successful business people, with myriad backgrounds and inevitably strong personalities, dealing with the demands of potentially divisive executive and non-executive roles. NEDs are part time and most if not all of them are

independent, which means they have time and information constraints. In addition, the board meets six to twelve times a year and makes 'fabulously important decisions' (Chairman 1). The criticality in making the right appointment was evidenced by all three stakeholder groups.

> *Obviously, the stakes are high when you're bringing someone onto a board and if you do get it wrong you can end up with a dysfunctional team and that is disastrous all round, but particularly for the Chairman. (Chairman 1)*

The findings highlight the need for a board to function effectively as a group in order to collectively deliver its corporate governance responsibilities. The track record and business credentials of a NED candidate emerge as threshold criteria. However, it is more the behaviour of an individual and how they discharge their responsibilities in the boardroom vis-à-vis other board members that becomes salient in the selection process. The relationships within a board, the group dynamics and ways of working influence what forms of behaviour 'fit in'. All interviewees agreed that in order to 'add value' to a board, a NED needed to be able to challenge and support the executives. However NEDs needed to acquit themselves in a way that 'fitted in' with the boardroom dynamics and behaviours of the specific board. Behavioural fit of a NED was considered of paramount importance in the appointment process.

> *You know, they want to be properly challenged, but by somebody with the right approach to challenging, that can do that in a very nice and effective way and that's important on our board. (Chairman 3)*

> *We really want to explore the boundaries of the argument or the options. We want to do that in a good spirit, so that we're actually not fighting each other, but testing arguments. (Chairman 2)*

> *Strong interpersonal skills, a nice balanced ego and, you know, strength in view. (ESF 3)*

Further, the evidence of Chairmen and candidates suggests that it is not so much the behaviour of the potential NED, but the values that underpin their behaviour that is important in establishing fit.

There should be a kind of fit. People I would like to work with. If you can't get on with them, then it doesn't work. But it doesn't mean that you have to be all close friends and go to the same Christmas party, but there should be a fit. And the fit is mainly based I think on respect. You say "Although I do not agree with you, I respect your views. I see what you mean, but still I don't agree with you, but I understand why you have come to this conclusion."   (NED Niels)

NED Tami reflected on how fit with the personalities of the team was important and then recalled 'the whole more subjective area of fit'.

Do we know who this person is? Do I feel I can work with these people? Do I like these people? You know, you have to feel a certain warmth, liking and respect. I feel really excited to work with these people, because I respect them.   (NED Tami)

NED Ross corroborated this view and posed the question: 'is this a person I want to spend 25-30 days a year with'? You know it's just a facet of human nature, people only want to work with people they like and they get on with, 'boards are just human society'. NED Tami's evidence suggests that it was her fit with the values of the organisation and the board, as espoused by the Chairman, which were most important and she was aware of this in her first encounter with him. NED Ross reinforced this view in suggesting that it was his connection with the Chairman in having both worked for the same organisation a number of years ago. He was confident the Chairman made the connection and had put him in as 'one of the good guys'. Later in the interview, he described how the Chairman might possibly have described him, 'he (NED Ross) used to work at company X, he's a really nice guy, a very diligent and sensible guy'.

Chairmen referred to fit as: chemistry, cultural values or general likeability. It was their assessment of this fit that resulted in the selection of a NED. This assessment was partly carried out through the referencing and triangulation process, but ultimately in the interviewing stage, which was led by the Chairman.

You sort of know if you are talking to somebody whether they would fit into the culture that we have at the company X board. I just sort of know

after spending maybe an hour with them or having some dinner with them. I go through quite an extensive interview process. (Chairman 3)

Chairman 2 when asked about the selection assessment described it as follows,

Well it's a combination of judgement, triangulation and prior knowledge. Often from the way people speak, I can identify whether they play teams or they play egos. (Chairman 2)

From the pilot data, the researcher concludes that strong credentials may get you onto a long-list for a NED position. However, it is your behaviour in the boardroom and more importantly your behavioural fit with the existing board that is assessed throughout the final selection process. Further, behavioural fit is interpreted by the Chairman and NEDs as fit with the values that underpin an individual's behaviour. Interestingly, it is the Chairman who carries out the assessment of this fit with the board as a group, through informal referencing in his networks and through an informal interviewing process. There was little doubt in the views of Chairmen or NEDs that it was the Chairman who made the final decision on who fits in with the board. This evidence begs the question: Is the fit assessed by the Chairman the NEDs fit with the board or their fit with the Chairman?

ESFs contended that the culture and chemistry of the board is largely a reflection of the Chairman.

There's a board culture and then there's an organisational culture that impacts on how the board operates. Then we get a set of specifics set fundamentally by the quality and perspective of the Chairman and the interaction with the Chief Executive. This sets the tone and the rest of the board rotates either functionally or dysfunctionally on these dynamics. (ESF 3)

ESF 2 described the appointment process as 'all about fit, it's about finding a relationship which is not cosy, but will work'.

4.2.4 Referencing

Board directors are members of the corporate elite and as with any elite group they are aware of their reputation and status as a member of that group. The appointment of a first-time NED to a FTSE 100 company is confirmation of this individual's elite status

and reputation. This confirmation of status is given by the appointing Chairman. The referencing process that Chairmen engage in, and request ESFs to do, is largely done in the networks of the corporate elites. It takes the form of informal meetings which are off the record and often take place 'after dark' at social functions.

Chairmen described how, in identifying and selecting candidates at each stage of the appointment process, they personally went through an extensive referencing process to establish an individual's reputation. Significant information triangulation was undertaken by the Chairman to check the robustness and reliability of reference information and the results informed his decisions on candidates.

> *I personally use quite a lot of triangulation. If I don't know the person, then I make it my job to know somebody to contact somebody who does - who's preferably had to work for them or work with them. So I identify who should know them well, that I know well, and who I know will give a thoroughly accurate and objective view. Because my relationship with that person I'm triangulating with is one where it can't let me down. I don't trust references unless I've triangulated them myself, or somebody whose judgement I trust has done that for me. The triangulation will tell you whether he or she is a good leader, a good colleague to work with whether they get the trust of other colleagues or at the first sign of problems do they disappear from hard work. (Chairman 2)*

Chairman 3 indicated she had found an ESF whom she trusted to carry out due diligence on candidates and gain a lot of sensitive background information. The ESF would have been operating in the same elite networks as the Chairman thereby giving her confidence in the data. NEDs were not just aware of the informal referencing taking place through the Chairman and the elite networks, they also acknowledged that it was their reputational capital, in or close to the elite corporate networks, that was being referenced.

> *I think that's just the sort of informal checking up process that goes on. My mentoring process helped, as you know, the mentors become referees. I worked with two people, one's a guy called X, he's a well-known guy around the world. Another guy called Y who is a Belgian and who is also well known. They're prepared to say '(NED Ross) is a great guy and he'd make a great non-exec'. This clearly helps. People like the*

Chairman will have checked out with all the other people he knew at company X and he will have asked people I know who know people he knows. As I say it's like Chinese whispers. I also knew a lot of headhunters who operate this circuit and I have a sort of reputation built. (NED Ross)

NED Niels described how he was Chairman of the acquired company and they were used to working with him and he had worked on the prestigious corporate governance committee in Holland. His reputational capital was easily established and his appointment happened very quickly.

I have a number of NED positions on supervisory boards and I was being asked to stay on as Chairman of the company they took over. This meant they were comfortable working with me and the Chairman would have checked that out. I also hold what's considered a very prestigious honour, which undoubtedly influenced them (and) gave me a good reputation out there. (NED Niels)

The less connected candidates were, the more extensive the referencing process was and the longer the appointment process took. The different experiences of candidates in relation to their connections was noted by ESFs

X candidate was known by a number of the Board and particularly known to the Chairman and Chief Exec. The Chairman will be drawing on personal knowledge of board members as to their views of the person and with X that made it very straightforward. Y candidate, I think was a harder one because they (the board) had to get it. I mean, she is not operating in those sort of rounds of the good and the great in the way X was, so she wouldn't have been known and her reputation was not so well established in those circles. (ESF 1)

All three NEDs interviewed were aware that the nature of their referenced connections carried considerable significance for their ability to gain a place on a short-list. NEDs described the elite nature of their referenced connections and how this status helped to fast track them in the process. The elite connections were varied, corporate, professional, political and social. NEDs confirmed that the more connected and

influential their connections were, the more it benefited them as candidates for a NED role.

> *I approached her (headhunter) as I knew she was well connected in the NED network. The headhunter made the links in my C.V. Also, I have been a consultant for X (prestigious consultancy) and have experience in government relations. (NED Tami)*

Note: The ESF involved in Tami's appointment was interviewed as part of the pilot sample and it is evidenced in the transcript that Tami was given an introduction to the ESF by a FTSE 100 NED.

The referencing process, triangulation and due diligence processes, centred less on the business credentials of the candidates and more on their personal qualities and likely behaviours. The Chairmen knew these people had been successful in their lives to date, but they wanted to know how they had achieved success.. As established earlier, Chairmen seemed to assess not just the behaviour of potential candidates, but the values that underpinned those behaviours. The better known candidates were to the Chairman, the more easily he could assess these underpinning values. The more accessible this information was to the Chairman in his networks and hence the more connected a candidate was the more easily he could make a decision.

It is striking to note, from the data of the three first-time NED appointees, how aware the NEDs were of their established reputation. They were aware of their work experiences, the performance levels they had achieved, the strength and influence of their connections and how all of these were reflected in their reputation. Finally, they were knowledgeable on their fit with the appointment they had gained. This begs the question whether successful NEDs proactively build and manage a reputation that eases their way to the boardroom. NEDs showed considerable reticence in openly discussing this. However their interview data reveal that they had a full understanding of their reputational capital and what it contained. Further they understood their values and motivations and their importance in the fit with an appointment.

> *Everything I've done, I've tried to do the best possible and so could end it with clear achievements, so that people can think 'well what she does, she tries to do well'. All these people at the top of organisations, they're exactly like that, they're driven. Doing it, giving the best you've got, doing*

it the best you can. I think if they see that in a person regardless of whether it was in government or whatever, that's what people are looking for. It's what I mean by fit. How that attitude can help the business move forward. It's not just what you've done. People appoint you for what they think you can bring to the table. And that's why attitude is so important. (NED Tami)

NED Niels knew he had been referenced in the corporate networks. He articulated why he felt referencing was so important as it would reveal deep seated values, in this case around decency and betrayal. He was confident he referenced well on these values.

There's one thing there, if you do things, which the group doesn't like then you're out of the group. And that means you're out of business. And it's not very transparent and that's why the politicians don't like it, they want rules. But it's very effective and it keeps people straight, because that's how it works in your own family with your own relatives etc. If you mistreat someone then you're out of the group. You're not invited to the next birthday party or whatever and that's what keeps people decent. And that's why it is important to select people from say the 'old boys' network for these kind of positions, because there's one thing you know from these people that they are not going to betray you or do nasty things, because then they know it's tit for tat. (NED Niels)

Similarly NED Ross described the referencing process and how the Chairman did it informally. He was also confident he referenced positively at a deeper level of values and quoted the Chairman saying 'he's one of the good guys'.

People build up reputations and people like to work with people they like to work with. People don't spend time and don't want to work with people that they don't have a reasonable regard for, however that's acquired. You have to build up a reputation and people gradually get to know you. If you're a relatively unknown person and one of your referees is someone quite well known, it helps. And of course the Chairman checks these things out. (NED Ross)

The data suggest that the informal referencing process led by the Chairman is acknowledged and accepted by the NEDs. They acknowledge the need to have a

reputation with influential connections that can vouch for that reputation, particularly at the level of values. The data suggest that reputational capital, representing the total offering of a NED is a salient factor in the appointment process. The Chairmen in describing what they didn't want in a candidate, pointed to the costs for them as Chairman of the board, as a member of the corporate elite in having someone with the wrong reputation. Getting the appointment wrong could cost their own reputation and standing in the corporate elite.

> *They're just not suitable for here, they're just not team players or they made a pig's ear of that and that will cause us reputational damage or whatever. (Chairman 2)*

> *You need decency and integrity you know. You don't want people who have got their own agendas. It's too costly to reputation…particularly mine. (Chairman 3)*

The data from Chairmen and NEDs suggest that the most suitable candidates for a NED position are: candidates who are judged to have integrity; who know how to behave; who will not cause reputational damage to the board; and have no personal agendas or egos. It seems that the reputation of the Chairman is paramount in the appointment process. An appointment decision needs to enhance or at the least leave untarnished his reputation. He will seek out candidates whose reputational capital is laden with the values that represent no risk to him. Candidates understand their reputational capital and appreciate that it is this capital that will gain them an appointment in the corporate elite worlds of NEDs.

The concern with building and protecting reputational capital may go some way to explaining why the referencing process is subtle and informal and paying due respect to all parties and reputations. All parties know reputations are at stake and an unstated duty to be objective and truthful underpins the process. Chairmen described interviews as more of a 'getting to know you' session. These sessions moved from the conference room to the coffee lounge and eventually to a restaurant, an informal discrete setting. NEDs described the flattery they felt when invited to interview for the position, viewing the interview as an exploratory pleasant conversation. They emphasised how there was little need, 'to sell themselves' and equally, the Chairman 'did not give a grilling' – it was more an exploration of each other's values and motivations. Although all NEDs were flattered at the invitation, they were quick to point out that lack of success resulted

in personal enrichment from the experience rather than disappointment. Even here it seems NEDs are mindful of their reputational capital regardless of the outcome of the interviewing.

ESFs corroborate NEDs' data suggesting that there was significant anxiety regarding reputations during the process. In driving the process Chairmen are acutely aware and fear media intrusion which could result in reputational damage to him, the board in question and indeed the company. Chairmen are cognisant that there is a risk in approaching a candidate particularly a high profile candidate that they may reject the approach.

> *There is a huge anxiety around the fact that a search for a major company's NED will become subject to press speculation. Companies do not want to give a sense that various people are being approached and that there is any problem finding the right candidate. There are all sorts of reputational issues to consider when appointing a NED: The reputations of the candidate, the Chairman, the rest of the board and even the company are all at stake. Matters have to be dealt with sensitively and very discretely. (ESF 2)*

Further evidence of concerns with the risk of reputational damage is provided by the ESFs. The references taken by ESFs are taken verbally only either on the phone or face to face but never in writing. This evidence concurs with the Chairmen's views on the triangulation process. Reference information is triangulated at social gatherings, often 'after dark' or through discrete phone calls, through a process that is described as respectful in elite circles, discrete and opaque.

4.3 Discussion

The appointment process of a NED is specific to both the external and internal context within which the recruiting organisation operates. External contextual factors, such as: the corporate governance regulatory framework, the legal framework and the demands of the specific sector influence initial discussions on a NED appointment. This finding supports the literature, which suggests that boards and their functioning can only be understood in the context within which they operate (Nicholson and Kiel, 2004; Pye and Pettigrew, 2005; Huse, 2005). The internal context relates to: the lifecycle of the

organisation, strategic direction, culture and values of the organisation and specifically the internal board dynamics.

The data support Pettigrew's (1987: 649) call for 'a distinction between inner and outer context'. Where 'inner' refers to factors inside the organisation such as: culture, power and board dynamics. And 'outer' refers to factors external to the organisation such as: industry sector, economic, political and social context. Each of these factors is important. When taken as a dynamic mix, they complement each other and provide a colourful contextual background for one of the most important decisions a board makes - i.e. the appointment of a new member. The importance of context gives further credence to the view that we need to move 'beyond the 'one-size fits-all' approach (Pye and Camm, 2003: 52). Once initial discussions have taken place within the external context conversations regarding an appointment move onto internal factors such as company culture and values, board dynamics and fit. Establishing fit with the board revolves around the dynamics of a relatively large group of elite individuals with myriad backgrounds and personalities. Board directors are executives at the height of their careers, with limited time and information in a non-executive role which requires a complex mix of both monitoring and supporting behaviours.

Although literature on boards of directors is still overwhelmingly positivist, working from data one step removed from the actual workings of a board, a consistent theme emerges from this work. Understanding boards and their functioning requires knowledge and understanding of board processes and the board dynamics that drive these processes (Pettigrew, 1992; Hermalin and Weisbach, 2003; Letendre, 2004; Roberts, McNulty and Stiles, 2005;). The findings of this study evidence a candidate's credentials as threshold criteria for a NED. Once these criteria have been fulfilled the emphasis shifts to a focus on a candidate's behaviour and interpersonal style and their fit with the existing board. The search for behavioural fit is reflective of the notion of boards of directors as small groups. As such, boards are subject to the same social and psychological influences as similar groups. These include: balance between homogeneity and diversity, task/cognitive conflict and group cohesiveness, and ultimately the ability of the group to function (Forbes and Milliken, 1999; Conger, Lawler and Finegold, 2001; Cascio, 2004; Finkelstein and Mooney, 2003).

In the appointment process of a NED, of paramount significance and due consideration is a candidate's ability to provide a balance of behaviours between cognitive conflict

and group cohesion. A candidate needs to demonstrate an ability to deal with the duality inherent in the NED role and be able to 'behave appropriately'. A corporate board functions on the principles of collegiality and consensus. This evidence supports Hill's (1995) view, where he describes the board as a social institution, with members who are colleagues in the elite networks and who have collective responsibility for the direction of their organisation. The language of teamwork, collegiality and consensus was pervasive in his research findings and interestingly it was most pronounced in discussions about the selection of a new director. One Chairman indicated that an inability to gain consensus around a key decision could be as detrimental as him having to resign. Sonnenfeld (2004b) goes further and argues that one cannot consider direction selection without considering these board dynamics. Boards are social systems where interpersonal attraction in each other's judgement and expertise is important for board functioning (Cascio, 2004; Pye and Pettigrew, 2005; Stevenson and Radin, 2009). Board dynamics of working norms, associated behaviours and underpinning values, provide the canvas within which new directors will fit.

The Chairman shapes the dynamics of the board and a board descending into dysfunctional dynamics exposes the Chairman to reputational risks. Therefore it is unsurprising that this study in line with extant literature finds the Chairman dominating the selection of new members onto the board (O'Neal and Thomas, 1996; Davis, 1993; Dixon, Milton and Woodland, 2005; O' Higgins, 2002). Further, despite formalities being introduced into the appointment process (Roberts, McNulty and Stiles, 2005; Maharaj, 2008), The Chairman's search and selection through informal, backstage and off the record processes in his elite networks is consistent with board functioning and the dynamics that drive it.

When assessing candidates for fit with the dynamics of an elite group, conversations are personal in nature and frank. With reputations at stake, there needs to be great discretion and respect (Pye and Pettigrew, 2005; Hill, 1995; Pettigrew, 1992; Davis, 1993; Useem, 1984; Useem, 2006). Board members have an ideology of unity, where disagreements and difficult conversations are voiced privately. This study is consistent with the sociology literature on corporate elites, which suggests that boards are a critical mechanism by which the solidarity of the corporate elite and the interests of its members are served (Mills, 1956; Domhoff, 1970; Useem, 1984; Palmer and Barber, 2001). At the apex of FTSE 100 companies, reputation and status in the corporate elite is highly prized. Deviant behaviour is punished and high status individuals are

rewarded with more directorships. In the corporate elite, directors are bounded by the scope of their connections either known directly or indirectly (Hill, 1995; Palmer and Friedland, 1986; Westphal and Khanna, 2003; Westphal and Zajac, 1995; Davis, 1993; Pye, 2002).

In the search and selection for a NED, the Chairman seeks out direct and indirect corporate elite connections to reference an individual's reputation and their inherent values. It is these inherent values that need to fit with the values of the Chairman as the 'culture carrier' of the board. First-time NED appointments onto a FTSE 100 board will have established a personal reputation and built a network of connections that will vouch for that reputation in the eyes of the Chairman. The greater the connectedness of a candidate in the corporate networks, and the closer these connections are to the Chairman's own, the easier it is to establish the alignment of values. The less connected an individual is, and the further away they are from the Chairman's connections, the more difficult it is to reference an individual's reputation and values. The litmus test of alignment between the Chairman's values and those of a candidate's is the social interviewing process.. It is here that the final decision on fit is made. The referencing data and the fit established in the social interviewing process needs to 'stack up' and leave the Chairman in no doubt, that his reputation and by association the board's reputation will benefit from the appointment of the selected candidate.

This study sought to understand the appointment process of first-time FTSE 100 NED appointees. Candidates, who come through the referencing process for the first-time, need to have connections in the corporate elite world that can vouch for their reputation and inherent values. The more influential the connections and the more congruent the candidate's values are with those of the board, as judged by the Chairman, the more likely a candidate is to be short-listed. This finding is consistent with extant literature which suggests that success in the market for directors is driven by an individual's reputation in the networks of the corporate elite.

However, when the appointment process is for a first-time NED, an individual's reputation has yet to be established in the corporate elite networks. Further, individuals being appointed for the first-time have fewer connections in the corporate elite to vouch for their reputation. The Chairman makes an appointment, having referenced individuals with respect to their reputation, the values therein and their fit with the board in question, as judged by him. As a first-time NED is less embedded in the corporate

elite, individuals have a more protracted referencing process and an onerous interviewing stage to establish personal fit with the role.

4.4 Conclusions and proposal for main study

The pilot study provided a holistic picture of the appointment process of first-time FTSE 100 NED appointees. The appointment of a NED is specific to context both at a macro and an organisational level. At a macro level corporate governance guidelines are set out in the UK Corporate Governance Codes in 2008 and 2010. These codes provide criteria for NED roles, which publicly listed companies, need to 'comply with or explain'. These criteria tend to favour candidates with proven performance in specific credentials for a specified NED position. The process is influenced at an organisational level by the organisational strategy and by the nature and culture of the organisation. For example, if the strategy of the organisation is to grow business in the emerging markets, then the Chairman would consider appointing an individual with experience of emerging markets. The nature of business an organisation operates in can impact, not just a Chairman's choice of individual, but also the willingness of individuals to consider the position. Further, a company culture can influence board thinking on personal fit with the organisation's dynamics. However, the pilot data reveal that these credentials, albeit important, are merely threshold criteria in the appointment process.

The Chairman is the driver of the process and the decision maker at all the key points in the chain of events leading up to a NED appointment. Formal mechanisms in line with corporate governance guidelines characterise the appointment process. These include: the engagement of an ESF, consultations with the Nominations Committee and broader board involvement in the process of identifying, vetting and interviewing individual candidates. However, informal mechanisms operate alongside the formal ones and inform the decisions of the Chairman throughout the process. This paradox has been acknowledged in the extant literature. The Chairman seems to comply with the formal guidelines of corporate governance and obtains a 'tick in the box', yet NED appointments materialise through an informal, social and opaque route. Decisions on the appointment of a NED seem typical of many board processes, which extant literature suggests are made backstage in a discrete manner resulting in a process that is difficult to observe.

The formal NED appointment processes serve a clear purpose for the Chairman. Board members involvement in the formal consultations and vetting of candidates builds consensus on a chosen candidate. Further, although ESFs are regarded with some ambivalence by Chairmen, they are valued for their ability to carry out due diligence in the networks of the corporate elite. This information which is obtained with the utmost discretion is a critical resource in the Chairman's decision making as he utilises this information to make an assessment of an individual's personal fit with the board in question.

The Chairman's assessment is made using an extensive referencing and triangulation process in the networks of the corporate elite. The Chairman socially vets an individual regarding their reputation and behaviour. In part this vetting strives to understand an individual's behaviour as a future NED. The role of a NED requires a balance of behaviours which provide challenge in a constructive manner, to ensure the mix of Executives and NEDs on the board functions as a team. However, the data suggest that the social vetting goes beyond behaviour and assesses the values that underpin an individual's behaviour and reputation. Further, this vetting is done in the corporate elites, with well-connected individuals experiencing a shorter process than less well-connected individuals such as first-time NEDs. Such individuals, who are less embedded in the corporate experience a more lengthy interviewing process by the Chairman to establish fit. Ultimately, the Chairman makes a decision on the 'whole package' (NED Tami) of reputational capital using information from referencing in the corporate elite and the social interviewing of 'getting to know you' sessions with him (Chairman 3).

The findings from the pilot study have given clarity of direction for further investigation in the main study. Firstly, further exploration and analysis of the data is needed on the appointment process to understand reputational capital and how it is developed. Secondly, the assessment of personal fit carried out by the Chairman in the referencing and interviewing process requires more exploration and fine-grained analysis. This will be the focus of Chapters 5 and 6.

5 MAIN STUDY FINDINGS – PART ONE

5.1 Introduction

Chapter 4 provided the results of the pilot study and described a holistic picture of the NED appointment process. It was evident from the pilot study that the reputational capital of a NED and their personal fit formed the basis for the Chairman's decision to appoint a NED. The conclusions of the pilot study was that further exploration and analysis of the appointment process was needed to understand the reputational capital of a first-time FTSE 100 NED appointee, how it is developed and the personal fit assessment. To do this in the main study, the researcher decided to work with interview data from NEDs only as in the pilot study NED interviews provided rich and recent appointment experience data. In the main study, the researcher interviewed 12 NEDs who had been appointed as first-time FTSE 100 NEDs in the 12 months prior to the research interview. In the analysis stage, the researcher combined the interview transcripts of these 12 NEDs with the interview transcripts of the 3 NEDs from the pilot study. This provided 15 interview transcripts for data analysis. This decision was taken because: a) all the NEDs had been asked the same questions about their appointment process and b) all the appointments had taken place in the 12 months prior to the research interview. The analysis of the 15 interviews is described in Chapter 3.

The findings in Chapters 5 and 6 will address the main research question (RQ1) providing an overview of the appointment process of a first-time NED. Chapter 5 will address in particular SQ2 and Chapter 6 will address SQ3 and SQ4:

RQ1: How does a first-time NED gain a FTSE 100 appointment?

SQ1:   How is reputational capital constituted?

SQ2:   How is personal fit established?

SQ3:   How is reputational capital developed?

5.2 Overview of the data analysis process

The reporting of the findings is underpinned by the transition from description to analysis and then to interpretation of the data. The main thematic categories presented in the findings were derived by linking related sub themes in the coding structure. Figure 5.1 illustrates this conceptual transition and shows how the researcher moved from first order codes, to second order theoretical themes and in the final stage to aggregate dimensions. Figure 5.1 may suggest linearity in the data analysis process. However, it was highly iterative as the researcher moved between phases of coding, research questions and conceptualisation of the data. This analysis, illustrated in Figure 5.1 created the basis for the conceptual framework that is presented in Chapter 7 (Figure 7.1.- Conceptual framework for reputational capital development for a NED).

Figure 5.1 describes the three main steps taken in the data analysis process:

- The first step identifies the first order codes that emerged from the raw data and represent NEDs descriptions of their experiences and their perceptions of the appointment process. This is a highly descriptive phase and constitutes the starting point of the data analysis process. For example, first order codes were identified on 'education, work experiences, professional qualifications and industry recognition'. Illustrative quotes have been given for each theme in Figure 5.1.

- The second step is intermediate level coding and identifies the theoretical categories (second order themes) through clustering the first order codes. These second order themes represent the conceptual dimensions of the key constructs discussed and were derived by analysing and synthesising the first order themes. For example, clustering first order codes on connecting with people and the type, importance and longevity of connections led to the more theoretical category of 'breadth and depth of social connections' a second order theme.

- The final step involves aggregating the second order themes into aggregate theoretical dimensions corresponding to the key constructs discussed in this thesis (human, social, cultural and reputational capitals). This step involves an increased level of synthesis and abstraction in the data analysis process. For

example, the second order theoretical categories (second order themes) of 'social vetting in the corporate elite' and 'value laden chemistry and fit' are aggregated to derive the theoretical dimension of 'cultural fit with corporate elite'.

- In developing Figure 5.1 the researcher drew on the work of Ladge, Clair and Greenberg (2012).

Figure 5-1 Overview of the data analysis process
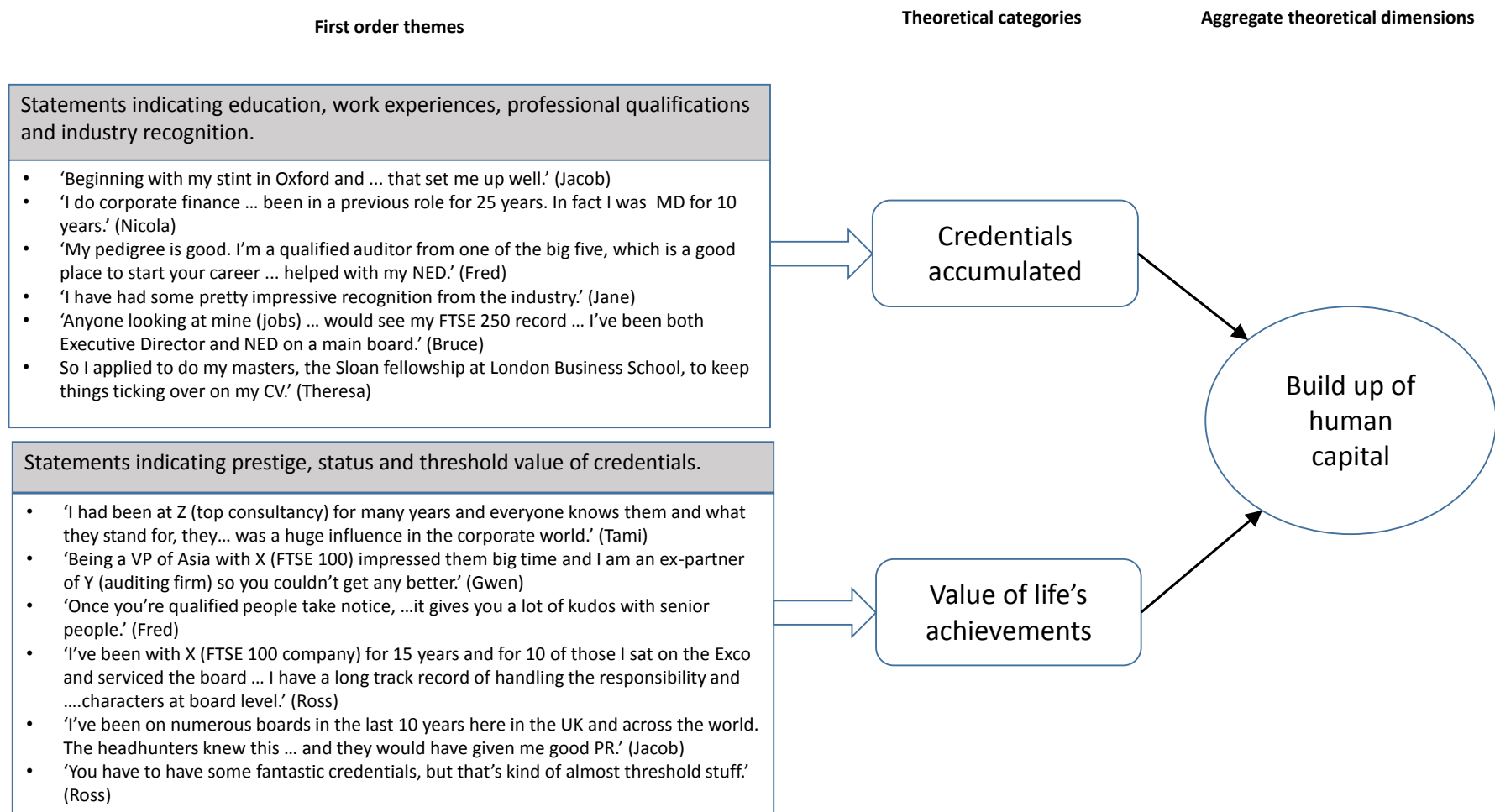
Theoretical categories   Aggregate theoretical dimensions

Statements indicating education, work experiences, professional qualifications and industry recognition.
• 'Beginning with my stint in Oxford and ... that set me up well.' (Jacob)
• 'I do corporate finance ... been in a previous role for 25 years. In fact I was MD for 10 years.' (Nicola)
• 'My pedigree is good. I'm a qualified auditor from one of the big five, which is a good place to start your career ... helped with my NED.' (Fred)
• 'I have had some pretty impressive recognition from the industry.' (Jane)
• 'Anyone looking at mine (jobs) ... would see my FTSE 250 record ... I've been both Executive Director and NED on a main board.' (Bruce)
• So I applied to do my masters, the Sloan fellowship at London Business School, to keep things ticking over on my CV.' (Theresa)

Credentials accumulated

Build up of human capital

Statements indicating prestige, status and threshold value of credentials.
• 'I had been at Z (top consultancy) for many years and everyone knows them and what they stand for, they... was a huge influence in the corporate world.' (Tami)
• 'Being a VP of Asia with X (FTSE 100) impressed them big time and I am an ex-partner of Y (auditing firm) so you couldn't get any better.' (Gwen)
• 'Once you're qualified people take notice, ...it gives you a lot of kudos with senior people.' (Fred)
• 'I've been with X (FTSE 100 company) for 15 years and for 10 of those I sat on the Exco and serviced the board ... I have a long track record of handling the responsibility and ....characters at board level.' (Ross)
• 'I've been on numerous boards in the last 10 years here in the UK and across the world. The headhunters knew this ... and they would have given me good PR.' (Jacob)
• 'You have to have some fantastic credentials, but that's kind of almost threshold stuff.' (Ross)

Value of life's achievements

Statements referencing connecting with people and the type, importance and longevity of connections.

- 'Through my career at X (FTSE 100) I built up good relations in Asia … we keep track of each other.' (Gwen)
- 'Think about who you have been networking with and the people … who could be potentially interesting contacts … You meet people who get to know you, who introduce you to other people.' (Sona)
- 'When I worked with X (company) I made some great contacts. We have kept in touch over the years.' (Tami)
- 'It's so invaluable to keep your connections going for the long term.' (Gwen)
- 'He and I go back a long way. We really connected in our university days and that's not gone away. We ring each other up about all sorts.' (Theresa)

Statements referencing the social and informal connecting, perceptions, ambiguities, prestige and status in the connections.

- 'I don't see it as work. I keep up socially with people. It's nothing that's forced or unnatural … sometimes I can help them, sometimes they can help me. Often it's a lot of chit-chat and gossip.' (Gwen)
- 'There are personal connections I have kept up with and our conversations are personal and private.' (Gwen)
- 'I went to a few select functions ... met some people ….my ESF recommended … these guys are like the biz, they carry a lot of weight, I benefited from it.' (Jacob)
- A colleague of mine at the FSA, who was a colleague … at Oxford. Well we both went to work for X (merchant bank) and he was now on the board of Y (FTSE 100 company). (Theresa)
- Rex will wander into my office … Rex is a good friend of mine, a city grandee and brilliantly connected.' (Ross)

Breadth and depth of social connections

Nature of social connectivity

Build up of social capital

Statements indicating informal referencing mechanisms in elite networks.

- 'When my name came up, he'd think … 'who knows this person?' That's generally the sort of informal checking up process that goes on.' (Ross)
- 'From the Chairman's standpoint … the fact that he knew me … worked closely with people who knew me counted for a lot … he consulted them before saying 'yes'.' (Alexi)
- 'Yes I did prime my connections … a bit of a do at the Regatta … nothing formal … yes I had met the Chairman at the Hurlingham Club … charity fundraiser.' (Bruce)
- 'He (ESF Chairman) called me up … "I'd like to invite you to come and meet somebody just for a chat" with … Chairman of Y (company). It was such an honour.' (Nicola)

Statements indicating norms of behaviours, values and philosophical approach.

- 'He would have asked about my style, how I handle situations, success and failure … it's all about style.' (Gwen)
- 'You mix with a pretty impressive bunch of people so it's more about, "do I know how to behave myself?'' (Jamie)
- 'He … said "he knows how to behave himself. He knows the rules of the game." (Niels)
- 'A conversation … at the level of basic values … "what do you think is important in life?".' (Tami)

Statements about relationships with the Chairman and members of the corporate elite.

- 'I clicked with him and … end of conversation he said "gosh you almost couldn't get a more perfect fit".' (Fiona)
- 'We liked each other … like in terms of respect … a professional liking.' (Jacob)
- 'Was invited to offsite with … board members and members of Royal Family … board members were enthusiastic (about her appointment).' (Jane)
- 'Lord X (board member) and I sat there in the coffee place at the House of Lords telling stories … it felt good, it worked well.' (Ross)

Social vetting in the corporate elite

Value laden chemistry and fit

Cultural fit with corporate elite

Statements about the whole person, experiences in the round, spanning a career.

- 'It's the whole package,….you've got to have achieved and people need to know how you go about your success.' (Jacob)
- 'It's about you as a person, your credentials, the values you espouse.' (Sona)
- 'It's about what you have done in life and what it says about you.' (Bruce)
- 'You spend a lifetime building up your reputation. …..It's everything you've got and more.' (Jacob)
- 'Reputation is everything at this level. ….It's about everything you have done in your life and what you're about as a person. It takes years to acquire … actually a lifetime.' (Fred)

Statements indicating self promotion, good will building and reciprocity in relationships.

- 'I would ring them …. it keeps me front of mind, which is important as these people are connected and I know how the world works.' (Nicola)
- 'I would ask people for advice … it's a great way to get people to appreciate what you've done …. who you are …. where you could go.' (Jane)
- 'You've got to see it from the headhunters' perspective … need to put you on a long-list to make them look good…. they get to know me and I make another connection.' (Theresa)
- Achieve high level of competence … hard work begins. You have got to have a bark.' (Jane)

Statements about the nature of reputation and due diligence.

- 'Approach someone and there's a danger they could turn it down, that would impact negatively on the reputation of the Chairman.' (Fiona)
- 'All my meetings were in secret … fear of reputational damage.' (Steven)
- 'At this level you have to be risk averse when it comes to reputation … to stay in the club' (Fred)
- 'If you have problems reputationally that would be a complete no.' (Jamie)
- 'It's a two-way process. ..No Chairman wants to appoint a NED who doesn't look good on his reputation.' (Tami)

Images of reputation make-up

Reputation building

Risk and reputation

Building reputational capital

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5.3 Overview of findings

Figure 5-2 Overview of findings

A map of the overall findings is presented in Figure 5.2. The structure of the findings is based on the final coding template and the key concepts of this study, namely, human, social, cultural and reputational capital. Chapter 5 will report part one of the findings. Section 5.4 will describe the human capital involved in the appointment process and Section 5.5 will describe the social capital developed by a first-time NED. Chapter 6 will report part two of the findings. Section 6.1 will describe how individuals establish cultural fit with the corporate elite in order to gain a NED. Section 6.2 will describe the

reputational capital developed by an individual for a successful first-time appointment to a FTSE 100 NED.

In reporting the findings, pseudonyms are used to abide by the anonymity and confidentiality clauses agreed with interviewees. The quotes provided in the findings illustrate both typical and atypical responses. When providing quotes I aimed to convey the diversity of the sample (gender, industry, nationality).

5.4 The build-up of human capital

Figure 5-3 Overview of findings – human capital
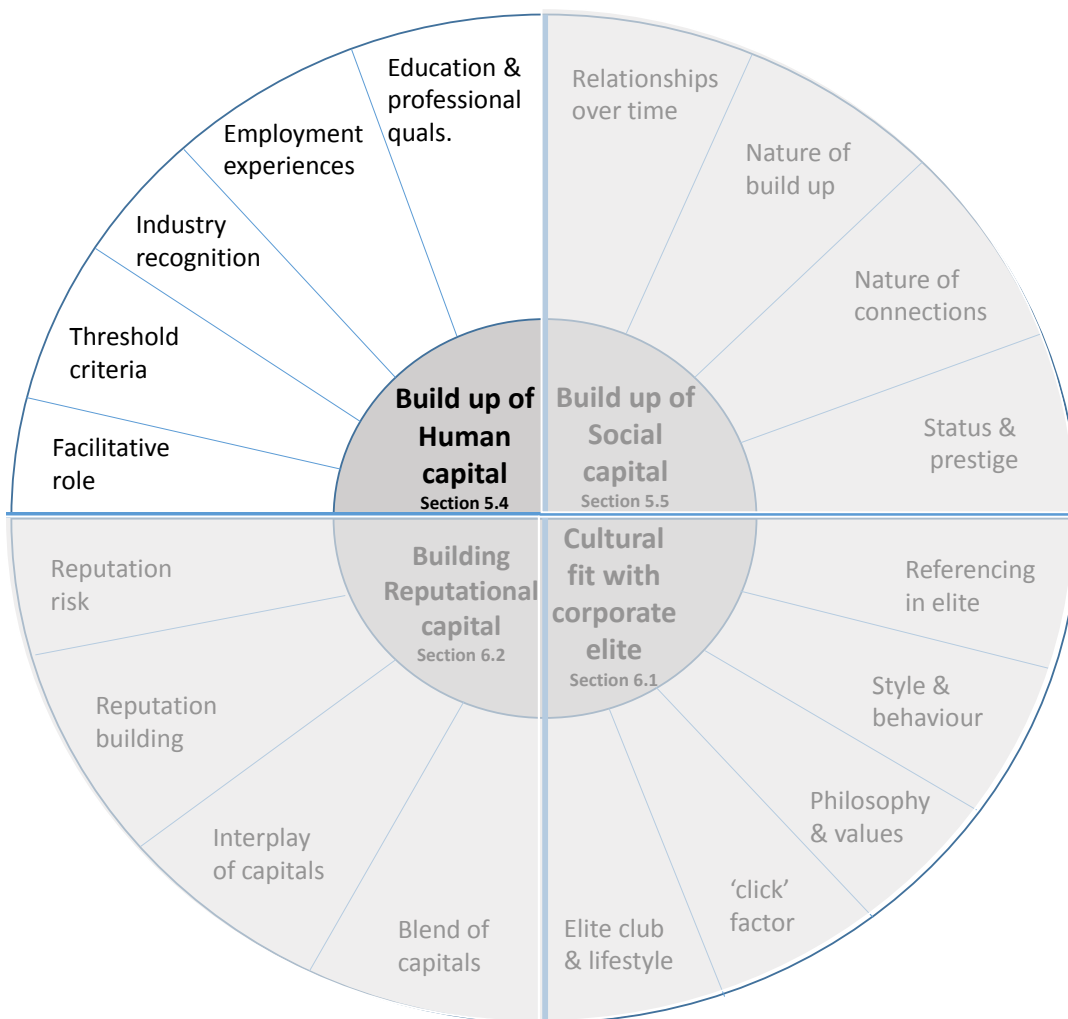
The data suggest that the appointment process for a first-time NED is the end of a journey that spans the course of an individual's entire career. Many NEDs described their appointment process as 'winding the clock back' in some cases up to 20 years. NEDs revealed that their journeys began with the acquisition of credentials in education, qualifications, work experiences and industry recognition. Although the concept of human capital was not explicitly discussed in interviews, implicit reference was made to it in the form of these credentials and its' importance emerged from the analysis of the findings.

Individuals accumulated human capital by building credentials in education, qualifications, work experience and industry recognition. These credentials were built up in a long and successful career in professional services, private sector organisations or politics/public sector. Credentials were seen as threshold criteria for candidates to be considered for a NED position. However, it was the facilitative nature of human capital that enabled individuals to build up the required social capital to gain access to the networks of Chairmen, the gatekeepers to the boardroom. The build-up of credentials continued throughout the NEDs' careers and the nature of the accumulated human capital varied from individual to individual.

5.4.1 Education and professional qualifications

Education was clearly a significant starting point with all individuals gaining a minimum of a university degree. 11 out of 15 NEDs referred at some point in their interview, to their education at either Oxford or Cambridge, universities with elite status. Jacob, reflecting on how much he had achieved in life and the reputation he had built, saw his Oxford education as an early milestone in his successful career.

> *Looking back on what I've done up to now, and over the years I have managed to build up a reputation. Beginning with my stint at Oxford and in many respects that set me up really well, it gave me a lot of opportunities. (Jacob)*

Tami, likewise, positioned Oxford as a significant part of her successful career and an important factor in her being considered for a NED.

There are several things in my C.V., I have an unusual combination of activities on my C.V., Government experience, international, Dutch and English perspectives and of course my work in professional services. I think you can see, here is a woman who knows business and of course I went to Oxford and that balances things well. Things like that really matter. (Tami)

When Jamie discussed why he had got the role, he described his life's achievements and concluded by acknowledging that the starting point for him was his education at Cambridge.

I would say my pedigree is good, right from, well my days starting out at Cambridge. You can't go wrong after that if you know how to keep your nose clean. And I have kept my nose clean since then. (Jamie)

In contrast, some NEDs who had not attended an elite university made no reference to their university background and instead highlighted the strong qualifications they possessed or the amount of board experience they had built-up either on smaller listed companies or privately owned companies. One individual who had gone to a non-elite university was very cognisant of the credence her engineering qualifications gave her in the industry.

Well I think the fact that they were looking for someone with an engineering background makes it a pretty tight fit, and if you look at my credentials, I have good qualifications in engineering to start with. I'm not one of those people who got to the top and doesn't understand the industry. I do and I know people listen to me because of that. (Jane)

In addition, she referenced repeatedly her years of board experience on smaller listed companies, prior to her appointment on a FTSE 100 board. All four NEDs who had attended non-elite universities repeatedly referenced their significant board experience on smaller listed or privately owned companies. Niels described approximately twelve years' experience on smaller listed companies as a NED and in one instance as Company Chairman.

I am a former Chairman of X company (a smaller listed company) and hold a number of NEDs on smaller listed companies. (Niels)

Similarly, Bruce was keen to point out on several occasions his extensive board credentials on smaller listed companies. He was aware that this track record played a significant part in him gaining a NED on a FTSE 100 company.

> *My C.V., it has my jobs and what I've done all my life. Anyone taking a look at mine would see my FTSE 250 record. Although some of them are now further down the list, still it matters. I've been both Executive Director and NED on a main board responsible for the running of that company. (Bruce)*

The data reveal a graduate education, either elite or no-elite, as the first step in an individual's path to a NED on a corporate board. However, for some individuals the accumulation of this form of human capital was still relevant later in their careers and was seen as a key factor in keeping them on track for a NED position. Theresa described how, having taken a break from her highly successful career in professional services, she needed to add to her educational credentials by gaining entry to the prestigious Sloan Fellowship at London Business School. Despite her years of experience as an MD in professional services, she felt it was necessary to gain further academic qualifications to compensate for her career break and to get back 'on track'.

> *I was looking at my C.V. and there were a number of roles that were due to roll off and looking at that, I thought 'I've got to replace them', but struggled. So I applied to do my masters, you know the Sloan Fellowship at London Business School, to keep things ticking over on my C.V. That was an important part of my life, my C.V. looked better and it opened things up for me. (Theresa)*

Similarly, Alexi talked about a time when her career had plateaued and she decided to embark on a doctorate programme at an Oxford university. This additional credential was sufficient to get her back 'on track' and progress to the apex of an organisation.

> *Looking at my career it had slowed down a little at one point, so I decided to do a doctorate at Oxford. It was a great experience. It gave both me and my career a real boost. It got people to pay attention again, believe it or not and new opportunities came my way. (Alexi)*

Some NEDs indicated their professional training such as Chartered Accountancy qualifications was an important factor for a NED role. These qualifications gave them

credibility and respect, not just in their professional life but more generally in industry. Fred highlighted his auditing qualifications as a fundamental building block in his path to the boardroom as a NED.

> *My pedigree is good. I'm a qualified auditor from of one of the Big Five, which is a good place to start your career. Once you've qualified people take notice, it gives you a lot of kudos with senior people and I have built on this over the years. From there I worked my way to CFO and of course that helped me secure a NED. (Fred)*

Gwen indicated that auditing was a good career choice for an aspiring NED. Not alone did it give her the knowledge and skills to understand the financials of a business and chair an Audit Committee, it secured her credibility and earned her the respect of people at board level.

> *They wanted someone with big company name experience and someone who could Chair the Audit Committee and of course I am a qualified Auditor, in fact, an ex-Partner. So I had the full package, qualified with clout and ex-partner of X (Auditing Firm). They need to know they have someone who can keep their fingers on the pulse and as an ex-Auditor I know how to do that. I am so pleased that I come from an audit background. You get an Auditor's nose for what's going on and people respect that and appreciate it. That goes a long way in business, well at this level anyway. (Gwen)*

Both individuals were confident that their auditing credentials, and the career these credentials had enabled them to build, proved significant factors with the Chairmen recruiting them for a FTSE 100 NED position.

> *Being an ex-Auditor and now a CFO makes me part of a small band of people very suitable for a NED and the Chairman went so far as to say this when I first met him. (Fred)*

> *Auditing was a really good background to have for being a Non-Exec....and I think the Chairman of X (FTSE 100 company) saw that. (Gwen)*

The evidence suggests that educational credentials, in the form of a graduate education, were important as human capital for a NED appointment. All fifteen NEDs possess a graduate education. NEDs who had attended an elite university referenced this several times in their interview, which suggests it was an important factor for them in their path to a NED position. Those NEDs who did not attend an elite university did not reference their alma mater in their interviews, but instead brought attention to previous board experience on smaller listed or private companies. Indeed, it is noteworthy that the four NEDs who did not attend elite universities all have significantly more previous board experience than those individuals who did attend elite universities. Table 5.1 is a summary of graduate education, university status and board experience. The data suggest that individuals secured a NED position either with an elite graduate education or a greater portfolio of board experience.

Professional qualifications were also seen as an additional form of human capital in building an individual's reputation for a NED position. Human capital in the form of education and qualifications was seen as significant in the early stages of an individual's career. However, for some individuals these forms of human capital were still being accumulated in their mid to late careers, as a legitimate way of progressing to the boardroom.

Table 5.1 Graduate education and previous board experience

NED	University degree	University status	Experience on boards prior to NED appointment
Steven	√	Elite	0 years
Fred	√	Elite	5 years
Tami	√	Elite	0 years
Jane	√	Non-elite	11 years
Gwen	√	Elite	2 years
Niels	√	Non-elite	12 years
Fiona	√	Elite	0 years
Bruce	√	Non-elite	9 years
Jamie	√	Elite	5 years
Jacob	√	Elite	6 years
Nicola	√	Elite	0 years
Theresa	√	Elite	0 years
Alexi	√	Elite	6 years
Sona	√	Elite	2 years
Ross	√	Non-elite	11 years

5.4.2 Employment experiences

Post university, individuals built a successful career with a highly reputable and prestigious organisation. Four individuals had reached MD or partner level in professional services; two individuals had reached senior positions in governments; and nine individuals had executive careers at or near board level. Individuals had demonstrated high levels of achievement at the top of their field, whether it had been in professional services, private or public sector. In addition, they had demonstrated that they could sustain this level of success and achievement over long periods of time.

I do corporate finance so I advise corporates on buying and selling and various other bits of things. I had been in my previous role for 25 years. In fact I was MD for 10 years at X (merchant bank). They didn't want me to take up NEDs so I moved here five years ago and am sort of a senior MD. (Nicola)

I'd been with X (FTSE 100 company) for 15 years and for 10 of those I sat on the Exco and serviced the board. It's a pretty challenging environment and no, it's not an easy ride, but you get to know how a board works. I have a long track record of handling the responsibility and the characters at board level. (Ross)

I've got an engineering background in both the X and Y industries so the skill set is pretty strong. I've been on a pubic board since about 1999. I've been at the very top of my game now for around 11 years, so I made it pretty quickly to a shortlist. That said remember these industries are very tight and I am a pretty well- known figure. (Jane)

Individuals were very aware that their employment history had been checked out in the formal referencing process carried out by the Chairman and/or ESF. They appreciated the significance of their achievements, in their own right and in the eyes of those referencing them.

My experience is blue chip. I've been in business for well over 25 years and I think I have acquitted myself well. Some of my challenges were very significant, but in fairness I get credit for that. Many directors I worked with in the past to this day give me a cheerlead. And yes the Chairman was well aware of my track record. (Bruce)

They were looking for someone young with commercial business experience. I've had positions on boards of unquoted companies. I'm Chairman of X Group (private company), Y Group (private company), a big media business. I've been on the board of Z Group (private company. I've been on numerous boards in the last 10 years here in the UK and across the world. The headhunters knew this as I've worked with them for years and they would have given me good PR. I've no doubt this all came out when the Chairman picked up references. (Jacob)

Table 5.2 charts the executive work experiences and level of performance achievement prior to being appointed as a first-time FTSE 100 NED.

Table 5.2 Individual's work experience prior to NED appointment

NED	Industry/Sector	Level Achieved*
Steven	Technology	Company Secretary
Fred	Distribution	Chief Financial Officer
Tami	Politics	Senior Civil Servant in Ministry
Jane	Engineering	Chief Technology Officer
Gwen	Consumer Goods	Division Senior VP – Finance
Niels	Publishing	Executive Director – Finance and Administration
Fiona	Politics	Senior Ministerial Post in Government
Bruce	Retail	Executive Director – Marketing
Jamie	Food	Chief Financial Officer
Jacob	Private Equity	Managing Partner in Professional Services
Nicola	Merchant Banking	Division MD in Professional Services
Theresa	Merchant Banking	Managing Director in Professional Services
Alexi	Energy	Senior VP – Corporate Affairs
Sona	Merchant Banking	Managing Director in Professional Services
Ross	Natural Resources	Executive VP – HR

*Executive position achieved prior to appointment as a FTSE 100 NED

5.4.3 The contribution of industry recognition

Industry recognition and awards played a significant part in the build-up of human capital for some individuals. Jane who earlier pointed out her engineering credentials went on to reveal that she had enhanced these with myriad industry and business awards.

> *Operating at my level in the industry for many years, I have had some pretty impressive recognition from the industry and other awards such as Most Powerful Business Woman. I'm not so hung up on them, though they are very flattering at the time. (Jane)*

Alexi, in describing how she had known the Chairman, talked about the recognition she had received from the industry and how this really added to her profile and credentials and brought her to the attention of Chairmen and CEOs.

> *I have attended many industry functions. Well you gotta turn up if you are being given an award! That's happened to me a few times. You get to meet everyone and that's good for your profile and people get to understand what you're doing these days, which is a good thing. I find letting people know what you are capable of builds your credibility in the industry and certainly it wouldn't have missed the Chairman and CEO (of the recruiting company). (Alexi)*

A prestigious industry award or a director's choice award for outstanding service were seen by individuals as important additions to their credentials and made them a stronger candidate for a NED. Further, individuals saw these awards as accolades that raised their profile in the industry, a profile that became a key part of their ability to accumulate social capital. It is interesting to note, that the two individuals who referenced the value of industry recognition and awards most prominently, worked in the oil and gas and aerospace industries. Sectors well known for their close knit communities. Public recognition and reward in such environments was evidenced as having a significant impact on an individual's profile with board members.

5.4.4 Threshold criteria

Human capital in the forms of education, professional qualifications, work experience, industry recognition and awards, was a critical factor in being considered for a NED

position. Without these credentials an individual was not 'in the game and would not be considered as a potential candidate for a NED.

> *It doesn't matter if a C.V. looks unusual if it shows a track record of success. You have to have achieved at the highest levels in whatever you do. You have to have done things to the best of your ability and have clear achievements. Without this there is no point in trying to be considered for a NED. (Tami)*

> *My credentials are strong. I have been holding my own at the top of a substantial business for many years and pulled off some gigantic deals and that is essential if you are considering being a NED. (Sona)*

> *You have got to have fantastic credentials, but that's kind of almost threshold stuff. (Ross)*

Individuals' credentials need to be significant at the highest level for eligibility as a NED candidate. These credentials were perceived as very tangible by NEDs and easily referenced as Alexi indicated in her description of the referencing process.

> *I think it's very easy to determine a person's actual experience, education and training. I mean that should almost be manifest from the C.V. Literally all you need to do is talk to the person's current employer and you know what they did and whether they were quick to do it. So if you're looking for somebody with finance experience who was CFO of a FTSE company, it's easy to find out, were they competent financially. (Alexi)*

These credentials provided tangible evidence of an individual's achievement at the highest level in their field, yet they were viewed by NEDs as threshold criteria for a NED. This is manifest in some NEDs' experiences in their pursuit of a position. These individuals had accumulated sufficient human capital for a NED appointment sometimes up to ten years prior to acquiring one. These individuals had the threshold human capital yet their struggle to be recognised as a NED candidate pointed to a lacking in other capital. Jacob indicated his impressive credentials and pointed out his frustration at how long it took him to gain a NED position on a listed company. His C.V. shows no lack of credentials for a NED, yet the data suggest that his connections were holding up his progress to a FTSE 100 NED. Attending to his lack of FTSE 100 connectivity recommended by an ESF, he made swift progress in securing a NED. The

evidence suggests that his credentials matched the threshold, but were not sufficient to merit a place on the long list for a NED appointment.

> *I have had a number of board appointments in the private world before and headhunters do both public and private companies. I guess the interesting and unusual feature of this appointment was I hadn't held a FTSE 100 appointment before. The wait was pretty frustrating I mean to get an interview for a Non-Exec. Why should it be so different? But it was. It was only very recently I realised things weren't right, so I rang one of the headhunters and he gave me some tips about ringing up a few people which I did and the rest was history. A month later I had an interview. (Jacob)*

Similarly, Jamie was perplexed. For years, he was interested in gaining a NED, but was not invited for an interview. His credentials were strong and he was a FTSE 100 CFO. Yet it took him frustratingly eight years to secure a NED.

> *I tick a lot of boxes. I had tons of experience. I was CFO of a FTSE 100 company for 12 years. I knew how a board operated and knew how an Audit Committee worked. I wanted something that was big, something exciting, a role to get my teeth into. Yet here I was struggling to get an expression of interest in me. Then someone said to me, I think it was a headhunter as I know a few of them well being a CFO. They gave me some good advice, they told me to network. I go to a lot more functions now and meet people I know who are out and about. (Jamie)*

Credentials are critical to gain threshold access for a NED position. However, to progress beyond the threshold required factors more related to do with social rather than human capital. It was recognition of this, which enabled Jamie and Jacob to secure a place on NED long lists. Further, the data suggest that the facilitative nature of human capital enabled candidates to build connections which enabled the build-up of the social capital required. .

5.4.5 The facilitative role of human capital

At every stage of their career, whether reading for a degree at Oxford or Cambridge University, attending a prestigious business school or working for a high profile organisation, individuals took advantage of the human capital they were building to

make connections for the future. This human capital enabled individuals to make connections they would not otherwise have made. These connections would grow in seniority and status over the years and mature into the social capital that would connect individuals into the networks of FTSE 100 Chairmen.

Many NEDs referred to their studies at Oxford or Cambridge and how they had made strong connections there which were nurtured over time.

> *I made a lot of good connections at Oxford, not a bad place to make them, why wouldn't you? As you never know where they crop up. Personally I have found them of great benefit over the years. (Sona)*

> *There are a few people I connected with at Cambridge. We've tracked each other's careers as its interesting stuff. Some of them like myself are in good positions and (are) good to know. (Jamie)*

> *When I left Politics I didn't have a clue what to do so I spent a lot time speaking to a lot of different people including all the major headhunters and anyone I had come across in previous walks of life. Some people I'd met in my days at Oxford. They were actually very helpful, suggesting people I should meet. (Fiona)*

Some individuals joined professional services firms, which gave exposure at an early age to CEOs and Chairmen in large organisations. Sona described her network as very good and gave credit for it to her work experience in a merchant back early in her career. The experience provided her with a lot of opportunities to make connections. As a young advisor in a merchant bank, working in corporate finance, she would have met CEOs and Chairmen in her daily work. She capitalised on these opportunities to connect with these people at the apex of organisations built them into her networks.

> *I mean, you know, some people are better networked than others just because of the jobs they've done previously or whatever. In my role I met CEOs and Chairmen practically every day. (Sona)*

Steven draws upon his time as an Auditor when he frequently worked with the decision makers at board level. Even in the early stages of his career, he was quick to realise the tremendous opportunities this afforded him to build a strong network for the future.

Working with X (top five Auditing company) I worked with the very top people, Chairmen, CEOs and other Board Directors. I realised very quickly what I was being offered on a plate and went out of my way to build a good set of connections. To this day some of them are my best friends. (Steven)

The facilitative nature of human capital continued to work even in the later stages of an individual's career. Although Niels held down many board positions and was relatively well known in board circles, he clearly saw the impact of a recent addition to his credentials. He was nominated as a member of a prestigious governance committee, set up by the Government to advise business on governance issues. This opportunity enabled him to make new connections in the corporate elite, signposting his credentials in a very public way and gave rise more social invitations for connecting further.

This governance committee is interesting. I didn't offer to do it I was asked, but there I was with the good and the great. At the time I didn't realise, but it certainly re-energised my profile. I get called up about all sorts. You can never have too many connections it seems even at my stage of life. (Niels)

Individuals built credentials in education and during their working life which gave them opportunities to make connections and build their network. These opportunities were often more prominent in the early career stages. However, as in Niels' case it seemed to continue throughout his career, helping to increase the quantity and quality of his connections. Therefore it is not just the pure accumulation of human capital (for example, becoming an Auditor or Corporate Finance Advisor) that paves a way to the boardroom it is, in addition, how individuals exploit their human capital to grow social capital.

5.5 The nature and build-up of social capital

Figure 5-4 Overview of findings – social capital
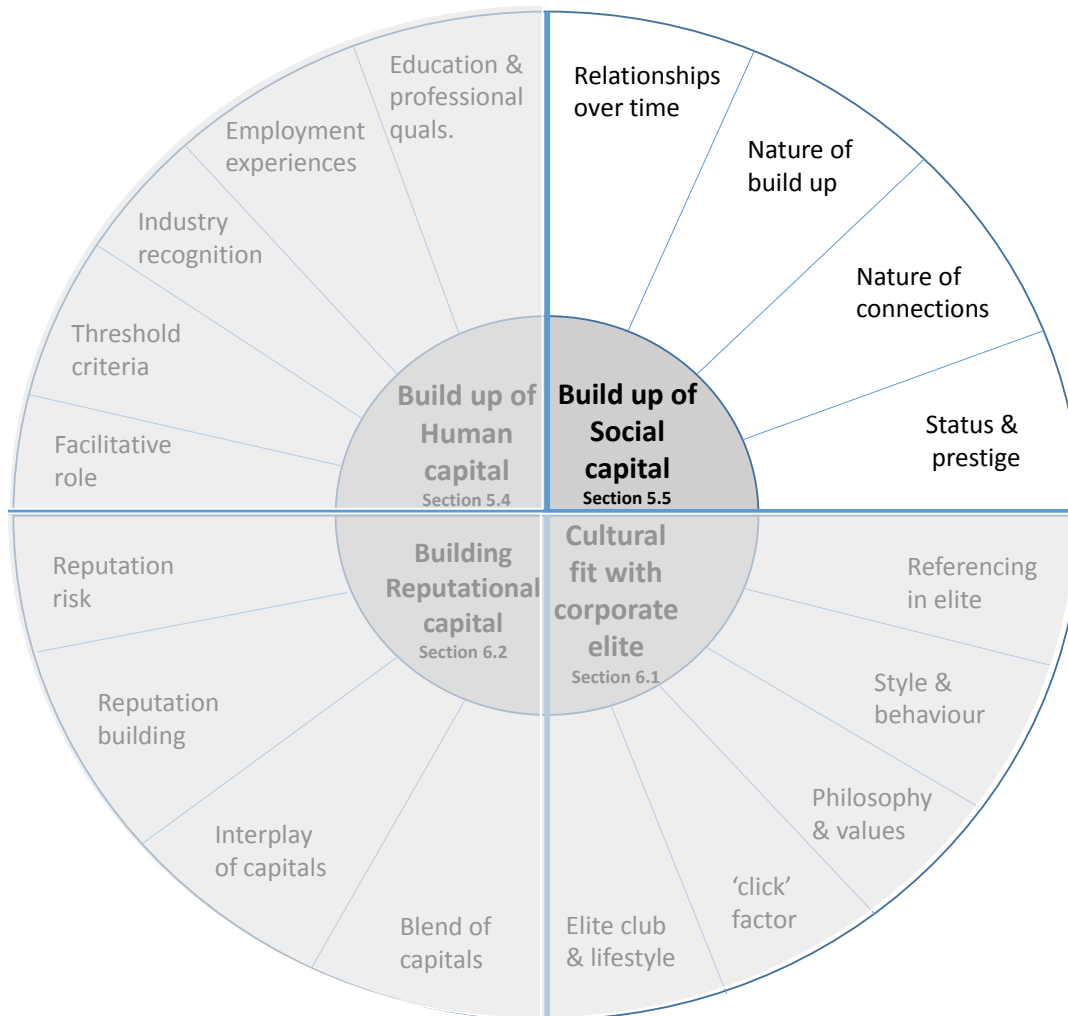
Extant literature on director selection highlights the significant amounts of social capital that NEDs bring to a corporate board. The literature suggests that, in line with resource dependency theory, NEDs need social capital in order to fulfil their role and responsibilities as a corporate director. This study evidences the accumulation of an individual's social capital being facilitated by their human capital. It also suggests that this facilitative process was critical in the early stages of an individual's career, as it

enabled the establishment of a network of connections. Individuals built on these connections throughout the course of their career and the resulting social capital enabled individuals to pave a way to the boardroom. The data suggest that over time these connections matured as individuals progressed to more senior levels in their organisations and developed in increasing levels of prestige and status. These high status and prestigious connections enabled an individual to access the networks of Chairmen. Access to Chairmen's networks opened up opportunities for an individual to be considered for a NED position. This social capital secured a place on a long list for a NED and opened up opportunities for having an interview with a Chairman.

5.5.1 Relationships mature over time

The social capital needed for success in getting to the boardroom was built over the full length of a successful career, in many cases over 15- 20 years. Individuals made connections during their university education, executive careers and through their friends, hobbies and interests outside of work. Individuals consistently pointed to the long-term nature of their connections and the resulting richness of the network developed. Theresa described how her first interview for a NED came through a connection she had made many years ago at Oxford. Interestingly, both individuals went to the same university, started out in the same bank and worked together at the FSA.

> *A colleague of mine at the FSA, who was a colleague I had worked with*
> *when I first left Oxford. Well we both had actually gone to Oxford and met*
> *up immediately after at X (merchant bank) and he was now on the board*
> *of Y (FTSE 100 company). He rang me up and asked me to come for a*
> *chat. (Theresa)*

Later, she suggested that the connection was a particularly strong one as they had kept in touch very regularly and exchanged information. This connection had significant richness and depth as both individuals, having built rapport in their early twenties at university, went on to share work interests in three different work places. They further enhanced this by regularly connecting socially, over the long-term, on a whole range of issues relevant to both of them.

> *Winding the clock back…he and I go back a long way. We really*
> *connected in our Uni days and that's not gone away you know. We ring*

> *each other up about all sorts of things all the time. It gives you an inside*
> *view on things, one you wouldn't get otherwise.   (Theresa)*

Nicola in discussing her NED appointment, referred to a colleague she knew in her first role in merchant banking. Both had progressed to MD level. Her connection went on to be Chairman, before he left to do other things, yet they were in regular contact 25 years after meeting.

> *At one of the headhunting firms there is somebody I know well.   We*
> *started out together over 25 years ago in corporate banking and he went*
> *on to be Chairman of it. Later he went on to head up X (ESF). We phone*
> *each other regularly and have done for years. I know what he's up to and*
> *he knows what I'm doing. (Nicola)*

Nicola also described the good connections she had made whilst working in corporate finance in the early part of her career. Similarly to Sona, she worked as an advisor in a corporate finance role and had regular contact with senior people in organisations. She formed a connection with many of them and proactively nurtured those connections over the years.

> *I met a lot of senior people in organisations in my advisory role and a lot*
> *of them were CEO's of clients of mine. Many of them I have kept in touch*
> *with, some indeed over 20 years. (Nicola)*

Gwen referred to her first job as a graduate trainee over 20 years ago with a top auditing firm and how she had started to build up a wide circle of connections at this early stage in her career which she nurtured over the years.

> *I got to know many of the Directors in my client companies when I was*
> *an auditor. We catch up regularly. With some people you connect and it's*
> *a joy to catch up, having so much history together is wonderful and we*
> *have our laughs. I had an excellent network of colleagues and I've kept*
> *up with them over the years. It's so worth the effort as we go back such a*
> *long way. (Gwen)*

She also points out that her experience of working in Asia with a FTSE 100 company gave her an opportunity to build a strong network in Asia. Yet, she emphasised that she did not let her network in the UK go whilst she was away. She deliberately made

efforts to keep connected until she returned 10 years later. She described how important it was for her to keep widening her network as it made her a more valuable network member.

> *Through my career at X (FTSE 100), I built up a good network in Asia. We've kept in touch again many of them have moved on, but we keep track of each other and make time to catch up. Sometimes it's pure luck we happen to be in the one place or event, but a lot of the time we pick up the phone. It's so invaluable to keep your connections going for the long-term. (Gwen)*

Candidate Alexi indicated that she had mentored people over the years and many had become good friends.

> *I've mentored so many people over the course of my career. Some of whom have turned out to be CEOs of companies, and because we keep in touch I tend to know them. A lot of them are good friends now. We've grown older together and can share a wisdom of experience. (Alexi)*

Relationships were built both internally with colleagues and externally with clients and these relationships were sustained over the course of an individual's career. Many connections that individuals had made in the early part of their career had by now risen to the top of their fields and many were members of the corporate elite. This gradual build-up of social capital during a career, giving individuals access to members of the corporate elite, was evidenced consistently in the data. Individuals who had made their careers in the private sector were cognisant of this long-term build-up. The two NEDs who had built their human capital in the public/political sector, talked about their concern over the lack of a track record in the private sector and how their relatively limited connections were critical in helping them gain a NED. However, their interview data shows a long-term build-up of connections into the networks of Chairmen which did prove significant in their NED appointment.

Fiona talked about leaving political life and having few connections in the private sector. However, she described how over the course of six months she built an extensive network that gave her access to Chairmen and ESFs.

> *I'd never worked in a commercial environment before, so when I left my ministerial job, I didn't have any informal networks at all. I started off by*

seeing all the major headhunters about what was the best route, asking for general guidance as well as getting to know people. I found it easy to get into headhunters, but that was partly because I was high profile, I went to see all the big ones and they gave me names of people to go and see. Every Chairman, CEO and Director I met gave me more people to see. I must have met 60-70 individuals. Each time I met someone they would give me three names of people I should go and see. Six months later I met X (FTSE 100 Chairman) who eventually appointed me. (Fiona)

Fiona described how all her hard work over the six months had paid off and led to her first interview with the Chairman who appointed her. However, when later discussing how she bridged a career in the public sector/politics with a follow on career in industry, she talked about leaving her ministerial post and meeting people she had met in previous walks of life. This included contacts from her days at Oxford and connections in the commercial world – contacts she had known for a long time. Further, when she discussed her interview with the Chairman she described her surprise at him knowing her and her realisation that she had met him before.

The interview was great, he's a great guy and (laughing), the interesting thing is that I hadn't remembered having ever met him in the past, but he had remembered meeting me in the past. He was on the UK Business Initiative set up by the Prime Minister and I chaired it. He remembered that and he was favourably impressed with what I did there. (Fiona)

She hadn't remembered this earlier meeting, but the Chairman had and it was this connection that enabled them to build swift rapport in their interview which went very smoothly. Indeed, her realisation of this connection in our interview seemed to prompt her to describe another connection with the Chairman. In her ministerial role, she had many dealings with the Bank of England and chaired many of the high profile initiatives there. She was aware they had been in the same meetings many times. Clearly the Chairman and Fiona had connected on many occasions prior to her interview for the NED position.

I remember when I was minister there were a number of initiatives I was involved with in the Bank of England and the Chairman was involved in a number of them too. In fact, he chaired several, yes that's right and come to think of it I probably bumped into him loads of times. (Fiona)

Tami who had also held prominent positions in the public and political arena had similar experiences in building up a network in the private sector. Reflecting back on her networking, she described making many connections with colleagues and clients, in her years working for a consultancy firm. She had kept these connections and nurtured them over the course of her career, even though she went into public/political life. It is interesting to note that she expressed great confidence in these connections as referees, despite not having worked with them for some time.

> *When I worked with X (Consultancy Firm) all those years ago, I made many great contacts in colleagues and indeed clients and we have kept in touch over the years. It's great as we are now in so many different places and companies, but we still keep in touch. I know I could rely on any one of them to give me a good reference. We know each other so well now over thirty years. (Tami)*

These connections had been sustained over the years and provided rich social capital that played a part in her appointment process. Individuals built connections, which they sustained over the whole course of their career and it was these connections that helped them to progress to the boardroom.

5.5.2 The nature of the build-up

NEDs when describing how they had built connections had a pronounced emphasis on the nature of the build-up. NEDs were keen to emphasise the social nature of the process, the informality and how serendipity and chance were key features of the connection between individuals. Gwen fluently described how she connected with members of her network.

> *I have an excellent network. I just keep up with people. So if I haven't seen them for six months I say "Come on, let's go and have a drink together" and we just do that. It's fun. I don't see it as work. I keep up socially with people. It's nothing that's forced or unnatural. It's getting together every so often and talking about things. Sometimes I can help them and sometimes they can help me. Often it's a lot of chit-chat and gossip, who's doing what, who has moved and who has had a big move. The latest gossip really. (Gwen)*

Gwen stressed that when individuals connected there was a light touch, yet information that was perceived as important was exchanged – information on individuals jobs, careers, client business and indeed sometimes very personal information about people – gossip. She was also keen to point out that this was not networking. Networking was considered too formal process for connections that are well known. Gwen's connecting with ex-colleagues and ex-clients was as a much more personal process and a very private and confidential one.

> *It's not the big functions either you know, 'cause there are quite a lot of these networking meetings. I've never ever done anything like that, it's too false and formal. These are personal connections I have kept up and our conversations are personal and private. (Gwen)*

The social and personal nature of connecting is supported by Steven. His connections extend back to his early days training as an Auditor and throughout his career he has nurtured these in a very personal network.

> *In the early days you go through the rough and smooth and you make buddies for life. Some of my best mentors and indeed friends go way back. It doesn't matter where we are in the world, we ring each other up and we talk about stuff – personal stuff. It's not work, it's great fun. (Steven)*

Despite the personal tone applied to connecting, it was sometimes done at large events that could be described at networking events. Gwen, described going to a social function that had all the hallmarks of a high profile networking event yet she connected with many people there and found it useful

> *X (ESF Firm) had one the other day, which was great. It was just a big drinks party and there were loads of people there. I probably knew at least ten people in the room and then I bumped into a few others where we found a connection that I could talk to. I had a company in common with them in the past or something. That was a really good one (network event). (Gwen)*

Clearly Gwen and Steven perceived their process of connecting with the people they knew as very social, informal and private. However, information that was perceived as important was exchanged. It was this sharing of private and confidential information

that was not publicly available which seemed to build a genuine connection between individuals, a connection that was resilient over time. Also, Gwen revealed that it was not just her existing connections that were "useful" it was also the meeting and connecting with new people in this setting that was important. Similarly, Niels talked about how he used art circles to keep himself informed of what was going on in the business world and to keep up with his connections.

> *I'm well known in art circles, not because I collect art, even though a lot of people think I do. It's where I meet up with my buddies. We have a light banter about most things, whose doing well, whose causing mischief and it's fun and the scenery is pleasing. It's a pleasant way to catch up. We don't take things too seriously, a bit of humorous banter, though useful banter. (Niels)*

The social nature of the process was emphasised through the constant referencing of light informal conversations in social settings. Sona elucidated further on this when she described connecting with an ESF.

> *I had precious few relationships with the search people other than X (major global ESF) where I just happened to know people on a social basis. Well John the Chairman and I are neighbours and we know each other well. We socialise a lot together and are always bumping into each other at garden parties and whatever. We move pretty much in the same circles. (Sona)*

Later on, Sona elaborated on her networking, which had the same social context.

> *You might have a meeting with someone who you know you've worked on a deal with or is a friend or a colleague. You might think nothing of it, but that person in turn might the next day be talking to someone else and who knows, whether it's social relationships, actually most of the time it is. You never know who you'll be sitting beside at tonight's dinner party. It's fun and yes if someone is up for a role, of course we talk about them and lots of others too. It's viral and you have to be viral. I guess that's what most people don't get! (Sona)*

Like Niels, Gwen and Steven, Sona was uncomfortable with the concept of networking, it sounded too formal and contrived.

Networking is a useful word. I wouldn't do it as a formal exercise, personally that's not for me. People talk all the time and you take advantage of the opportunities that life throws at you. You can't just walk up to somebody out of the blue, but if you are sitting next to them at a dinner party that's different and people introduce you. (Sona)

Sona, like many of the NEDs, described a networking process that was social and informal yet displayed a pursuit of the people she wanted to meet. When she described her success in being considered for a FTSE 100 NED, there was little evidence of serendipity or chance.

You need to sit down and think who you have been networking with and the people you know who could be potentially interesting contacts and you have to work at it. You meet people who get to know you and they introduce you to other people. And you get to know them and eventually you get in the right mix. (Sona)

Many candidates evidenced this ambiguous and contradictory nature to their networking activities. Theresa detailed how chance was a big part in the networking process and described how, in completing her postgraduate qualification at a business school, she met a number of people by chance and serendipity, who later became connections that helped in gaining her first NED.

It was huge serendipity and divine providence but I made the most of the serendipity. I was doing my MSc at LBS and the governing body had gifted a day each to meet with students preparing for interviews. Jack Warner was on the board and he'd gifted a day. I showed up. Not what he was expecting because of course he was expecting a queue of MBAs, because it was for them. He said fancy seeing you here! (It turns out she knew him from her Oxford days). Unbeknown to me he fixed a meeting with Ron Brown, a colleague of his who was CEO of X (FTSE 250 company). Blow me down listen to this! At the same time the school had an evening where they had headhunters meeting students and Y (Global ESF) had an evening. It just so happened that X (FTSE 250 company) were recruiting at the time and Y (Global ESF) had been assigned to the case. I introduced myself and they were interested in someone with a

> *regulatory background, which I have. Isn't that an amazing set of coincidences! (Theresa)*

The data reveal a far more agentic nature to the unfolding of these events. She had clearly sourced the event, which was not targeted at her group and was aware that her connection from Oxford was leading it. A connection she later revealed she was in touch with. It was also this connection who introduced her to the Chairman who gave her a seat on his board. There were many ESF events at the school and Theresa made a point of attending the event where the ESF in attendance was the one who had been assigned by the Chairman to his NED appointment. She revealed that in their introductory meeting the Chairman had mentioned this ESF to her. In her interview data she referred to these meetings as informal conversations of a catch-up nature, alluding to the possibility that not only did she know her Oxford connection was going to be there but that she had planned to catch up with him. She also mentioned that she had met the Chairman before and knew he was going to be there. It was her appointment to the board of this 250 company that put her on the radar for a FTSE 100 NED.

Candidate Alexi evidenced the same contradictions in describing her networking activities. She emphasised that she did not network or socialise in relation to work. However, her interview clearly indicated that she undertook these activities with a purpose in mind.

> *I'm not a networking person. I don't do it. I'm not someone who socialises with colleagues or my industry. Over the years I have attended industry events or have been happy to entertain customers. As a senior executive you need to get out and about and I've done this in many countries and in a few industries, so I'm well known. I tend to maintain relationships with people, informal conversations, keeping on top of things. It's good to bump into people, it's a social thing, it's the only way. (Alexi)*

Despite her apparent dislike of the term 'networking', Alexi had built connections across several industries and had maintained these over the years. Although the settings were social and informal, she pursued her connections with vigour. Indeed she knew the CEO very well and Chairman a little more vaguely, having met them in these settings many times. The build-up of social capital for a NED candidate was agentically pursued by individuals. However, the contradictory nature of NEDs' descriptions suggests that

there were norms of behaviour guiding the process of build-up. Individuals may have been agentic in their pursuit of their connections, but they made them in social settings, where seemingly the norms of behaviour and style were discrete. NEDs were keen to point out that 'networking' was too contrived and formal for them to engage in. Nevertheless, they connected with people in light conversation and easy banter in social settings. They wanted to emphasise the serendipity and chance nature of these activities, yet clearly NEDs had purposefully set out to connect with individuals who would help them progress in their path to the boardroom. NEDs seemed to be aware of how they were behaving and the messages they were signalling about themselves in these social situations. Further, there is a sense that NEDs somehow were cognisant that their behaviour and the messages they were signalling were being assessed. NEDs who had connections at CEO and Chairman level were quick to point these out. This suggests the NEDs understood they were in the presence of members of the corporate elite when engaging in these activities and they understood it was these members who were assessing them. Further, the NEDs understood that such assessments would be critical to a NED appointment.

5.5.3 The nature of the connections

Some NEDs described their connections as personal suggesting that they were well acquainted with these individuals. While others talked more about 'knowing of' the person, suggesting a less personal and more distant connection. Bruce, when describing his references, eloquently explained the deeply personal nature of the friendships he had with these people.

> I gave A (Chairman of FTSE 100), B (CEO of FTSE 100), C (Chairman of FTSE 150) and D (FD of FTSE 150) as references. These are guys I have known for years and I would trust them with my life, almost (laughs). If I had a problem I wouldn't hesitate to ring them up anytime, day or night. These are some of my best friends. (Bruce)

He later went on to say that he did not know the Chairman of the appointing company very well. However, because he was known and endorsed by his friends, he was a Chairman he respected. Such was the depth of friendship with his connections that their endorsement of a lesser known individual gave him confidence in that individual.

> *I didn't know X (Chairman of company appointing NED) very well, but a lot of my friends did as he's been 'round a few years and so they vouched for him and I knew he was a man I would respect. (Bruce)*

Similarly, Niels and Fred in discussing their networks described their connections as a close circle of friends with almost a familial quality to them.

> *I keep a close circle of friends and we know how to behave with each other. When someone new comes along we check them out. You've got to as we trust each other a lot and you don't want someone who doesn't know how to behave muscling in. You could call it the 'old boys' network, but it's more than that. These guys I know well and we turn up all over and look out for each other. (Niels)*

> *I keep a close circle of good friends, which go way back. It's true to say they are my closest confidantes, next to my family. We look after each other. (Fred)*

In contrast Jane, who had accumulated human capital through significant recognition and reward in her industry, described her connections as 'knowing of her' and she 'knowing of them'. This suggests a more distant connection. She talked about how she mingled with individuals at prestigious industry events and had fleeting conversations with them on various topics. Somehow in these brief and informal encounters connections were made and impressions were formed that proved resilient over time.

> *I didn't know the Chairman very well before the interview, but he would have known of me and I knew of him. It's a small world, our business and over the years there have been many industry functions where we met and we did get introduced numerous times. I think there has always been a connection. We met, we connected, but we're not best friends or anything like that. It's just good to have connections. (Jane)*

Jane was confident, when she was approached for the NED that these connections with the Chairman and several members of the board were a significant factor in her being considered for their board.

Alexi, who also had built up significant capital through recognition in her industry, described making connections at social events around the industry. In her case she highlighted the encounters with the CEO of the appointing firm.

> *I met the CEO at lots of social functions. We often attended the same functions and over the course of time I was introduced to him, more than once, and he was introduced to me more than once. That is how we knew more of each other than really knew each other very well. We weren't bosom pals or anything like that. (Alexi)*

Similarly, when she described how she had met the Chairman of the appointing firm she expressed a similar connection with him.

> *It turned out that I vaguely knew the Chairman because he had been an executive in another oil company. So while we didn't really know each other personally we had encountered each other at industry events. So we weren't total strangers. I'm pretty confident he had a favourable impression of me and he most certainly would have given my name to the headhunters to check out. (Alexi)*

Nicola, in describing her connection with the Chairman, also highlighted the connecting process as brief moments in a social context. She worked with the Chairman on a major corporate financing deal, yet she refers to the social part of the working relationship to highlight when her connection was made with him

Actually I had met the Chairman before. We worked on this deal together years and years ago. It was a tough one and we did have fun though and often went out for dinner after a long day. We got to know each other, well I wouldn't quite say we knew each other well, but we knew each other on a social level and we connected. What I would say is that we both remembered those nights out. (Nicola)

The data emphasise the social nature of the connections that individuals made. The nature of the connection can be a very close friendship or a much more loose acquaintance. What is clear is that both parties were aware that the connection had been made and that it was a significant factor in the individual's path to the boardroom. The data suggest that these connections, regardless of the depth of friendship or acquaintance, carried information about the individual's fit with Chairmen and members of their network.

5.5.4 Status and prestige

Status and prestige were referenced consistently by NEDs when they discussed their connections and their inherent value in gaining a NED appointment. Individuals started their careers in organisations that would be regarded as reputable brands and/or highly prestigious organisations. Working in these organisations conveyed a sense of status in society. In addition, all individuals had reached the top of their field in these organisations with titles such as: Managing Partner; Managing Director; Executive Vice President; or Government Minister. NEDs were cognisant of the status and prestige they had built and that of their connections. Individuals' early career connections had matured over the course of their career and as a result enabled them to make further connections with greater prestige and status. It was these connections, built up over many years, that enabled them to gradually access the most prestigious networks of all - the networks of Chairmen. And it was these connections that ultimately paved their way to the boardroom.

Tami had built a successful career at a prestigious consulting firm, a FTSE 100 company and in the government. Yet when she discussed the factors that helped her gain her FTSE 100 NED, she focused on her consulting firm work experience. She was convinced that the level of prestige associated with the consultancy, the people connected with it and the fact that she worked there several years carried a lot of influence with the Chairman.

> *I think the fact that X (ESF) and Y (Chairman) were able to get quick references through people connected with Z (top consultancy firm). I had been at Z (top consultancy firm) for many years and everyone knows them and what they stand for. It has huge influence in the corporate world and that would have got me off the starting block. Well I know it did. (Tami)*

Jami talked about his role as a CFO of a FTSE 100 company with an air of admiration.

> *I've been CFO of X (FTSE 100 company) now for 12 years. I'm an FD of a FTSE 100 company and you couldn't get stronger criteria for sitting on a board. Being a CFO of a FTSE 100 company would have put me automatically on the map. I would have been on the radar of every*

headhunter. Being CFO of a FTSE 100 company is pretty strong stuff. (Jamie)

Further, he excitedly described the events and the people he connected with as a result of his status, people of significantly higher status than him.

I am FD of a FTSE 100 company, so I am well known to headhunters. To give you an example of my week this week. yesterday X (Global ESF) had organised a viewing of the Da Vinci exhibition – a champagne and canapés sort of thing - and I met a few people I know who were out and about. On Tuesday there was a meeting at Clarence House, hosted by Prince Alexander, it was on sustainability and organised by Y (top consultancy firm). It had many of the city eagles there and it was great to catch up with so many people. There were a lot of very powerful people there. (Jamie)

When discussing the referencing carried out on him, Jami again referred to the status of being a CFO of a FTSE 100 company and how his connections were able to impress ESFs and the Chairman.

I knew that X (Chairman of appointing company) would be doing the rounds. I knew people in the city that I knew he knew and I dropped them into conversations with him and the headhunters. I knew the names would resonate. It's important that the names mean something to them. While being CFO at Y (FTSE 100 company) I work with some of the major finance houses in the City and there are a few in particular that I have dropped into conversation as I know X (Chairman of appointing company) would know them. There is one guy he has a massive reputation and I deal with him a lot and so does X (Chairman of appointing company). That link would have impressed and I know that would have made him sit up and listen. (Jamie)

This prestige that the company and the position afforded an individual was like a currency individuals used to build connections with equal status and over time lock into connections with higher status and prestige. Gwen in discussing her first board appointment to a Fledgling company, referred to the status she brought the company.

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This was a little Scottish company in some difficulties. They wanted someone with big company name experience for what was a small company. Being a VP of Asia with X (FTSE 100 company) impressed them big time and I am an ex-Partner of Y (Auditing Firm) so you couldn't get any better. (Gwen)

Having brought this prestige and status to a Fledgling company, it did not escape Gwen that this appointment enhanced her connections to enable her to gain consideration for a FTSE 100 appointment.

The fact that I'm already on a little board of a little PLC on the Fledgling Index, tiny, but it was listed. That gets noticed and people talk and of course the Chairman of that company knew X (Chairman of FTSE 100 appointing NED) and I know they talked about me and passed my name around. It's sort of Chinese whispers and that's how you keep working at it, to make more useful connections. (Gwen)

Gwen was acutely aware of the prestige of her successful colleagues. Particularly from her auditing firm, from which many connections had gone on to hold down positions of CEO and Chairman. These connections were prized by her and acted as referees in her NED appointment. Jane also emphasised the prestige and status of her connections when choosing references for her appointment.

X (FTSE 100 company appointing) is an aerospace defence firm and I had worked for Y company and it's world class when it comes to this business, no one can touch it. I had worked directly through the CEO there, so I used him as a reference and the Chairman of one of the other boards I sit on happens to be the CEO of Z (major airline) and I used him. These speak to the industry and indeed the government. It's important to have people of such stature as references, if you are going to get anywhere. I have stood on platforms with these guys and I know it gets me into the bigger ball game. It's prestigious and it's infectious if you are there. (Jane)

She seems mindful of the prestige and status of these individuals and their infectious ability to help her make further connections at a higher level in the corporate networks.

The important role of prestige and status in a candidate's connections is reinforced by the evidence of NEDs who did not feel they had sufficient connections.

Ross came from a HR background. Despite having built up connections in and around board level, when he considered going for a NED position he deliberately set out to increase the prestige and status of his connections. In recalling where he first met the Chairman, he referred to the days when they both worked for a very reputable blue chip company.

> *In the dim, and distant past the Chairman and I both worked for X (FTSE 100 company). In those days X (FTSE 100 company) was the company to work for, everyone wanted to work there. We both worked there and sort of remembered each other, but to be honest if you worked for X (FTSE 100 company} in those days, you were one of the good guys. (Ross)*

More recently Ross had worked for another global organisation, which was a current FTSE 100 organisation. He was an advisor to the Executive Committee and the Board and had a lot of connections in and around corporate boards.

> *I sit on the Exec committee and have serviced the main board for seven years and for quite a few years I've drawn up the plans for succession on the board. I know all the guys really well and I'm part of the club so to speak. I also know X (ESF company), I've worked with them a lot on different appointments and I know A (Chairman of the ESF) really well. I have no doubt she thinks I am a good guy. I know my way around this terrain. (Ross)*

He refers to a board director that he had worked with as a 'city grandee' who was a friend of his.

> *Quite often Rex (city grandee) will wander into my office and say I've been thinking about X. Rex is a good friend of mine, a city grandee and brilliantly connected. (Ross)*

Yet when he considered a NED role he was not confident he had all the connections he needed. Indeed the data suggest that it was not the connections per se he desired, it

was connections with greater prestige and status than he currently possessed. He knew this was necessary to be a credible candidate for a NED role.

> *A (Chairman of FTSE 100 company) recognised that directors should have a NED and he had set up some arrangement with a mentoring company called X. They contacted me and everyone was given two mentors to share experiences. I think there's no doubt that having this sort of mentoring process helped because the mentors became referees for me. I worked with two people. One's a guy called Sir Gwain, he's a well-known guy around the world. Another guy called Viscount Didier who's a Belgian who's also well known. They were prepared to say 'Ross is a great guy and he'd make a great non exec'. (Ross)*

> *This mentoring scheme, sponsored by his Chairman, helped him to enhance his network with highly prestigious people who would reference him. This was in addition to his existing connections, which had solid FTSE 100 prestige and status. Later he referred to the fact that this network speeded up his progress in gaining a FTSE 100 NED.*

> *Yes definitely, having these guys referencing, the good and the great so to speak, would have helped me skip a few notches on the way. (Ross)*

Further testimony on the importance of prestige and status in the appointment process was the evidence of Jacob. He expressed frustration that despite his great credentials, as he saw them, and his good connections, he struggled to gain a FTSE 100 appointment. Jacob's interview revealed that not alone was his human capital based in the non-listed world of private companies, but as a result, his network of connections was largely based in this world and they were sparsely connected with the FTSE 100 networks. Once he recognised that these worlds did not meet, he took advice and strengthened his connections with the FTSE100 networks. However, what is significant is how he did this and the connections he actually drew upon.

> *I knew I had the credentials for a FTSE 100 NED, I had no doubt about this. Luckily, I am very well connected into the world of headhunters. Luckily for me, they operate across the two worlds of private and listed companies. Having realised these worlds are different and it comes down to who you know, I went to a few select functions and met up with some*

people my headhunter recommended and lo and behold things started to move. These guys would have been the biz, they carry a lot of weight and I benefited from those connections enormously. The Chairman (FTSE 100 company) who appointed me in the end would have listened to these guys. (Jacob)

Jacob received guidance from his connections in the ESF world and built connections of status and prestige into the FTSE 100 networks. These connections reflected well upon him and enabled faster progress in gaining a FTSE 100 NED.

5.6 Summary

The data suggest that individuals built up substantial amounts of human capital in the form of a graduate education, work achievements at the top of their field, professional qualifications and industry recognition. This level of human capital was viewed by individuals as threshold criteria for a FTSE 100 NED position. Individuals were not considered as possible candidates without this threshold level of human capital. However, having accumulated this substantial level of capital to gain a threshold, it was the facilitative nature of this human capital that enabled individuals to progress to the boardroom. The human capital that individuals accumulated from the start of their careers enabled them to build a network of connections. This network of connections was nurtured and built on throughout an individual's career, to provide social capital, laden with sufficient prestige and status, to gain access to Chairmen and their networks. Individuals with more of this social capital progressed faster to a board position and those that were lacking sufficient amounts of it needed advice and guidance to increase it. However, the data also suggest that substantial amounts of social capital in itself was not sufficient to win a seat at the board table. It was the nature of the build-up of social capital, the nature of the connections that individuals made and the role of prestige and status in their connections that was critical in continuing to make progress to the boardroom.

In building social capital, individuals engaged in activities that had a social context such as: garden parties, industry functions or culture related events. Their conversations were always described as informal, light and often humour was emphasised. Individuals eschewed networking as too formal or contrived, yet individuals clearly pursued connections they wanted to make in an agentic manner. Further, the nature of the connections was varied amongst individuals from very close friendship ties to loose

acquaintances. However, what seems to be significant was that a connection between individuals had been made and one that was resilient over time, sometimes over twenty years. Individuals were also aware of the prestige and status involved in connection building activities. They were aware of the prestige and status they had built up in their own careers and how this had enabled them to connect with people of higher prestige and ultimately with the networks at the apex of corporate life. Individuals often referred to these people as 'the good and the great', 'captains of industry', 'impressive people', sometimes 'known across the world'. The data suggest that in the process of accumulating social capital, individuals engaged in connecting activities that enabled an assessment of their fit in the corporate elite. This fit was assessed on those social occasions where individuals mixed with the highest levels of prestige and status in society. The data also suggests that this fit was a cultural fit, with an emphasis on the norms of behaviour at these networking events and an emphasis on getting to know the individual as a whole person rather than just in a work context. Indeed it was the cultural fit with the corporate elite that enabled an individual to eventually interview for a NED position.

6 MAIN STUDY FINDINGS – PART TWO

6.1 Establishing cultural capital for fit with the corporate elite

Figure 6-1 Overview of findings – cultural capital
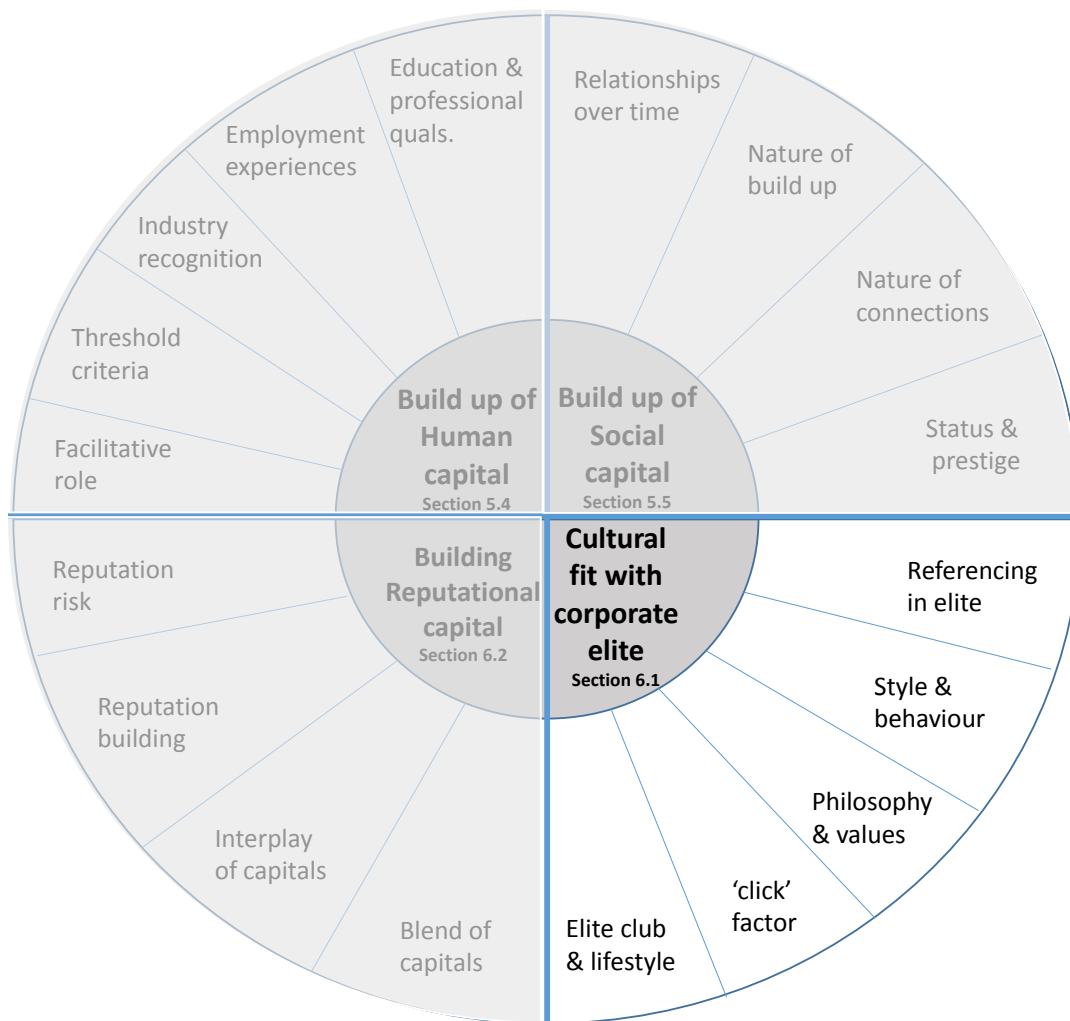
The social capital that individuals built up over the course of their careers included the establishment of essential connections that would enable them to reference their cultural fit with the corporate elite. Candidates were very aware that the appointment process was not just about what they had achieved in life so far, it was about a candidate's style and behaviour. It was about their expression of values and character.

It was about 'the whole person' (Sona). The extensive referencing process, tracking an individual's career and the interviews with the Chairman and other members of the board focused on establishing an individual's cultural capital and their cultural fit with the corporate elite.

6.1.1 Being referenced in the corporate elite

There was a referencing process carried out on candidates under consideration for a role. A formal referencing process took place whereby the candidate would provide a list of referees and references were taken from these, often by the ESF. However, what makes the appointment process of a NED unique was the extensive informal referencing process that was carried out by the Chairman through his networks.

> *It's a very thorough process, rather a shock to the system. I think it took six months. I think actually now, looking back, had I known at the beginning that it took so long, it might have put me off actually. I think they (the company) went very broad and he (the Chairman) talked to a lot of people and some of the conversations were long with a lot of depth. (Gwen)*

Interestingly, when Gwen described the referencing process, she indicated that she had been in touch with many of her connections both before and after the Chairman had contacted them. This would suggest that she knew the informal referencing would take place and she knew the people who were likely to be contacted by the Chairman. It seems that candidates were aware that the Chairman would contact individual connections who knew them well and who moved in the Chairman's network. As we have seen in the build-up of social capital, candidates had now reached a stage in their careers where their connections had matured. They now had connections laden with prestige and status with access to the networks of the Chairman. Steven and Alexi were both aware of their connections at the apex of organisations and how influential those connections were in helping them secure a first-time NED.

> *I had been introduced years ago to the Chairman of X (ESF), who had given me some good advice. We kept in touch over the years. She is massively influential and would have given a thumbs-up to Z (recruiting Chairman). One of their directors (recruiting company) sits on a board with our Chairman here too. (Steven)*

From the Chairman's standpoint, I suspect the fact that he knew me or knew of me and worked closely with people who knew me counted for a lot. I am sure he consulted with them before he said 'yes, this would be a candidate for a board'. You know he is on boards with many of them and they talk. (Alexi)

Fiona, despite earlier expressing concern on leaving political life without a large network in the private sector, expressed a huge amount of confidence in her connections when referenced by the Chairman.

I had references on my C.V., but I also had pretty good references lined up just in case he might speak to them. You see a key reference of mine was X (senior official in the Bank of England). He was one of my references! I had worked with him years ago as an Economist and we were still in touch. X (Chairman) chaired the Court of the Bank of England and so they knew each other very well. He (senior official in the Bank of England) volunteered to be a reference for me and X (Chairman) did speak to him. I knew I was pretty sorted after that. (Fiona)

Fiona was aware of the elite status of her reference in the Bank of England and she was also aware he was connected to the Chairman. Ross highlighted his informal social vetting with members of the corporate elite. He openly expressed confidence in gaining a positive endorsement from a Chairman of a FTSE 100 company.

I knew when my name came up, he'd think immediately, 'who knows this person?' That's generally just the sort of informal checking up process that goes on. X (CEO of previous employer – a FTSE 100 company) would have said 'he's a good bloke' and that would have set me well on my way. (Ross)

Candidates described how many of their connections were CEOs, Chairmen, other Board Directors or top Executives in the Private or Public Sectors. The data suggest that candidates at this point in their career had connections in the corporate elite and often in networks closely affiliated to the Chairman recruiting. Indeed those candidates who were more embedded in the networks of the Chairman were referenced more quickly and those who were less well connected went through a more extensive referencing and interviewing process. For example, Jacob described his referencing

process as thorough, as the Chairman had spoken at length to many people over the course of six months. His social capital was found to be lacking as he did not have sufficient connections in the FTSE 100 world. Having nurtured some contacts in this world, he was invited for interest in a NED. These direct connections, having been established relatively recently and limited in number, gained the candidate an opening to the FTSE 100 network. However, they were not enough to avoid the very long referencing process he experienced.

In comparison, Niels, who had a large circle of connections in the corporate elite, was referenced very quickly by the Chairman and his process of appointment was very short. It is clear that the referencing process took place among the corporate elite. The better an individual was connected to that elite, the quicker a candidate's cultural fit with the corporate elite was established. Similarly, Steven indicated that his appointment process happened relatively quickly due to his connections both in the NED world and with the CEO of the recruiting company. His connections were so strong that the CEO and Chairman seemed to have indicated to him in the interview that he had the appointment.

> *Connections are everything. I have a great affinity with a lot of other NEDs and they were delighted I wanted to become one. In fact, they were willing me in. Of course the CEO is American and we have hooked up many times, as I was brought up in America so there was that connection as well. I got the job fairly quickly, but of course the formalities with the shareholders took a bit of time. (Steven)*

Further, candidates consistently described having met the Chairman, who appointed them to the NED position, at social occasions where other members of the corporate elite were present. Sona had worked with the Chairman as a client many years ago. Yet it was her meeting with him at the garden parties of her neighbour that she choose to highlight, These garden parties were organised by her neighbour, who was Chairman of an ESF and a member of the corporate elite, who no doubt would also have invited other members of the corporate elite. Similarly Gwen had worked with the Chairman in her earlier career, but it was her social contact with him that she thought was important.

> *I had worked with him moons ago, but we had kept up with each other over the years. You know the usual social banter and I would say he*

*knew me pretty well and we got on well. We had a bit of fun. Sometimes
at some of these social functions we would just exchange greetings. You
know there were a lot of other important people there. The Chairman
knew more of them than I did. (Gwen)*

Niels talked about having met the Chairman at cultural and sporting events.

*We are both beer people and lovers of rugby so we have sort of
connected. There was one good event I remember the last world cup and
there was a good bunch of people there and of course X (Chairman) was
there. I have bumped into him lots of times at art functions. It was at one
of them I was introduced to him. (Niels)*

The data suggest that candidates built connections in the corporate elite. Candidates
mingled with these connections at frequent social events such as parties, art or sports
events. Both the candidates and the Chairman recognised the importance of these
events, to the point that they were often referred to in the early part of the NED
interview. An informal referencing process was carried out by the Chairman with other
members of the corporate elite. The candidate's fit with these members at social and
cultural events was significant in the appointment of that person to a NED position.

6.1.2 Attention to style and behaviour

When candidates were asked why they had succeeded in being appointed as a NED,
they described how their credentials were very good and that they had the knowledge
and skills required.

*You need to be able to take part in the debate, whilst not giving the
impression you want to run the business. You need to show that you can
challenge and scrutinise in a constructive way, manage the debate
without alienating anybody. You need to be prepared to accept the
decision that's made. (Fiona)*

*When it's a board position you are not in control. The question is, 'can
you step back and be a good board person ensuring the right questions
are put on the table with the minimal amount of interruption?' That's what
I can do. (Jane)*

You have to be able to have a good and strong, robust debate. Agree to disagree in a constructive way. That's the whole point of a board, to have constructive debate and come up with good advice on strategy and governance generally. That's why X (Chairman) hired me as I say it how it is. (Sona)

Candidates described how an effective NED was an individual who was able to debate the issues, could constructively challenge and gave advice on strategy and governance. Yet when candidates described a typical referencing conversation, the questions focused very narrowly on the candidate's personal style and how they behaved in different situations. Gwen freely articulated the content of her Chairman's referencing conversations like a well-honed script. She was aware of the general nature of the conversation and the lack of reference to specific skills for the NED role.

When talking to people he would have asked about my style and how I handle situations. How would I handle success and failure, all sorts of things in life, but a lot of it about style (Gwen).

Similarly, Jamie, Bruce and Niels understood the nature of the Chairman's referencing conversations and the line of questioning about their personal style and behaviour. Further, they were aware that the Chairman needed to draw conclusions on whether their personal styles showed an understanding of the "rules of the game" and a fit with members of the corporate elite involved in the conversations.

The conversation would pretty much go on the lines of; 'How does Jamie conduct himself?' 'What's his style and how does he approach things?' You mix with a pretty impressive bunch of people so it's more about do I know how to behave myself. (Jamie)

He (Chairman) knows people I know and he would say: 'we're talking to Bruce, what do you think about him? Do you think he'd be a good fit or not? How does he handle himself?' (Bruce)

Well he (Chairman) would have had a good sense of what kind of person I am as we know the same people. He would have said: 'he knows how to behave himself. He knows the rules of the game, as he has played it for long enough. He has led a good life and has never been in jail sort of thing'. (Niels)

It is undeniable that questioning about style and how a candidate approached different situations could have an impact on their effectiveness as a NED. However, the conversations covered a much broader area such as how a candidate handled life in general and how an individual behaved more generally. When Bruce referred to questioning on 'a good fit' he indicated that the Chairman had referenced him with members of the corporate elite. People that they both knew and that all the members involved would have judged him 'a good fit' in general terms. This fit was not linked to the job skills set, the company board he was joining or the Chairman personally. It was a fit agreed between members of the corporate elite, including the Chairman. Indeed, Jamie suggested that his style and behaviour would be judged by 'an impressive bunch' from the corporate elite and that this would have dictated the style considered a good fit. Niels, who was one of the better-connected candidates into the corporate elite, explicitly referred to the referencing process as a checking process on whether an individual understood 'the rules of the game'. The game referred to being that played out by the Chairman and his connections as members of the corporate elite. The rules were the rules of behaviour expected of a member of the corporate elite and the game referred to was membership of the corporate elite.

The candidates interviewed were trying to gain a first-time appointment to a FTSE 100 company and hence understood their entitlement to membership of the corporate elite. The NEDs data indicated that the process of appointment would need to establish their legitimacy as a full time corporate elite member. With the exception of Jacob, NEDs did not seem surprised at the extensive social vetting on their style and behaviour. They understood it to be the Chairman's method of collating the relevant information to establish their legitimacy. The more connected candidates were with the corporate elite, the more they understood the 'rules of the game' and how they needed to reference positively in order to progress. Jacob was less well connected in the FTSE 100 corporate elite and expressed frustration with the lengthy process. His data suggest that the frustration seemed to be a reflection of his coming to terms with the referencing of his knowledge of the 'rules of the game'. He was confident he understood the rules and his later appointment proved him right. However, it was his limited connections in the FTSE 100 corporate elite that resulted in a lengthy referencing process. It took time for the Chairman to establish Jacob's knowledge of the rules with members connected in the corporate elite.

Candidates understood the impact, a well-connected reference or a highly influential one would have in confirming their style and behaviour as a good fit among the corporate elite. Candidates understood that the style and behaviour of individuals who were at the apex of organisations such as the FTSE 100 would be different and that membership of that group would result in pressure to perform in the expected manner. Candidates understood that their style and behaviour needed to reflect their position in society. Tami, described how the appointment to a NED was not just about being a corporate director, it was a position of significance at the peak of the business community. She contrasted the role of her credentials, which in her view many people could achieve, with the significance of her style of operating. She impressed upon the researcher her management of her behaviour throughout her career revealed a lot about her as a person and it was this behaviour which was now being assessed for fit with the corporate elite.

> *It's not so much what you have done in life. There are lots of people like me who have risen to my level and have proved they can run a business. Becoming a Board Director is a much more complex process. It's not about what you have done, it's how you have done it. People can read a lot into that! There's more to being a Board Director than just simply sitting on a board. It's your place in the business community and how you can deal with it. (Tami)*

Ross lucidly described how he was almost intimidated by the wealth of connections he was party to on his appointment. As a result he felt under real pressure to perform. He understood the need for his behaviour to fit in with the norms of behaviour of the corporate elite members he joined. Not just in the boardroom, but in the wider corporate elite society. He also was aware of the consequences of not fitting in and not getting it right.

> *I mean we've got on our board; a CFO of FTSE 100 company, a CEO of FTSE 100 company, a Director of FTSE 100 company, a CEO of FTSE 100 company and Chairman of FTSE 100 company and myself. If you look around the board each of these guys have hundreds of connections. They have great knowledge though it's not transparent. The pressure is on really to pull my weight. I bring a few connections myself, but it's early*

days in this game and I will need to watch my step. If you mess up you
don't get many chances. This is pretty much as far as you can go. (Ross)

The data suggest that candidates were aware of the informal referencing process that socially vetted their style and behaviour as a whole person. Candidates understood that as first-time NEDs their style and behaviour had been vetted not just for their behaviour on the board, but for the broader business community, the corporate elite. However, the data reveal that style and behaviour were not all that was being vetted. There is evidence to suggest that candidates were vetted at a deeper level of values and philosophy. They were vetted not just on how they did things, but also on the underpinning values and philosophy that guided their behaviour generally in life.

6.1.3 Vetting of philosophy and values

The extensive social vetting and interviewing process with the Chairman revealed a focus on values and philosophy in the final stages of a NED appointment. Interviews with the Chairman were described as informal conversations, often of a very general nature and yet candidates were aware that an assessment of mutual fit around values and philosophical stances was taking place. Tami referred to her interview with the Chairman as one about her underpinning values and what she stood for as a person. She clearly had a good experience and made a connection with the Chairman in her interview. There was little doubt in her mind she wanted to work with him.

> *The interview was one of the best interviews I've had in my life. The*
> *conversation was exploring what kind of person I was. I described it once*
> *to a friend of mine as a conversation almost at the level of basic values –*
> *'what do you think is important in life? 'And I left that conversation feeling*
> *I think this company has the values of a company I would like to work for.*
> *And I feel the Chairman exemplifies them.   (Tami)*

Yet Tami went on to describe the interview as rather ambiguous, unusual and not about anything specific. Her interview data suggest that she and the Chairman shared similar values and her informal non-specific conversation with him reinforced those values and their importance in her gaining access to the corporate elite.

> *It was a vague interview in many respects because it wasn't very*
> *focused. I didn't feel I was being grilled and it was pleasant. It was an*
> *unusual process. It wasn't about the profile (NED criteria). It wasn't about*

the company. Nothing specific really just what we thought was important in life. It was more to see if there is a level of mutual interest in each other. (Tami)

Tami described the drive to do the best in whatever she did as a fundamental value she shared with individuals like the Chairman at the top of organisations. However, she acknowledged that it was not appropriate for a candidate to be pushy or overtly display their inner drive in a NED interview. She was aware that she was mingling with members of the highest echelons of business and that there was appropriate behaviour, which would reveal the underpinning values appropriately. She was aware she was working to a code or a set of rules practised by members of the corporate elite.

Everything I've done I've done to the best possible and have clear achievements. People can think, 'she tries to do well'. I think that all these people at the top of organisations are exactly like that. They're driven. You give the best you've got and I think if people see that, whether in government or elsewhere. That's what people are looking for. That's what I mean by fit: it's attitude and that's why attitude is so important. You've done well, but you are not pushy about it. You have some fundamental values that over-ride everything you do. (Tami)

Later on in her interview she was self-congratulatory for not going into the process in a selling mode and taking a more exploratory and measured approach instead. She again alluded to some kind of appropriateness of expression of her values.

When I started I wasn't into selling mode, I was really into exploring. I think that helped. Funnily enough, that may have been a key positive factor for me with the Chairman. (Tami)

A candidate needed to have been successful at the top of their field, have connections into the corporate elite and needed to express in their behaviour values that fitted with members of the corporate elite. Jane recalled her interview with the Chairman, highlighting the philosophical nature of the meeting. She emphasised the importance of humour and how both she and the Chairman connected on the values associated with it.

He struck me as the kind of individual I would sit well with. He was open and had a sense of humour. He was quietly confident. He said "you have to have a sense of humour to work with me". Which was interesting, but actually it put me at ease. They could play hard, but they didn't take themselves so seriously. We got a sense of each other, what we are about as people and how we treat people and situations. It's about a whole lot of stuff in general. (Jane)

The evidence suggests that the fit between Chairman and candidate at that point in time was one of fit with deep-seated values and disposition in life. Not particularly personal, but more a fit with the Chairman as a member of the corporate elite. The Chairman's quiet confidence, his obvious success in life and his ability to use humour, drew on values that Jane admired and connected with. However, this also suggests that Jane was aware she had a connection with a member of the corporate elite, which must have reassured her of entry through her appointment. Theresa evidenced this social vetting at a values level when she first met the Chairman nine years ago.

Unlike when you interview for executive jobs, the process is more ambiguous. There is less structure. You can meet and not be sure what you're discussing. It was about me as a whole person and the people we knew in common. The first-time nothing came of it. I got feedback that the meeting had gone well, but nothing happened for nine years. Last October, the same contact, who's still on the board, called me up ' X, who's the Chairman, remembers meeting you nine years ago, he was impressed with you then and we're recruiting again and he'd like to meet you'. (Theresa)

Theresa had a good interview, had good feedback and yet nothing happened for nine years. She laid her lack of success down to the breaks in her C.V. and the absence of the required amounts of human capital needed for a NED. When she returned nine years later she was appointed.

When I went back, I felt that he'd already made up his mind based on our meeting nine years ago. It was informal and I felt that he wanted to go through all the hoops to get people on board, but I felt that he'd decided. My story stacked up. I had more experience and my MSc. Everything I had done during the last nine years just confirmed our initial impressions.

We understood each other, how we approached life and the stances we took on issues. It is how I am in the round (whole person). It's how you see things at a bigger and deeper level (Theresa).

Theresa points out that the interview for her NED appointment with the Chairman was a formality. In her view, the Chairman had made his decision on her nine years ago and this interview was an exercise in complying with the formal corporate governance guidelines. She based her viewpoint on the premise that they had understood each other's values and how they generally approached life. They had connected at a deeper level. The additional human capital she had accumulated in the intervening years would no doubt have been a contributory factor in her gaining the NED. However, her connection on the board, who asked her to come for interview, and the Chairman of the board were her key contacts on both occasions. This would seem to suggest that Theresa had both the social capital and fit with the values and philosophical approach of members of the corporate elite nine years ago in her first interview. Such was the importance of her connection, about deep seated values, that it was still there nine years later and helped her secure a NED position. All NEDs evidence the ambiguous, informal and unstructured nature of the vetting process and seemed to understand cultural fit was being assessed.

Further the data reveal that this fit with the deep seated values and philosophy of members of the corporate elite was more quickly established for those candidates who were more embedded in the corporate network. Candidates who were less embedded in the networks of the corporate elite experienced a more lengthy interviewing process with the Chairman to establish this fit. These differences are reflected rather poignantly in the interview data of Sona and Alexi. Sona emphasised that the Chairman knew her as a whole person, her character and principles as a person and pointed out that this information was communicated to the Chairman more at a social than a work level. Her interview data evidence her many connections in the corporate elite and those closely connected to the Chairman. It was in these networks that Sona was referenced and hence her overall appointment process was short. Her interviewing process with the Chairman consisted of one informal meeting.

I had worked with him at X and yes he knew me at a reasonably senior level. No, I knew Y (Chairman) as we were good friends socially and he just knew me as a person, my character and I guess my principles. Not

just in the boardroom, but more generally. There is a lot of responsibility that comes with being a NED. It's a position in society and not everyone is cut out to be one. It's who you are and I guess the friends you mix with. (Sona)

Alexi, like all the other NEDs, described her conversation with the Chairman as a high level philosophical and values based conversation. She experienced the interview as a very personal and values based conversation about her perspectives on business life and relationships. Alexi was aware that her relationships and interactions with people both she and the Chairman had in common were being assessed. However, in contrast to Sona she experienced an intensive and long interview process with the Chairman.

The conversation was relaxed. We discussed how I had approached various challenges that director's face. It was casual and wide-ranging. It was about my philosophy in life and business; my way of working and experiences with board members I'd met, or people we had in common. We had a broad conversation about life's experiences, so it was more personal than company focused. I felt positive about the whole process. It's different to exec roles. There was a lot about philosophy and values. My conversation was probably the longest single meeting I have ever had, two and a half hours. I met with him subsequently several times for one and a half to two hours. (Alexi)

Alexi's data suggest that the Chairman was probing for the candidate's philosophical approach in business and life in general. The values that guided her behaviour and how these played out in her interactions with the members of the corporate elite they had in common. In the absence of an extensive network in the FTSE 100 corporate elite, Alexi experienced a lengthy interviewing process with the Chairman, which seems to suggest her fit with the Chairman, as a member of the corporate elite, was being established to a large extent in the interviews.

Jacob had similar experiences to Alexi. His interview with the Chairman was a high level philosophical discussion. However, his interviewing process was intensive and lengthy.

My first meeting was a marathon two-hour meeting on all sorts: my views on business; corporate governance; accounting practices. He didn't grill

me. He didn't say 'what's your view of FAS15' or whatever? But he explored philosophical situations and what my approach would be. He wanted to see whether there was a commonality of view on our approach. We did meet on several occasions on similar themes. It was very ambiguous really, but comprehensive. (Jacob)

The Chairman needed to establish the candidate's fit, not just in terms of their style and behaviour, but their philosophical stance and values underpinning their behaviour. When this information was accessible to him in the connections both he and the candidate had in common, then the process progressed more quickly. When the Chairman could not access enough information on a candidate's values and philosophy and their fit with members of the corporate elite, then he established fit in a lengthy interviewing process as evidenced by candidates Alexi and Jacob. The majority of the candidates experienced the latter extensive interviewing process, as many of them did not have extensive connections in the corporate elite. Further, the data reveal that candidates experienced this expression of values and philosophy most poignantly in their interviews with the Chairman in the form of a chemistry or click factor.

6.1.4 The context of clicking with the Chairman

NEDs described their interview experiences as informal, ambiguous and a pleasant experience. In their discussions with the Chairman around style, behaviour and underpinning values, candidates experienced the exploration of a chemistry or click factor, which they felt sealed their connection with the Chairman and resulted in their appointment. Bruce described his interview as a bond creating experience with the Chairman based on integrity and liking. Niels pointed out the immense charisma of his Chairman. Although the discussion seemed to him fairly superficial, about sports events and relationships they had in common, it still created a chemistry and connection which Niels felt was critical in his appointment.

I liked the Chairman. He felt to me like a man of great integrity and openness. I felt he was a man I would want to work with. We bonded. (Bruce)

He's a very open, charming and pleasant man who can get soldiers out of trenches. He was charismatic. He's a very tall rugby player. We talked about South Africans and the people he and I knew. It was pleasant, but

not a very in-depth discussion. But the chemistry worked between us.
(Niels)

Fred described his interview with the Chairman, as a relaxed conversation about views on life. He commented on the almost superficial nature of it. However, he felt that they established a deep connection, which resulted in the Chairman appointing him as NED,

It was like a sofa session. There was a sofa and he sat on the armchair by the sofa. I sat on the sofa and we started to share views. We had tremendous rapport. I recollect it being very vague about all sorts of things and in many ways it seemed superficial, unlike an executive interview. We chatted away. I think he had already made his mind up. He was just validating what he knew about me. We clicked. (Fred)

Similarly, Fiona and Nicola experienced a shared chemistry and click factor in the interview with the Chairman, which they knew was significant in their appointment. The data suggest that this developed very naturally in the interview discussion around style and values. Candidates emphasised the lack of grilling, the natural conversation styles and the personal nature of the discussions. This suggests that the ambiguous and informal nature of the interviews, whether long or short, allowed the chemistry and click factor to develop naturally.

I clicked with him and at the end of the conversation he said "Gosh you almost couldn't get a more perfect fit". So I think that was quite significant. (Fiona)

The chemistry was really terrific. The chemistry was extremely good. I came out of that meeting thinking if they're all like this, I really like this and I think he felt the same about me. (Nicola)

However, candidates emphasised that this chemistry and click factor was not a personal relationship. It was more of a professional liking or respect. Jacob, whilst describing how he liked the Chairman, was quick to point out that the liking was not necessarily personal, it was more a professional respect.

We liked each other. I don't mean that I necessarily want to go and have a beer with him or go out for dinner. I don't mean in a friendship sense, but 'like' in terms of respect, integrity. I mean the liking factor is probably

not the right word. It's not personal, it's more a professional liking or respect. (Jacob)

Similarly, Ross elaborated on the nature of his relationship with the Chairman, reinforcing the nature of the click as a professional liking or respect with no suggestion of being best friends. There is a sense that candidates wanted to create some personal space between themselves and the Chairman.

We've known of each other going back to our days at X. We had chemistry between us when it came to the interview. We definitely clicked, but I wouldn't say we're bosom pals or best buddies. There's nothing personal to it. It's more a professional thing between two professionals. (Ross)

Candidates evidenced the click factor with the Chairman in the form of professional respect as a significant factor in their NED appointment. However, when questioned on why they were ultimately appointed as NED most NEDs emphasised their personality fit with the board in question.

My experience with X company and my experience in Asia was relevant but what matters most is your fit with the board. They're a blokey culture and if I didn't fit in with the blokes they would have gone back to the drawing board. I did fit and that's why X company liked me and the chemistry worked. I'm a no-nonsense, roll up your sleeves type of person. I participate and call a spade a spade. (Gwen)

There's got to be a fit with the board and it's not just the skills thing. You've got to fit in with the personalities around the table. The Aerospace industry is a straight talking industry and I'm a straight talker and I get stuck in. (Jane)

It's not just chemistry with one person. I mean, the best boards are the boards where the mix of personalities is right. I fitted with the group of individuals on the board. I think he felt I would be robust in my debate and contribute. I fitted because I'm a fairly direct and straightforward sort of person. The board is straightforward, straight thinking and straight talking and I think he felt I would fit in with that. (Sona)

They had always been interested in me because it's the fit with the board. I'm a very direct speaker, robust speaker and my robust personality fitted with X 100 company. You know this is a very male, South African firm and what they really care about more than anything else is "Get it on the table, let's talk it through". (Theresa)

When candidates described how their personalities fitted to a specific board there were remarkable similarities in their descriptions across completely different industries. For example, in the cases above candidates describe the same personality type fit across Automotive, Aerospace, Distribution and Financial Services. All candidates claimed that it was their robust and straight talking personalities and their interest and willingness to contribute that gave them fit with their specific boards. The data suggest that it was not fit with a specific group of board directors that was in question, it was more a fit with members of the corporate elite regardless of the board they sat on.

Candidates were aware of a chemistry and click factor with the Chairman in the interviewing process, but were at pains to point out that this was not personal, it was somehow more professional and not so subjective. So clearly the fit of candidates for the NED was not about a personal fit with the Chairman. When NEDs described their fit with a specific board, they described a set of behaviours and traits that would apply to the workings of many boards, regardless of the industry or sector and the specific individuals around the table. The data suggest that it was not a personal fit with the Chairman and not a fit with the specific board they had been appointed to, but fit with the values and philosophy that underpinned the behaviour among members of the corporate elite. The click factor with the Chairman was a fit with him as a member of the corporate elite. This was further reinforced in the data by the consistent reference to the networks of the corporate elite and their lifestyle.

6.1.5 Association with the elite club and lifestyle

The data indicate that candidates pro-actively built up the credentials and connections that enabled them to secure a NED. They were agentic in their pursuit of a NED and tenacious, in some cases over many years in their efforts to attain one. However, when questioned on how their appointment had first come to their attention, NEDs' responses were shrouded in language that suggests the approach was unsolicited and unprompted. They emphasised being approached for the position or receiving calls that were unprompted and unexpected. Later in the process they emphasised being invited

to come and meet an ESF or a Chairman. The evidence suggests that candidates were aware of being chosen to join the board as a NED and enter the club of the corporate elite. Tami described how contact from the ESF came as a surprise to her. This was despite detailing how she had set up a meeting with this ESF some months earlier, to discuss her plans and ambitions for gaining a NED.

> *When I was approached by the headhunter for my interest in a non-exec role, it came as a complete surprise to me. I was very relaxed about the whole thing. I wasn't looking, like when you're desperate for a job. (Tami)*

She was keen to point out that she did not pursue the appointment and emphasised that she was not in any way desperate for a NED. Later in her interview she indicated that if an individual felt the need to sell themselves for a NED, they were probably not a good candidate for one. Her data suggest that she saw it as an honour and a privilege to be invited to join a board at the apex of an organisation. Earlier, Tami had suggested that her excellent credentials in senior executive roles were credentials anyone could aspire to. She indicated her style, values and behaviour were capital that set her apart and got her an invitation not just to sit at the board table, but to gain entry to the 'by invitation only' club of the corporate elite. Similarly, Bruce emphasised his total surprise at being rung up about the position and claimed no prior knowledge of the role. He was at pains to point out that he did not apply for the role or originate it in any way and that it had come from the company and the ESF. Although in his interview he also indicated that there was an appropriate response to these phone calls and that it should be one of complete surprise. This suggests that NEDs were aware of the norms of behaviour needed in gaining an invitation to the club of the corporate elite. Bruce's interview data suggest that he had been in touch with ESFs about the possibility of a NED on a FTSE 100 company.

> *It came out of the blue through a headhunter. I knew nothing about it! Which is what you'd expect with this kind of position. They had found me in their databases and chosen to ring me up to see if I was interested, which I was. So I didn't apply and I didn't originate it. (Bruce)*

Similarly Steven described his call as "out of the blue" from the ESF, yet later he described how he had discussed his plans six years earlier with this particular ESF, the Chairman of his current employer and the Senior Independent NED. His interview data

suggest that he was actively pursuing a NED with his connections in and around the corporate elite, yet he wanted to indicate that he was sought out for a conversation on the role because he was eligible to join the club.

> *The first call I got was totally out of the blue. I was not actively drumming up interest in me. I got sought out you know. There aren't many company secretaries around who are chartered accountants. I'm well known in NED circles and I have a great affinity with them. I'm not unhappy being part of the club. (Steven)*

Tami and Bruce were aware that their credentials had given them threshold criteria for a NED. They were aware that their connections had given them the social capital to connect into the corporate elite. In addition, they were aware that their style and values had given them sufficient cultural fit with the corporate elite to gain them an invitation to discuss the possibility of joining it as a NED. Similarly, Alexi recalled surprise at being contacted by an ESF regarding a NED and described being flattered by the approach.

> *I got a call, pretty much out of the blue from X (ESF), checking for my interest in the role. We probably had about six calls just talking about my possible interest. It's hugely flattering. (Alexi)*

However, her interview reveals that she had been actively tracking this organisation, as in her view it had an amazing track record in the industry. She knew the Chairman and the CEO. Indeed she described how her relatively recent retirement had prompted her to have conversations with the CEO about her NED portfolio, conversations they both referred to in her interview. Similarly, Nicola described being invited for an interview with the Chairman and being highly flattered.

> *And he (ESF Chairman) called me up one day and said I'd like to invite you to come and meet somebody, just for a chat. There're no formalities for the moment, just come and have a chat. And that person I met was X, the Chairman of Y (FTSE 100 company). It was such an honour! (Nicola)*

There was a sense of awe in her voice when releasing the name of the Chairman she had been invited to meet.   After this description Nicola double-checked the confidentiality agreement she had with the researcher to ensure that no names would be divulged in the research findings. This behaviour went further to reinforce the sense

of occasion she felt on gaining her invitation to interview and the importance of the players involved being members of the inner circle of the corporate elite. This expression of being privileged to be invited was picked up again when candidates talked about finally being appointed. When asked why they had been appointed to the role, most candidates rephrased the question in terms of being 'chosen' and many alluded to the honour and prestige of their selection.

> *They chose me because of my credentials and the fit was right. (Jamie)*

> *They were looking at others, but they picked me. NEDs don't pay well, not that it matters at all. It's more about the privilege of being chosen really. You are in with pretty high-powered people at this level and it has its advantages. (Alexi)*

Niels expressed 'surprise' at being 'chosen' for the position and also declared he was very flattered, again suggesting he was aware of the honour and prestige it bestowed on him.

> *It was so unexpected to be chosen and I was flattered that I was chosen. A Non-Executive on a FTSE 100 company is quite a sense of honour and a responsibility too. (Niels)*

Many NEDs referred several times to the irrelevance of monetary reward in accepting such an appointment. NEDs openly described themselves as independently wealthy, and in quite a derisory fashion dismissed the idea that money should be a factor in taking up a NED appointment. Yet by referring to it several times, they indicated its significance in their thinking. Niels who had described the sense of honour in gaining a NED appointment on a FTSE 100 company went on to refer four times in his interview to his financially independent status.

> *I need to keep busy, financially I'm independent, money doesn't play a role in my decisions. I can turn my back on directorships at any time. .And I'm not jobless. There's a roof over my head and I'm not on the streets. I could even consider going and playing golf all day. (Niels)*

Theresa described her independent wealth and how it had sustained her in her ten year search to gain a NED. She was clear that her search was not about financial reward. Though she was quick to point out that due to her success in her executive

roles and her excellent credentials she had financial independence. This suggests that an excellent track record leading to financial independence was a significant part of the cultural fit with members of the corporate elite. Gaining a NED was no longer about the trappings of executive success, such as money, it was about membership of an elite club in society. This membership suggested a badge of honour and prestige not sought after, but bestowed upon an individual who had the appropriate mix of human, social and cultural capital with the corporate elite.

> *It took me ten years to gain a NED. It took that amount of time to make it happen. Because I'd worked in Financial Services I was very well established financially as that's a sector that pays well. I was more established than many people and many good people. I could afford to keep up the search. Frankly, I could live forever if it didn't come off. I have as much as I will ever need financially. The search wasn't about that. (Theresa)*

Similarly Jacob reinforces this point. In reflecting on his criteria for joining a board, he was adamant that monetary rewards were not part of his decision making. However, he did reinforce his financially independent status.

> *My most valuable commodity is time. I'm fortunate, I don't need to do very much for money. I can afford to buy a jumper and I don't need another one. The monetary side of it was not a motivation for me. I'm financially independent. (Jacob)*

The data suggest that candidates were cognisant of their success and the financial wealth that ensued. They were aware of their financial independence and how at this stage in their career monetary rewards were not a significant factor in their decision to become a NED. The fact that NEDs felt the point merited mentioning, in some cases several times, suggests that candidates were aware that their success and wealth merited a bigger prize. In this case a NED on a corporate board and automatic membership of the corporate elite club and lifestyle, where financial independence was a given.

In candidates' agentic pursuit of a NED, membership of the corporate elite club was a significant factor for them. This factor was further reinforced by candidates' frequent mention of their connection with elite society and the elite lifestyle. Jamie excitedly

described several functions he had attended where members of the elites were present, cultural, corporate and political events. He had been to a think tank at Downing Street, an invitation only culture event, and a special event for the corporate elite with Royal sponsorship. Similarly, Bruce described several events in the elite social calendar, which he had attended.

> *Yes, I did prime my connections that I was going for a NED with X. It was nothing formal. I had caught up with some at Henley as there was a bit of a do at the end of the Regatta. It was nothing too formal, but I did mention it to one or two of the guys over a glass of something. Yes I had met Y (Chairman). It was some function or other at The Hurlingham Club. It was a charity fundraiser. (Bruce)*

Jacob described how he caught up with some of his connections at the MCC, an elite cricket club. His networking activities with the people there seemed more important than the cricket and he talked about his impending membership as a real honour.

> *I've been invited to a few events recently at the MCC. It's a great way of just catching up and building your connections. I'm now in line for membership there. I am really honoured by that. A chap I met there arranged my sponsorship. You meet such a range of people there from all walks of life. A fantastic place and the cricket can be good sometimes, though I have to say I'm fairly indifferent to it. (Jacob)*

Fiona described how as a minister in government she received invites to prestigious events, which she occasionally took up. She described the dramatic change to her social calendar on becoming a NED three months ago.

> *I used to get about one invite a month to these type of events, tea party at Marlborough House, a private viewing of X, Y or Z. Now I get invited to tons. I've been invited to over twenty in the last two months. When you are in, you get invited to everything, but it's so difficult to get in. Now that I have a NED there isn't such a need to go to such events, but when I needed them I struggled to get invited. These events though are such a fabulous way to catch up with people from every spectrum of life really. (Fiona)*

Like Fred, Fiona was explicit in her referral to the elite club 'when you are in you get invited to everything' and how gaining a NED immediately gave her full access to the club. It is also interesting when she described her path to her first NED and how access to the networks of the corporate elite remained elusive at a time when she most needed them. The data suggest that access to the networks of the corporate elite was one of the most difficult challenges in gaining a NED for the first-time. Indeed, it was this access with its associated connections that was so important for building a candidate's cultural capital and their cultural fit with the corporate elite.

Also, in the interviewing process there was constant reference to broader cultural and prestige institutions, places and events. These were not random mentions in candidates' interviews. They were often described as a key part of the interview with the Chairman or other members of the board. It is this interviewing process that set the seal on a candidate's cultural fit with the corporate elite. Nicola described a cultural interest of hers being a great opener for her interview with the Chairman and how it was important in establishing a click factor with him.

> *It didn't feel like a stuffy interview. There is a knack to interviewing like that. I had just passed on my seat on a charity to his wife the previous day and I knew it was his wife. We had a jolly good giggle to start with. He actually put a lot of money into the arts in Glasgow and we have folded the Scottish Heritage Society, which I've sat on for 18 years. We finally managed as a committee to fold it into Glasgow's university and she'd taken my seat. I mean it breaks the ice. And they're passionate about it. They'd actually given money to the Scottish Heritage Society. It's crazy things like that which you can't predict that can give you your break. It gave us something to explore and chat about and then we went on to other things. We clicked. (Nicola)*

The Chairman appointed Nicola to a NED on the FTSE 100, which is based in Scotland. The Chairman was passionate about the Arts in Scotland so he clearly had a profile in the Art's world, as had Nicola, having been a trustee of a prestigious Arts Society in Scotland for the past 15 years. Further, the wife of the Chairman had worked directly with Nicola on the Board of Trustees. The interview data suggest that these cultural links between Nicola and the Chairman were significant in establishing her cultural capital and her cultural fit with the corporate elite.

Niels described his networking activities in and around Art Circles throughout his interview. In particular, he described his interview with the Chairman where they had a conversation about his art collection. It is interesting that this interview was fifteen minutes long and according to Niels was very shallow, yet the Chairman appointed him one month later. Clearly, the Chairman was familiar with these Art circles and had referenced the candidate through his connections in and around these social elite circles. Further, both were ardent Art followers and moved in these circles. This was a connection that dominated their short interview and clearly had sealed the cultural fit of Niels with members of the corporate elite.

Finally, once the Chairman had met the candidate for interview, a marathon series of interviews took place with the candidate meeting most if not all of the other Board Directors. The pilot study data suggest that these interviews served the purpose of the Chairman gaining consensus about the chosen candidate. The main study reveals that in addition, this long series of interviews exposed the candidates to members of the corporate elite, often in their elite surroundings. The data indicate that these interviews gave the Chairman further evidence about how the candidate behaved with members of the corporate elite, in their elite surroundings. They further established the candidate's cultural fit with the corporate elite. Sona quite openly described socially exclusive events where she regularly met individuals associated with her appointment. When she described how she met other members of the board she was appointed to, she referred to her being at Klosters, a well-known skiing resort for elite society in Switzerland. As the company was headquartered in Switzerland, it made sense for her to meet them in Switzerland. However, she did not meet the board members at their offices in Switzerland. It was at a board members exclusive club in Klosters.

> *Yes, I met everyone on the board. It depended on logistics, Chairman, CEO and Senior Independent. Then I was at Klosters doing a bit of skiing and of course X (FTSE 100 company) is domiciled in Switzerland, so it made sense to meet some of them there. Actually, in the end we met in Z's (NED) private members club at Klosters. (Sona)*

Similarly Jane, once she had met the Chairman, was invited to an offsite meeting of the board in the Middle East. This was a meeting of the board with elite members of society in the Middle East, including members of the ruling royal families.

Once I had met the Chairman and CEO, I was invited to travel out to the Middle East for an offsite board event the board in UAE. I expected the board members to be there, but actually there were a lot of important people there including royal family members. It was a big honour to me for the Chairman to invite me. At the end of the two days it was clear the Chairman was going to go to the board with the appointment. He told me he felt strongly about it and the other board members were enthusiastic too. The event was a memorable one. (Jane)

Ross, similarly talked about his interviews with the other board members as relaxed conversations often in prestige settings.

The interviews were more "tell me about," you know. Not the ghastly interview questions you get in an exec interview. Lord X and I sat there in the coffee place at the House of Lords telling stories. He told me funny stories from what he'd lived through and I told him a few of the strange things that had happened to me. It felt good, it worked very well. (Ross)

The recurring references to the elite lifestyle in NEDs' stories are indicators of candidates being assessed for fit with the elite club. The sense of being invited and being chosen for membership and the interviewing of candidates in situations where the importance of the board members and their surrounding context was emphasised evidence this. The Chairmen led the process of referencing and interviewing, which had the hallmarks of assessing for cultural fit with the corporate elite and candidates were aware of it taking place. The candidates were not replicas of the Chairmen, nor were they a perfect fit with the specific board members they joined. They were judged to have a fit with the values and philosophy of the corporate elite as a community. They were judged by the Chairmen to have the cultural capital of a worthy member of the corporate elite.

In summary, cultural capital was built up by NEDs to establish cultural fit with the corporate elite. Each NED had enough prestigious connections to enable them to be vetted in culturally elite surroundings by either the Chairman or other members of the board, all being members of the corporate elite. Each NED had demonstrated they had enough prestigious connections to gain entry to exclusive and invite only clubs. Further, their style and way of behaving fitted in with other members of the corporate elite in these culturally elite social circles, whether in a private members club in

Klosters or at a private viewing of an art collection. The cultural context within which each NED described how they clicked with the Chairman and hence secured the appointment reinforces the cultural capital a NED had accumulated. Rapport and chemistry was built on shared experiences in a sports club, in art circles or as governor of a charitable trust. The process of clicking was a social construction between the NED and the Chairman, however the cultural nature of it emphasised that this was not simply social capital being established in order to be effective as a board director. It was the cultural capital of the NED being approved for entry into the corporate elite. A NED needed human and social capitals to succeed to the top echelons of the executive ladder. However, having reached these top echelons of Managing Director or Audit partner, an individual needed cultural capital to enter the inner sanctum of the corporate elite.

The evidence suggests that as a member of the corporate elite, reputation is what drives your success in the future. This final screening of a first-time NED on their cultural capital assured the Chairman that the NED would fit in as an equal in the club. They had the prestigious connections, the style, the character with the philosophy and values of a member of the corporate elite. Further the NED had exhibited the appropriate expression of these values in cultural elite settings with members of the corporate elite. Further, through the extensive referencing process others had vouched for the NED's entry by inviting them to culturally elite clubs and events. The NED was approved for entry as they had demonstrated sufficient levels of cultural capital. This cultural capital assured the Chairman of their behaviour in the future as a member of the corporate elite. They would not pose any risk to his reputation as a well-established member and hence his future success.

6.2 Reputation and reputational capital

Figure 6-2 Overview of findings – reputational capital
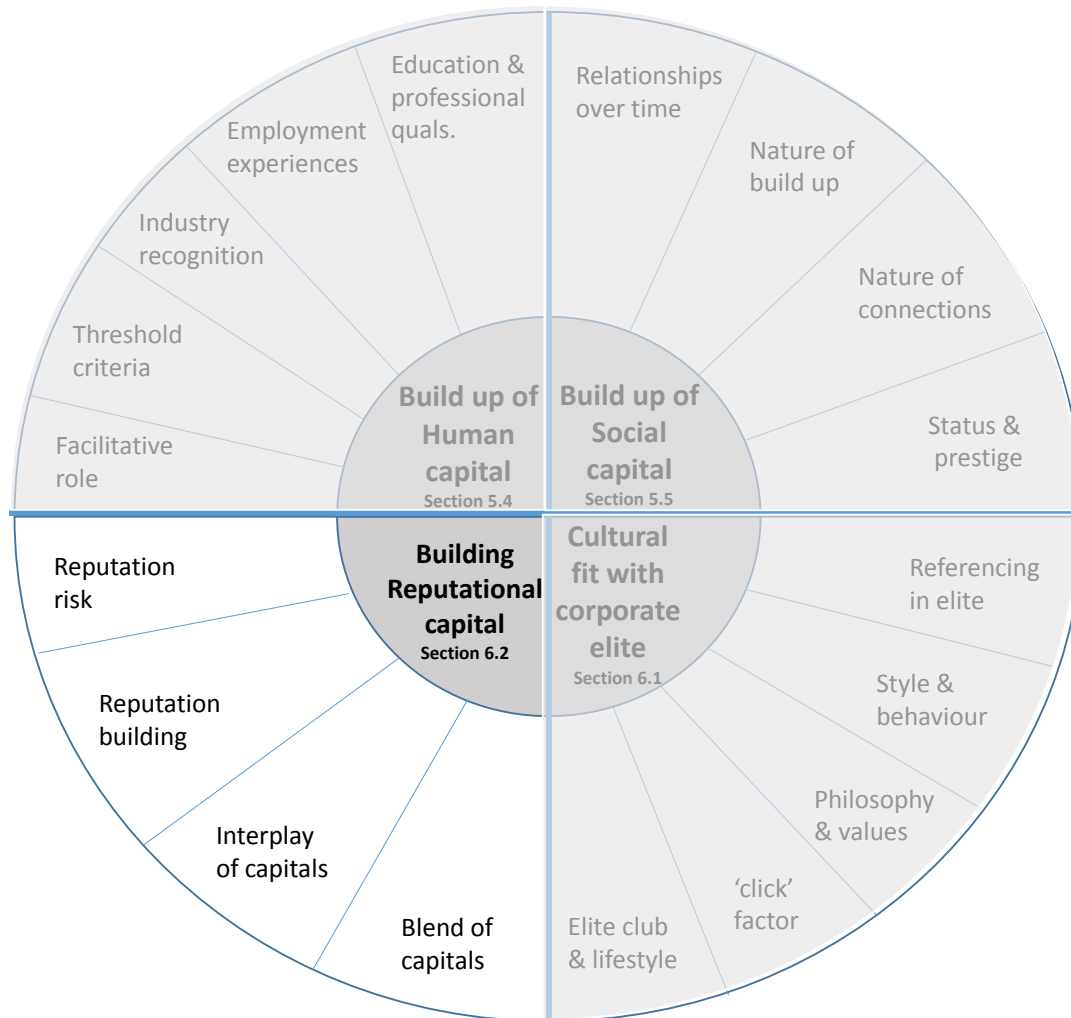
The data suggest that a candidate needed human, social and cultural capital in order to be short-listed for a FTSE 100 NED. However, it was not sufficient to simply possess these capitals, NEDs evidenced a whole range of activities they engaged in to promote and communicate their levels of capital to people that were connected to their appointment. It was the occurrence of these activities and the emphasis on reputation emerging from the evidence that suggests the importance of reputational capital in the appointment process. The data suggest that a Chairman's decision to appoint an

individual is based on a cognitive assessment on the overall reputation of an individual within the corporate elite. The individual's reputation was a unique blend of credentials, connections and cultural fit that had been promoted in and around corporate elite circles. The data suggest that the interviewing processes carried out by the Chairman were an assessment of the individual's reputation and in particular risk to the Chairman's own reputation that was extensively referenced. The values embedded in that reputation and the level of risk associated with appointing this individual to the board were important considerations. For a first-time NED to a corporate board, the assessment of risk to reputation is a critical factor in the appointment process

Extant literature posits that once an individual has a seat on a corporate board, they become part of the interlocking networks that facilitate future appointments. It is a Director's reputation that drives their success in these networks. The Chairman, in appointing an individual for the first-time to a corporate board, needed to satisfy himself that the reputation of that individual posed no threat to his own reputation, his future success and that of the board he chairs. Unlike an existing NED, who has an established reputation as a board member, a candidate gaining their first NED appointment needed to establish their reputation, accumulate the credentials, pursue the connections and establish a cultural fit with the corporate elite for the first-time. A candidate needed to create a reputation over the course of their careers that exuded values, which posed no reputational risk to the Chairman or his position in the corporate elite.

6.2.1 Reputation as a blend of capitals

The evidence suggests that candidates needed substantial amounts of human capital, through consistent performance at the highest level in their field, whether it be professional services, politics/public sector or in the commercial environment. However, this was a threshold criterion for a NED. Candidates' human capital needed to facilitate the build-up of a network of connections that enabled them to accumulate the required social capital. Further, a candidate's' social capital needed to provide the cultural capital that established their cultural fit with members of the corporate elite. A candidate's style and behaviour needed to reveal a set of values and philosophy that fitted in with being a member of the corporate elite. The data show that candidates and Chairmen were aware of the prize at stake in being appointed for a first-time to a FTSE 100 NED, specifically the prize of becoming a full member of the corporate elite. The

social and cultural capital enabled candidate to be referenced and interviewed by members of the corporate elite where the final assessment was made on their fit with the elite club they were about to join.

The evidence suggests that a blend of human, social and cultural capital was needed to gain a NED. In the appointment process the Chairman gathered evidence both formally and informally about an individual's human, social and cultural capital. His final decision was a cognitive assessment on whether they had the appropriate blend of these capitals – credentials, elite connections and values - to be given membership of the corporate elite. Candidates consistently referred to this blend of capitals when they explored how they were referenced and why they ultimately achieved their appointment.

> *It's about what you have done in your life and what it says about you. What's important to you?   (Bruce)*

> *It's how you have got on with life and what it reveals about you. Have you got fairly decent values?   (Nicola)*

> *It's the whole package. You've got to have achieved and people need to know how you go about your success. (Jacob)*

> *It's about you as a person, your credentials and the values you espouse. People have got to see the real person and I knew he (Chairman) had that from knowing me over many years.   (Sona)*

Further, the evidence indicates that candidates often referred to this blend of capitals as their reputation. Alexi, in elaborating on why her interviews with the Chairman and CEO were so positive, described how they all knew each other by reputation and that was a significant factor in her gaining the appointment. In addition, her reputation had communicated her credentials, her values and philosophy to connections they had in common, which the Chairman had checked out.

> *I knew them by reputation and I knew the company by reputation. And everything they said confirmed what I knew from their reputation. Whatever they said could have only added positively to what I already knew from their reputation. I think they felt the same about me. Your reputation is who you are and where you are coming from. (Alexi)*

Fiona described her concern around protecting her reputation when building up her network and meeting Chairmen.

> *It's all about the reputation you have managed to put out there. Every time you meet a Chairman you have to be careful. Everything you say and do affects your reputation. I'd go so far as to say it's who you are. (Fiona)*

Similarly, Jacob described his reputation as everything he had done in his life and everything he stood for.

> *You spend a lifetime building up your reputation. It's everything you've got and more. It's what you do, how you do it and why you do it. It's a lifetime's work. I have such a rock solid reputation in the world of private companies. It's interesting I am now consolidating my reputation in the land of listed company.   (Jacob)*

Ross described how he had built up his reputation over many years with ESFs and how they would as a result have referenced him very positively for his appointment.

> *I guess I had built up a reputation with the headhunters. I'd worked with most of the Global headhunters for 10-15 years and they knew what I'd done, how I was regarded and where I was coming from. They would have said: "Ross is a great guy and he would make a fantastic non-exec". (Ross)*

Fred also described how he had built-up his reputation over the course of his whole life and that it was this reputation which had secured him a NED. He pointed out that it would be this reputation that would sustain him at the top.

> *Reputation is everything at this level. It's about everything you have done in your life and what you're about as a person. It takes years to acquire it, well actually a lifetime, and it can be lost in minutes. If you want a long-term career with these guys you need to have done very well and you have got to be able to behave yourself. Word gets around and it's a small world at the top.   (Fred)*

The concept of reputation as a blend of capitals is reinforced by the interplay of capitals in the experiences evidenced by different NEDs. In gaining a NED and membership of

the corporate elite, candidates needed levels of human, social and cultural capital considered appropriate for this position. Candidates considered lacking in any one of the capitals stalled temporarily in their progress to the board and only after accumulating the short fall did progress resume.

6.2.2 Reputation and the interplay of capitals

Candidates accumulated reputational capital over the course of their lives by building a blend of human, social and cultural capitals a blend which gained them a FTSE 100 NED. All candidates began their build-up of human capital in earnest by gaining a university degree. For many candidates the build-up of both human and social capitals began when they embarked on a degree course at an elite university. The credentials of a degree from an elite university and the social connections made in their time at university enabled them to embark on a career with a prestigious employer. These candidates continued to build their credentials by delivering outstanding performance in their roles and gaining the most senior positions in their organisations. In their path to senior management, these candidates nurtured their connections from their days at university, enabling them to build networks in and around the corporate elite. Candidates who attended a non- elite university similarly built their credentials and connections by gaining employment with a prestigious employer. They accumulated human and social capitals by succeeding in the most senior management positions and nurtured the connections they made along the way. However, these candidates' credentials included more experience on FTSE 350 companies than those who had attended elite universities. This suggests an interplay of different dimensions of human capital to ensure the appropriate level was acquired for a future board position. Regardless of the makeup of human capital, all candidates had a sufficient level to facilitate the build-up of the required levels of social and cultural capital for a NED.

The build-up of capitals followed a broad pattern, with candidates accumulating human capital, which facilitated social capital, which then enabled candidates to grow cultural capital. Although this broad pattern was observed, there was often an interplay of capitals. Some candidates accumulated social and cultural capital very early in their careers, when their stocks of human capital were still quite low. Other candidates, having accumulated all capitals in early and mid- career, needed to return to building human capital with more credentials in order to gain a NED and membership of the corporate elite. The following vignettes of Theresa, Jacob and Gwen illustrate this

interplay of capitals in the build-up of their reputational capital. The lack of sufficient levels of either human, social or cultural capital at one point in their career slowed their progress to a NED and only after the shortfall was recognised and attended to did the candidates' progress resume.

Vignette One: Theresa

Theresa started out her journey to a NED by attending an elite university. On gaining her degree she secured a graduate position with a prestigious professional services firm. She performed well over 10 years and secured the most coveted position of Managing Director. Theresa's work at the professional services firm gave her myriad opportunities to work and socialise with members of the corporate elite. She cherished the connections she made and nurtured them over the course of her career. In her early to mid-career, Theresa had accumulated substantial amounts of human capital with her elite degree and work experience credentials. She had also accumulated significant social capital in her elite connections, which enabled her to build cultural fit with members of the elite. Further, in her time at Oxford, Theresa had networked widely with individuals who had gone on to be as successful or more successful than her. She indicated that she nurtured these connections both at a work and social level throughout her career.

Her interview reveals that she had accumulated significant human, social and cultural capital at the age of forty, enough to gain her an interview for a NED. However, she explained that her lack of success in the interview was down to a five year career break she had taken to have a family. This gap in her C.V. interrupted her accumulation of human capital. Once she recognised this, she gained entry to the Sloan Masters at London Business school. This additional human capital gave her the necessary reputational capital to gain a series of interviews, which led to her appointment. The Chairman who appointment her was the same Chairman who had interviewed her 10 years previously. Reflecting on both interviews, Theresa described how she had a fit with the Chairman 10 years ago, they 'got each other', indicating that she had sufficient levels of social and cultural capital to gain the interview but was lacking in up to date credentials to gain the appointment. On returning to interview 10 years later, the additional human capital completed the blend and she secured her first NED. Further, she indicates that her fit was so good with the Chairman 10 years ago, the process was a formality the second time. He had made his decision on her fit, as a NED and member of the corporate elite 10 years ago.

Vignette Two: Jacob

Jacob started his path to the FTSE 100 boardroom with a degree course at an elite university. He too felt he had made a good start in life by gaining an elite degree and making lots of connections. He went on to build a career with a professional services firm and progressed to the boardroom in his late thirties. He had achieved at the highest level and had built and nurtured a large network of connections. He had accumulated human, social and cultural capital that enabled him to occupy positions such as Chairman and NED. However, Jacob's reputational capital was built in the world of privately listed companies and this proved a hurdle when he expressed interest in a NED with a FTSE 100 company. He expressed frustration about his lack of progress in gaining a FTSE NED. He sought advice from the connections he had built in the ESF community, connections that operated at the top level in both the privately and publicly listed business world.

His interview reveals that although his human capital was strong enough to secure a NED, to succeed on a FTSE 100 company he needed to build social and cultural capital in the FTSE 100 networks. His ESF connections assisted him with introductions to FTSE 100 Chairmen and encouraged him to network for a period of time. Over the course of two years, Jacob built up enough social and cultural capital to gain an interview for a FTSE NED. Jacob's story reveals that human capital achieved at the highest level in business, combined with large amounts of social and cultural capital in the private company world is not sufficient to gain membership of the FTSE 100 corporate elite. Jacob, to his frustration, needed to return to building social and cultural capital relatively late in his career in order to establish a cultural fit with that elite. It was the influential networks of the ESFs, who crossed all elites that enabled Jacob to establish his own network with the FTSE 100 elite. The speed at which he was able to establish his FTSE 100 network was testament to the good advice he received from the ESF and the prestigious connections he was able to make. So effective was this intervention that Jacob expressed surprise at the speed with which his NED campaign took off subsequently.

Vignette Three: Gwen

Gwen gained a degree from an elite university and then went on to qualify as an auditor with one of the top four auditing firms. She progressed her career to Managing Partner level, the highest accolade in the auditing world. She was aware of her elite credentials and described them as "ideal qualifications" for a NED. She also described at length how she informally networked with colleagues at her auditing firm, many of whom went on to become CEO's and Chairmen. She also described how auditing gave her access at a relatively young age to Chairmen, CEOs and board directors of FTSE companies. Many of these relationships were social as well as work based and she actively nurtured them over the years. Indeed, many of these contacts she viewed as friends.

Gwen moved on to take up a position as VP for a FTSE 100 company in Asia and had accumulated a large Asian network. Gwen had worked at building her human, social and cultural capital and was invited to many interviews. However, she was unsuccessful in gaining a NED. Reflecting on her experiences, she was puzzled by her lack of success. She had elite credentials that gave her immense credibility with board directors including Chairmen. She had social connections with the corporate elite built over many years and many of these valued her as a work associate as well as a friend.

However, the data suggest that it was the additional human capital she built in the later stages of her career that led to her success in being appointed to a FTSE 100 board. She described being persuaded to join the board of a fledgling company in Scotland, which was in difficulty. She had worked with them for just one and a half years, when she found success in her attempts to gain a FTSE 100 NED. She described how this additional credential came up in many of her conversations with her connections over that period and how the news of it circulated very widely. The board experience she had gained with this company raised her credentials and completed her reputational capital for a NED. She was not lacking in social or cultural capital, it was a piece of human capital that helped her across the finish line.

6.2.3 Candidates' reputation building activities

Candidates although cognisant of the capitals they had built in human, social and cultural forms, they were also aware that these need to be communicated and promoted in order to take full advantage of their reputational capital in elite circles. Candidates described having 'to put it out there' meaning their reputation as this was what they were 'known for'. Indeed it is in the agentic nature of the candidates' pursuit of a NED role that their reputation building activities became most transparent. Candidates described promoting their reputation as a way of signalling their suitability as a potential NED candidate. Ross, in building his connections, was mindful of the nature of the network that was useful for promoting his reputation in the corporate elite. He selected a board member as a mentor, one who would have knowledge of his capital as he worked as an advisor to this board. Further, through introductions from a board member, he promoted his reputation as more people gradually came to know him in the networks of board members.

> *I think networking is hugely important. There are lots of things you can do lunches and dinners. You have to get yourself on those lists. They are invitation only and it is hard. I found a mentor who was on our own board, who just introduced me to a few people. You have to get out there and begin to have a reputation and people begin to get to know you. (Ross)*

Theresa talked about the early days of her search for a NED and how difficult it was to make herself known. She emphasised her success in getting ESFs on her side and building a partnership, whereby she would build her reputation with them and get better known in exchange for her willingness to have her name on the ESFs long list. She was aware that being on the long list for many suggested positions was unlikely to result in her getting appointed. However, she was willing to pay the price and use the opportunity to build her reputation with the ESFs and any connections she met in the process.

> *When I was appointed to X, I sent my C.V. to all of them and thanked those that had helped me. One came back and said, "I'm delighted, you've been a wonderful candidate for us". He had put me forward for several things and it had always been a positive experience for him with*

his client. This is about building your reputation. Sometimes you've got to see it from the headhunters' perspective. They need to put you on a long list to make them look good. I added to the numbers in many cases, but I'm happy to as I knew that it was helping them. So it's a partnership. They get to know me a bit more and I make another connection. (Theresa)

Theresa in her search over a 10 year period, talked about many activities of this nature. She had meetings with Chairmen, lunches with NEDs and information giving conversations with ESFs, where there was no immediate benefit or tangible result for her. She described it as needing 'to cast your bread upon the water' or 'sow tiny seeds' and the results would eventually come. However, she was clear she needed to have her long-term targets in mind to keep her on track for her NED - again the agentic nature of the search process revealing very deliberate reputation building intentions. Gwen described taking a NED with a very small company in a tough market, based in Scotland, which was time consuming in every respect. Yet, she understood the value of her actions. Taking the position promoted her capital to individuals who would eventually put her forward for a FTSE 100 appointment.

I took the position at X, a tiny company to put myself on the radar. I knew I was capable of doing a NED, but you have to find a way of showing your capabilities to the right people. It's really difficult. I went on the board of this very troubled company, travelled to Scotland every month. A lot of people wouldn't do that, but you know it paid off. People took notice. Sometimes it takes a lot of courage and hard work and then people get to know you. (Gwen)

Jane was aware that although high levels of competence were necessary to be credible, the toughest part of the process seemed to be communicating this competence to the people that mattered. In building her connections, from her early career she was aware of the need to promote her reputation with the people she knew. Without promotion, an individual did not get noticed.

You achieve a high level of competence and once you've done that the hard work starts. You have got to have a bark. You have to think through how you can make your desires known among those who have a bearing on you being presented as a candidate. I found opportunities to tell

people my ambitions. I would ask people for advice on what I should be
considering. This is a great way to get people to appreciate what you've
done, as they have to think about what you have and how you could use
it, who you are and where you could go. These are legitimate
conversations, otherwise people don't think of you.   (Jane)

Jane described the nature of some of her reputation building activities as soliciting advice from people who knew her well and in doing so encouraging them to evaluate her capital and build a picture of her reputation. Nicola also described her reputation building activities in a similar way. She had retained many work connections as mentors, people she regularly sought advice from or rang up to update them on some deals she was working on that she thought might be interesting to them. Not alone was she strengthening her connections with individuals by being a conduit of useful information, she was also reinforcing her capital and reputation in their eyes. These activities were reciprocal in nature. She provided her mentors with useful information and they had her reputational capital front of mind ready for promoting in their networks.

My old clients have been good mentors to me down the years. Most of
whom were CEOs of clients. I ring them up to get advice on something
I'm working on. Or if I'm working on something I think would be of interest
to them, I would ring them up and just say 'guess what?' and we have a
chat. It keeps me front of mind, which is important as these people are
well connected and I know how the world works. If they meet someone
later that day my name will probably come up. It's my way of getting
myself out there, but there is something in it for them as well. (Nicola)

These activities were not random and serendipitous, they were planned and purposeful with the intention of building an individual's reputation in the networks of Chairmen. The data suggest that reputation building activities continued throughout the course of a candidates' career, even when they were well connected in the corporate world and had an established reputation as Bruce evidenced.

My current role as Director General of X industry body is fairly high profile
so most of the board would be aware of who I was. Taking a Director
General's role was deliberate on my behalf, but you know if you want to
go further it's important to remind people of what you've done to date and

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what you're currently up to. I think it has done my reputation a world of
good. It was necessary to get myself up on the bigger stage and not get
stuck in Z sector.   (Bruce)

It is evident that Bruce wanted to progress higher up the corporate ladder and his decision to take a leadership position in an industry body promoted his reputation beyond the sector he had spent most of his career in. He knew that it had helped him get onto the bigger stage, which was an appointment as a FTSE 100 NED. The evidence suggests that candidates not only built up their human, social and cultural capital but actively promoted these capitals within their network of connections. This promotion was important to build the reputational capital needed for a FTSE 100 NED. It was an individual's blend of capitals and the activities they engaged in that built their reputational capital for a NED and membership of the corporate elite. The final consideration of the Chairman, in appointing a NED is that an individual's reputational capital needed to pose no risk or damage to the reputations of the Chairman or the Board he chaired. Indeed the process of due diligence from both the Chairman and the prospective candidate is important in assessing risks associated with the appointment. Both parties need to satisfy themselves that the appointment will pose no risk to the reputations involved.

6.2.4 Reputational risk assessment

The data suggest that in the final stages of the appointment of a NED, an assessment of reputational risk is carried out both by the Chairman and the candidate. Candidates were aware that the Chairman, in deciding whether to appoint a candidate or not, needed to weigh up the reputational capital of an individual and the risks associated with their appointment. The risks involved were risks to the Chairman's reputation and the board of the company he chaired. The appointment process for a NED has been consistently referred to in the literature as opaque and lacking transparency. It is particularly in considerations of reputational risk that this is most evident in this study. Gwen described early discussions with ESFs on the role as opaque and ambiguous with no specific details been given on the company. This process continued over five telephone conversations.

I got a phone call from X and they asked me if I would be interested in a
non-exec role and I said "yes". Then we went through the role, but
nothing about the company, which I found odd. They rang me a few more

times and asked me to come for an interview. They wanted to know that I
would be interested before I proceeded. They didn't want to advance me
with Z company if I was going to turn around and say 'no' further down
the line. They did a lot of pre-qualification. It wouldn't be good for
anyone's reputation if all that was public, as there is too much risk.
(Gwen)

Gwen understood the need for a lengthy and opaque process in the lead up to meeting
the Chairman. It was a question of reputation and neither the candidate nor the
Chairman wanted to expose themselves in the public domain. In the early stages the
process is exploratory, if either party walked away from the process reputations needed
to be intact. Sona reinforced the opaque nature of the process and insisted it was to
protect the Chairman and the company from any possible reputational damage.

There's no science to it. I understand many people are profiled and
discussed with the Chairman and people may or may not know they're on
a long list at that stage. Companies will ask a headhunter to sound
people out first without revealing too much, to see if they are interested.
It's too sensitive for the Chairman and the company. If information got out
it could cause reputational damage for the Chairman and the company.
(Sona)

Similarly, Jamie evidenced how important it is for the chairman to establish reputational
risk in the referencing process. References are given carefully and with due respect for
all reputations concerned.

If he's known me for years he will give his reference carefully and
respectfully, 'What is candidate Jamie like? What is his character like?
Would he cause you damage reputationally?' If you have problems
reputationally that would be a complete no. If you were the type of person
who made a grandstand for themselves, a Chairman couldn't have that,
there would be too much risk for him and the company.   (Jamie)

Fiona described this reputational risk in her appointment. She was aware of the fragility
of reputations in the process both hers and that of the Chairman's Conversations were
managed so that there was an avoidance of any risk to reputation as any damage to
the Chairman's reputation could have consequences for her, jeopardise any future

NED opportunities for her. Fiona is mindful that she is engaged in a process with the Chairman, an embedded member of the corporate elite, a group where reputation is critical to success.

> *If for example they approach someone and there's a danger they could turn it down, that could impact negatively on the reputation of the Chairman. I was so aware of that through the process, that after my initial conversation with X I went back to him and said: 'I'm very happy to have an introductory conversation with you again, but I must make it completely clear that I'm not saying I'm definitely putting myself forward for this position at this stage.' It caused me quite a lot of anxiety. If I was short-listed and I had to turn down or had it become known more widely that I'd put the Chairman in that position, it wouldn't look good for his reputation. I might have found it very difficult to be recommended for another non-executive position. (Fiona)*

Indeed in evidencing reputational risk in the appointment process as 'reputations are fragile' (Jacob), candidates seem just as concerned about reputation as Chairmen. NEDs described how they invested significant time in due diligence about the Chairman, the CEO and the company, when invited to discuss a NED. Jane emphasised the need for connections in doing her due diligence, as she wanted to know the exact picture of what the company was like from the inside.

> *They obviously had a lot of information about me. They had the resume, they had all the references and all the vetting. Before I went to the meeting I did research on them. I had called a friend of mine who actually worked for them and got his sense of what the company was like. Connections are dead certs here!. If you know someone who is inside they can tell you what's really going on rather than the marketing message. You don't want to end up with a mess that the board is not capable of sorting out. That's not good for one's reputation. (Jane)*

Similarly, Jacob was aware of the very public arena he was stepping into and was keen to ensure he was choosing the right company for him. He wanted to avoid any damage to a hard earned reputation.

I was keen to do my due diligence on the company and the people in the same degree they were doing it on me. So it was a two-way process. I wanted to be sure of the financial position of the business, so I met the auditors and spent time with the CFO. You invest a lot in your reputation so you need to check out that this is good for you and it will not stink in a year's time and cause damage to your reputation. The checking for me was quite a time commitment, but necessary. (Jacob)

Both Steven and Fred found it necessary to do their own reputational risk assessment to protect their reputations both in the Non-Executive and executive sphere. In taking on a NED role, individuals need to ensure the company involved does not carry any possible negative risks that could impact not just their future NED opportunities, but also their current executive roles.

I carried out all my own due diligence. It was very important. I met the Audit partners, the brokers and an analyst to get the city's view. It did help me to make my decision. All my meetings were in secret though for fear of reputational damage to me or the Chairman. I am a legal entity in my own company in an exec role, I did not want to get dragged into a situation where I could be accused of bad judgement. That would not be good for my reputation. (Steven)

I turned down some opportunities because of reputational things. If I had gone ahead with one I would have been associated with a company involved in a bad incident in South Africa. I had checked it out thoroughly and everyone who knew said 'don't touch it'. You would damage your reputation. At this level you have to be risk averse when it comes to reputation. You have to stay clean to stay in the club. (Fred)

Tami was very flattered to be invited to interview for a board position with X (FTSE 100 company). Yet she did a lot of checking about the board and in particular the dynamics between the CEO and Chairman. Tami was aware she needed to acquit herself well in her first NED role as failure would make it difficult to get another one.

It's a two-way process. No Chairman wants to appoint a NED who doesn't look good on his reputation, nor does an aspiring NED want to go into a situation they can't handle and end up with a shadow on your

reputation. If you screw things up, you only get one chance in this game. I did my own due diligence on the dynamics of the board, the relationship between the CEO and Chairman. If these don't work then it might not be good for your reputation to get in there. (Tami)

This echoes Fiona's evidence on her anxiety about not causing damage to the Chairman's reputation, as this would reflect badly on her reputation and she would be unlikely to get another NED in the future. Candidates were aware of the reputation they had built up and how that reputation was paving a path to a NED and membership of the corporate elite for the first-time. They did due diligence on the company and the board they were joining as they wanted to keep their good reputation and their entitlement to future NEDs in the market for corporate directors and the interlocking networks.

A NED appointment is where the Chairman endorses an individual's reputation, and the reputational capital therein, as worthy of membership of the corporate elite. In making that appointment, the Chairman needed to satisfy himself that the individual possessed a reputational capital that posed no risk to his reputation or that of any other members of the corporate elite involved. Further, candidates were aware that they had built-up a reputation now meriting membership of the corporate elite. Further they took steps to ensure there was little or no risk to their reputation that could jeopardise their future membership of the market for corporate directors. Both Chairmen and candidates were aware of the need to protect reputations in the appointment process and hence were prepared to engage in processes that were opaque, ambiguous and lacking transparency in the public domain. The Chairman appointed a candidate and endorsed them with his reputation for membership of the corporate elite, when he had assured himself that the individual had a reputation with the appropriate blend of capitals. As Chairman and a well-established member of the corporate elite, he would not appoint a candidate who posed a risk to his reputation and future success.

6.2.5 Summary

Over the course of their career, a candidate accumulated human, social and cultural capitals. It was a blend of these capitals that candidates consistently indicated as their reputational capital. It was what they had achieved, who they were and what they stood for. However, it wasn't just the accumulation of capitals by individuals that contributed to this reputational capital. It was also the reputation building activities that candidates

engaged in to promote their capitals. Indeed, it was candidates' promotion of their capitals that resulted in their 'getting on the radar' of members of the corporate elite in particular, the appointing Chairman However, a candidate gaining a FTSE 100 NED for the first-time was also entering the ranks of the corporate elite. It was the cultural fit of a candidate with the norms and values of members of the corporate elite, which reassured the Chairman that an individual posed no risk to his reputation. Once an individual was in the corporate elite their reputational capital was established and this reputational capital guaranteed them success in the market for corporate directors. However, a candidate gaining their first NED did not have an established reputation. They built up reputational capital, which was thoroughly referenced and posed no reputational risk. Once the Chairman had assessed the candidate as posing no reputational risk, the final hurdle had been passed and the appointment was made.

7 DISCUSSION AND CONTRIBUTION

7.1 Introduction

Over the past three decades the appointment process for NEDs has been identified as a key factor in a plethora of corporate failures. Through successive rounds of reform, organisations have been asked to make the process more formal, transparent and rigorous in order to tap into a larger more heterogeneous and representative talent pool in society. However, the most recent corporate governance review into corporate failure (Walker, 2009) has indicated that although these mechanisms have been put in place, little has actually changed in the appointment process for NEDs. It consistently fails to tap into a wider and more representative pool of talent in society. A comprehensive literature review, detailed in Chapter 2 revealed that while the appointment process for NEDs is considered one of the most important board processes, scant attention has been given to it by researchers. What can be gleamed from the literature on the appointment of NEDs is gained from positivist, quantitative studies that examine board composition form largely secondary data. The process for appointing an individual NED has not been researched. This has often been attributed to the difficulty in gaining access to corporate board directors. The few studies that have included a qualitative element have evidenced a flawed appointment process that takes place through referrals and the networks of the Chairman. (Lorsch and MacIver, 1989; O'Neal and Thomas, 1996; Pye, 2000, 2001). However, these studies do not go as far as to explore the actual process of appointment.

The extensive literature in corporate governance on board composition using largely archival and survey data has revealed that elements of human and social capitals are required by NEDs to fulfil their agency and resource dependency responsibilities (Adams and Ferreira, 2007; Demb and Neubauer, 1992; Davis, 1996; Useem, 1984). Further, the literature suggests that it is the interplay of accumulated human and social capitals into board capital that enables a director to fulfil their responsibilities (Hillman and Dalziel, 2003). Although this literature identifies the different human and social capitals a director brings to a board, there has been no qualitative study about the process of appointment and the range of human and social capitals involved at the individual level. Further, reputational capital is seen as the driver of the appointment process for existing NEDs, as it signals their quality and value as a NED. However, reputational capital has been taken as a given with little consensus about its definition

(Fama, 1980; Zajac and Westphal, 1996). There needs to be a greater understanding of reputational capital and its formation for a NED appointment.

Having identified a research gap from the literature, this study set out to explore the appointment process of a first-time FTSE 100 NED in order to understand the reputational capital involved and its formation. Further this study set out to seek understanding of the human, social and board capital of a NED being appointed for the first-time. The researcher decided to concentrate on first-time appointments to the FTSE 100, because the literature evidences that once a NED gains their first appointment they secure a position in the inter-locking directorates. This position guarantees future appointments (Mizruchi, 1996). The context of a first appointment gives a rich canvas to carry out a fine-grained analysis in order to understand reputational capital, its formation and constituent parts. This study set out to explore this with the main research question: **How does a first-time NED gain a FTSE 100 appointment?**

In chapter 4, having interviewed the stakeholders in a NED appointment, I provided a holistic description of the appointment process. The pilot study supported the literature in identifying reputational capital as the salient factor in the appointment process for a first-time NED to a FTSE 100 board. **In Chapter 5**, I outlined a detailed picture of the human and social capitals and their formation, required to secure a first-time NED. **In Chapter 6,** I outlined the cultural capital and its formation necessary to secure a NED and revealed that this part of the appointment process involved the screening of individuals for membership of the corporate elite, a membership they are automatically entitled to when appointed to a FTSE 100 NED position. Further, **Chapter 6** outlined the reputational capital needed to secure a NED, its formation and the constituent parts of it.

In this chapter, I will consider the findings and the theoretical starting point in the literature (Chapter 2). I will consider what supports, extends or contradicts previous findings and what new issues this study has raised. I will also discuss the contribution this research has made on reputational capital to the field of corporate governance. Section 7.2 considers the human and social capitals of a first-time NED. Section 7.3 considers the board capital of a NED, human and social capitals in concert and this study proposes that board capital is extended to include the cultural capital of a NED needed for appointment. Section 7.4 considers the reputational capital of a NED, its

formation and constituent parts and its role in the appointment process. Finally, section 7.5 considers the theoretical contribution to literature made by this study.

7.2 Human and social capitals of a first-time NED

7.2.1 Human capital – credentials of the highest quality

This study evidences that high levels of human capital are required for a first-time NED appointment. NEDs accumulated human capital over the course of their careers in the forms of education and professional qualifications, work experiences and industry recognition. As Becker (1993) suggests, individuals made deliberate investments in capital and as their career matured they reaped the benefits of these investments in being able to secure a NED position. The literature suggests that time is an important factor in building human capital and that investments made now will only reap benefits in the future. In this sense NEDs evidence Davenport's (1999) process of building human capital. Accumulating human capital to secure a NED involved the ability to gain a good degree, in some cases postgraduate/doctoral level, to build knowledge and skill by succeeding at the top of the executive ladder and by sustaining a high level of success over a long period of time. Davenport (1999) suggested investments would reap little without the effort and time and it was the latter that actually helped to build the capital. An individual's journey to a NED, in many cases over 15-20 years, is consistent with Davenport's proposition. In describing events that were significant in their appointment to the top, NEDs would often suggest 'rewinding the clock' to recollect a decision made 10-15 years ago. Further, Becker (1993) suggests that individuals with greater levels of human capital will have high levels of financial reward. NEDs were keen to point out that having reached the point in their career where they were ready for a NED, they were financially independent. They had been very successful in their careers and had reaped substantial financial rewards, enough to make them independently wealthy at the time of their appointment.

NEDs possess a minimum of a degree, with many having postgraduate qualifications or professional qualifications such as Chartered Accountancy, which extends the research on TMTs to NEDs. Hambrick and Mason (1984) suggest that TMT members with high levels of education have a superior capacity for information processing and administrative complexity. Wiersema and Bantel (1992) also suggest that individuals with high levels of education are more likely to engage in boundary spanning activity

and to handle ambiguity, which directors need to engage with in order to fulfil their board responsibilities. This is reinforced by learning theory, which suggests that education helps individuals learn general principles that can be applied to multiple scenarios and draw abstract concepts out of specific situations. There are many aspects to the NED role, which require these abilities from both an agency and resource dependency perspective. NEDs are by the nature of the role not in an executing role, they are part-time and do not know the details of the business. As Ross described, 'we are making fabulously important decisions', often with little information about the business and lots of ambiguity.

Significant consideration is given to a NED's previous work experiences, supporting previous literature in corporate governance. Although human capital is a threshold criterion in the journey to a NED position, the search begins with some key criteria regarding expertise and business experiences. Financial expertise, as the literature suggests, is a much sought after expertise (Jenson, 1993; Mizruchi and Stearns, 1994). Eight of the 15 NEDs in this study had a financial background. This may also reflect the findings of Chhaochharia and Grimstein (2007) who documented a significant increase in the number of financial experts on U.S. boards in the period 1997-2003. They concluded that increased interest from investors, financial institutions and regulators has led companies to recruit more financial experts. This study would support this conclusion, as the regulatory requirements imposed on FTSE 100 companies by the FSA and other stakeholders have increased over the last decade.

Other criteria also sought after included political experience, particularly for regulated companies such as energy companies or companies prone to regulatory restrictions, including a food retailer. This study supports the work of Hillman (2005) and Lester, Hillman, Zardkoohi and Cannella (2008) who evidenced the appointing of outside directors with political backgrounds by regulated companies. Resource dependency theory would suggest that organisations appoint NEDs who can help them manage their environmental dependencies effectively by providing resources and contacts, a view that is demonstrated in this study. Also evidenced are firms high in internal complexity recruiting NEDs with in-depth experience and knowledge of the sector and company operations.

These findings support the work of Hillman, Cannella and Paetzold (2000) who developed a typology of director roles, business experts, support specialists and

community influential individuals. They suggest that jolts in the external environment lead organisations to appoint a different type of director depending on the jolt. A view also supported by Pfeffer (1972). Extending this work to complexity, Markaman and Parbonetti (2007) found that organisations also varied their typology of director depending on levels of internal and external complexity. Organisations with high levels of internal complexity recruited business experts, a proposition that is consistent with the findings of this study.

The literature suggests that CEOs are highly desirable outside directors, adding value to the firm in the eyes of stakeholders and Chairmen have a preference for them. CEOs, it is posited bring authority, board experience and in some cases are a compliant partner with a fellow CEO. Previous research suggests that CEOs are more likely to be appointed to a NED position than non-CEOs (Adams and Ferreira, 2007; Lorsch and MacIver, 1989; Fich, 2005). Further, CEOs are more likely to sit on larger more prestigious boards such as FTSE 100 boards. However, in this study none of the 15 NEDs appointed were CEOs of other organisations. This evidence may suggest that the increasingly challenging nature of the CEO role and the increasing demands of the NED role make NED appointments unattractive. Alternatively, the 'distracted director' syndrome and the 'busy director' with little time to devote to the responsibilities of a NED may have made organisations, particularly FTSE 100 organisations, wary of appointing CEOs.

However, board experience was a significant factor in the human capital of a NED. Some NEDs described their board experience on a FTSE 350 or a Fledgling Index company as an important factor in securing their appointment. Other NEDs pointed to their experience in an advisory capacity to boards as good evidence of their ability to work at board level. NEDs who had political capital indicated that their experience in working with captains of industry in various capacities on committees demonstrated their ability to handle themselves in a boardroom. The two NEDs who were CFOs with FTSE 100 companies emphatically pointed to their board experience, making it a 'no-brainer' in the decision to appoint them. However, despite this perceived strength in financial and board credentials, both candidates were frustrated at how long it took them to find a NED position, pointing to human capital being a threshold criterion and not being enough to secure the position. The researcher would argue that board experience is an important factor in the appointment of a NED, although not specifically CEO experience.

7.2.2 Accessing the networks of the Chairman

Significant amounts of social capital were needed by a candidate to secure a NED. Social capital theory proposes that networks of relationships provide a valuable resource for conducting social affairs and social capital is accumulated in these on-going relationships (Coleman, 1990; Bourdieu, 1986). NEDs made connections and built networks that often started while at university and these social networks were nurtured over many years with significant investments of time. NEDs referred to the strong friendships they had built up with their network often spread all over the world. Others described a social circuit whether in sport, arts or other public bodies, where they regularly caught up with their 'buddies' in pleasant surroundings. Many admitted having a limited interest in the activity, whether it was art or sport. It was their social context for relationship building that mattered. These connections are reflective of Krackhardt's (1992) 'strength of strong ties theory'. Krackhardt (1992) proposes that strong ties, which are described as 'philos', are characterised by interaction, affection and regular interactions over a sustained period of time. These philos relationships built trust and comfort in the face of uncertainty. Significant amounts of time were invested in building strong friendship ties over the course of their careers and these ties played a significant part in their appointment

However, NEDs also revealed how short informal conversations over the telephone or face to face revealed important, but private information. NEDs sometimes even referred to their connection as 'knowing of them' rather than really knowing them and referred to infrequent interaction. As individuals progressed in their career, existing relationships introduced them to new contacts. In social circumstances, a short introduction broadened their network and increased the individual's social capital. The interactions were not deep friendships, yet the connection was made and it was resilient and durable over time (Bourdieu, 1986). Granovetter's (1993) 'strength of weak ties theory', where he evidences job seekers entering the job market successfully through weak rather than strong ties, is also in evidence. Weak ties enable individuals to access new networks not previously known to them and to provide them with access to new information and resources.

The weak ties theory concludes that acquaintances rather than friends can bring new critical connections and information for success in the job market. Individuals built their network through weak ties over time until eventually they built a network in the

corporate elite. This study focused on first-time NEDs, in order to gain an understanding of how they gain the appointment. The literature posits that once a NED gains their first appointment, they become part of the interlocking directorate, which drives the market for directors and an individual's success is guaranteed. Literature also suggests that gaining a first-time NED on a FTSE 100 company results in membership of the corporate elite, a social network that is known for its density, exclusiveness and access difficulty. This study suggests that individuals made bridges of weak ties throughout the course of their careers and eventually they built a network into the corporate elite. The researcher would argue that it was a NED's ability to build a network consisting of both strong and weak ties over 15-20 years that gave them enough access to the corporate elite. This access was sufficient to ensure their successful referencing in that network.

7.2.3 Creating ties that bind

The findings indicate that NEDs built a wide network of connections, which had the density, connectivity and hierarchy to provide successful referencing in the networks of the Chairman (Burt, 1992). However, the study also reveals that the nature of the build-up reflects Nahapiet and Ghoshal's (1998) multidimensionality of social capital. Nahapiet and Ghoshal (1998) describe three dimensions of social capital: structural capital in the pattern of connections, their density, connectivity and hierarchy; relational in what accrues from the relationships in the form of norms, expectations or membership of a group; and cognitive capital in the form of shared mental schema, interpretations and meanings resulting from shared experiences in dense networks. It is evident that NEDs had accumulated structural capital to gain access to the Chairman's elite network. Relational capital is also evident in NED's descriptions about how they went about their connecting activities. They described catching up with their connections as informal, unplanned and often serendipitous. Yet the data suggest a much more planned process. NEDs carefully planned out who would be good to meet and how they could meet. They were aware of who connected to whom in the business and social arena and actively sought out specific people. However, there is also evidence that there were expectations and norms of behaviour guiding their actions. Even though networking was a planned affair, NEDs described how it was important that these events were social, light and not too serious, the appearance of serendipity and informal contacts seemed important. Nowhere is this more evident in NED's ambivalence with the word 'networking'. They suggested, as a concept, it was too

contrived, too formal and not an acceptable behaviour.   Yet NEDs provide lengthy descriptions of large, formal and fairly typical networking events. Norms of behaviour in circles seemed well understood and practised in these social events. Tami was satisfied that her behaviour in her interview was not in a 'selling mode' which she considered typical of executive interviews as this behaviour would not have been acceptable with the Chairman. It would have been unacceptable to appear 'pushy.

The element of fun and informality has been emphasised in the data, yet the content of the conversations was about job moves, career, business and clients. – important information for business people. It is questionable whether this could be considered light conversation. Relational capital is also evidenced in how NEDs discussed what would lead them to connect with someone in their network. NEDs exchanged business information they had privileged access to with their contact, in the expectation that this contact would return a favour in the future. The laws of social exchange and reciprocity were in evidence in the conversation descriptions. They did not consider their exchanges work related. Instead, they considered them a social conversation. However, information was exchanged that was of value to their contact with the hope of reciprocal exchanges in the future. This 'relational embeddedness' established behavioural norms around respect and trust. It enabled both parties to exchange information. When both individuals progressed in their careers, this information and resource exchange became more valuable as each had increasing access to more privileged information due to their executive positions (Coleman, 1990; Putman, 1995).

Many NEDs evidenced this type of exchange as being critical in building relationships with ESFs. NEDs regularly supplied information to ESFs about other directors, names for job positions and references. This information was given in the expectation that the ESF would in the future consider them favourably for a NED position. ESFs were considered to be a central player in their network for a NED position and 'relational embeddedness' was a key factor in gaining their support. Considerable investment in time was spent largely on the phone with ESFs establishing this social capital. This data reveals that although ESFs may have a weak tie with a potential NED, they fulfil a central node in the corporate elite network. Although the Chairman makes the final appointment decisions, NEDs were aware that ESFs could influence Chairmen in considering new candidates. This supports Burt (1992) who suggests some nodes in the network are more important.

NEDS also revealed the cognitive dimension of Nahapiet and Ghoshal's (1998) concept of social capital, particularly in relation to the connections they made at university. NEDs referenced relationships built at university, which had been nurtured over many years and which were instrumental in their first NED appointment. They described going through 'the rough and the smooth' with a friend who became a life friend. They kept in touch wherever they were in the world and often claimed to trust them 'with their life'. NEDs described how in these relationships, they understood each other, their approach to life and what they were about as a person. The data suggest that shared meanings, interpretations and shared vocabularies were built often in the quads of an elite university and these ties stayed with them for life (Cohen and Prusak, 2001; Misztal; 1996)). In total, 11 of the 15 NEDs in this study attended an elite university, known for their emphasis on social interaction and for the forging of friendship ties outside of class time.

This study seems to support the proposition of Mill (1956) that directors seemed to know each other and seemed to be able to work quite naturally together, evidence of cognitive capital at work. Further, this study seems to suggest that the demographic homogeneity of NEDs (Mace, 1971; Lorsch and MacIver, 1989; Pye, 2000, 2001 and 2005) which has been extensively evidenced in the literature with remarkable stability (Domhoff, 2002; Useem, 1984; Kakabadse, Kakabadse & Myers, 2008) has its roots in the cognitive capital built at elite universities and sustained over the course of a career. It is this capital which is instrumental in the appointment of a NED to a FTSE 100 company.

However, cognitive capital was also built through business experiences for many NEDs. Those NEDs who had considerable experience on boards of FTSE 350 companies or smaller companies, refer to the 'many battles they got through' with close connections and how these connections have bonded with them for life. NEDs refer to them as 'their rock' and point out 'they get each other' and 'know where I am coming from'. One NED said "I don't have to explain myself to him". Interestingly, although it is often the challenging work circumstances that NEDs refer to, it is also significant that the shared experiences were social, the parties after the deal or dinner in an exclusive club. The social occasions built cognitive capital between the two individuals that was evident in their appointment as a NED.

The extensive literature about directors building social capital through changing their behaviour in order to build binding relationship ties with the appointing Chairman is not supported by this study (Westphal and Khanna, 2003; Davis, 1993; Weshphal and Stern, 2006). These studies have largely been quantitative studies, where the appointment process has been examined through secondary data and with directors already established in the inter-corporate directorate network. This study explored the appointment process directly through qualitative data about NEDs gaining their first NED appointment. The results would tend to suggest that the dynamics of the appointment process for a first- time NED is different to a NED already established in the market.

7.2.4 Prestige at the top

There is a stream of literature, which suggests that prestigious board members, with affiliations to prestigious organisations, can access resources reducing environmental uncertainty and improving management's strategic management of the organisation (Baysinger and Butler, 1995; Daily and Dalton, 1994; Westphal 1999 and Zahra and Pearce, 1989). The findings show that prestige is a key criterion in the appointment of a NED. NEDs pointed to the status of a structural affiliation such as an elite university and how this association was important in their path to the boardroom. Some NEDs referred to their university 'setting them up for life' and others suggested that their university network would go on to be in 'very prestigious positions' in life. This is in line with social capital theory, which suggests that individuals who are associated with a prestigious educational establishment are likely to expand their relations into elite circles due to their perceived and direct access to the social resources of the high standing institution. This is further borne out by NEDs referring to their 'Oxford pals' who had gone on to positions of high status and were in a position to recommend them for a NED role.

Structural affiliation is also referenced with regard to working for a prestigious merchant bank, a prestigious consultancy or company. NEDs were aware of the prestige bestowed upon them through their employers (Lin, 2001b). The data also points to the prestige and the status within the positions NEDs had achieved in their executive careers, such as Managing Director, Partner, Vice President of a global organisation or Chief Financial Officer of a FTSE 100 company. D'Aveni (1993) argues that 'prestige and power are expected to create a signal of managerial competence' which this data

supports. Several NEDs evidenced the prestige of their organisation and its position in society crediting them with competence and credibility in the eyes of others (Homans, 1958). They were aware of the direct and perceived resources a Chairman could assess when considering their credentials for a NED. The reciprocal nature of prestige was also evident as NEDs described how their association with a company brought the prestige of their position and company to the board table. The findings suggest that it is the subjective evaluations that connections and Chairman associate with an individual's skills, position and social connections, which result in levels of prestige being bestowed upon them. The findings show that commonly accepted prestigious organisations and positions such as CFO or Vice President bestow high levels of prestige on an individual in society.

Does prestige help you gain a NED position? The literature suggests that prestigious elite credentials are evidenced in corporate boardrooms (Useem and Karabel, 1986; Useem, 1984). Useem and Karabel (1986) found that success at the top of an organisation is facilitated by holding a bachelor's degree, an MBA or a law degree from a prestigious university. This study reveals that 11 of the 15 NEDs had degrees from elite universities, all had worked with what would be considered as prestigious organisations and all had held what would be considered prestigious titles. This evidence supports the findings of Useem and Karabel (1986). Useem (1984) had found differences in elite credentials between the U.S. and U.K. in that the 'old boys' connections in the U.K. with such institutions as Eton and Harrow held more prestige than university level connections. This sample is a mixed sample of U.K., U.S. and Dutch NEDs and did not consider education before university level.

Research findings suggest that social clubs are the bastions of prestige. They are exclusive, invitation only, with highly restricted access and membership, which bestows huge prestige (Palmer and Barber, 2001; Zeitlin, Ewen and Ratcliff, 1974; Useem, 1984). It is in these highly prestigious clubs that individuals mix with members of the corporate elite and through repeated interactions, get to know each other and the socialisation process on the norms and values of the corporate elite takes place. The findings suggest that social clubs and invitation only events are an important part of the networking of an individual on their path to the boardroom. NEDs reference elite clubs such as the MCC, members only clubs both in London and at exclusive ski resorts in Switzerland, invitation only events with royal patronage and exclusive arts events.

NEDs clearly embrace the privilege of attendance and understand the prestige it bestows upon them. Often in their evidence they refer to attending members 'as the good and the great of society' One NED summarised 'it can't get any better than this, you mix with amazing people'. NEDS were aware of the prestige of the clubs, aware of their privileged entry and aware of their prestigious connections. Further, the more entrenched individuals were in the social clubs of the corporate elite, the more easily they were referenced for an appointment and the shorter their appointment process was. This finding supports the literature suggesting that top managers with these credentials are screened through prestigious educational associations from an inter-organisational perspective, through prestigious connections with the inter-corporate directorate and through social connections in society, through clubs and exclusive events from an intra- class perspective. The intra-class perspective will be more fully explored in the section on cultural capital.

7.3 The concept of board capital

Hillman and Dalziel (2003) conceptualised the term 'board capital' as the composite of the human and social capitals of a board, positing that it was this capital, which enabled a board to fulfil its agency and resource dependency responsibilities. Hillman and Dalziel (2003) further suggested that it was the human and social capitals in concert that enabled the board to fulfil its function. This suggests that it is a NED's human and social capitals in concert, creating board capital that contributes to the functioning of a board. The proposition of human and social capitals in concert, has been corroborated by Haynes and Hillman (2010), who suggest that although human and social capitals are conceptually separate constructs, it is difficult to operationally separate out their effects. The literature suggests the constructs are interdependent (Coleman, 1988; Nahapiet and Ghoshal, 1998; Mizruchi and Stearns, 1994). This study supports the interdependence of the human and social capitals of NEDs, as explored in the appointment process. Further, the results would suggest that the facilitative nature of human capital combined with the additive value of social capital creates a complex cocktail of capital effects. It was Burt (1997: 339) who argued that while 'human capital is surely necessary to success, it is useless without the social capital of opportunities in which to apply it', a proposition this study would concur with.

There are many examples in this study where the effects of the capital of education at an elite university, work experiences at prestigious organisations and social

connections at elite clubs are difficult to separate. Similar to the findings of Mizruchi and Stearns (1994) NEDs who were bankers or CFOs brought elite qualifications, expertise and connections to prestigious organisations. All of which enabled them to access resources for the focal board. Similarly, NEDs with political capital brought expertise, resources, contacts and prestige that would enable them to access much needed connections (Lester, Hillman and Canella, 2008; Hillman, 2005). This study supports previous findings in the literature, which suggests that NEDs are appointed for their general and specific experience, as a conduit to resources, their ability to build business connections for the focal firm and for the legitimacy they provide to the firm (Certo, Daily and Dalton 2001b).

From an agency perspective, appointed directors need to have the ability and credibility to monitor management for the shareholders (Fama and Jensen, 1983; Westphal and Zajac, 1995). A resource dependency perspective posits that NEDs need to provide the advice, legitimacy and privileged access to vital information for the firm. NEDs with larger amounts of board capital will be more attractive to recruiting Chairmen. (Zahra and Pearce, 1989; Hillman, Zardkoohi and Bierman, 1999). The stream of research on inter-corporate directorates suggests that existing directors are appointed to new directorships based on their mix of human and social capitals. Decisions, knowledge and ties with one organisation become the raw material for work on another board. This study suggests that first-time NEDs need to bring to the board table a complex mix of board capital that will add value to the board in question. For example, one NED was recruited to a large retail organisation. The organisation in question had aspirations to expand into China and also needed to be equipped for regulatory reform from the EU. The NED appointed had a degree from an elite university, had held a senior prestigious position in a prestigious professional services firm, had 10 years' experience in a related sector and knew the marketplace. She had experience running a business in China and had held a senior position in the public sector in Europe. In addition, she had a large, well maintained network from all of this work experience and could gain access to privileged information and resources that would be critical to the board. This NED brought valuable capital to the focal firm in dealing with their specific challenges.

7.4 The importance of cultural capital

This study empirically proves that board capital (Hillman and Dalziel, 2003), as a mix of human and social capitals is a criterion in the appointment of a first-time NED. In

addition, this study suggests that an individual who gains a first-time NED is also granted membership of the corporate elite. Membership of the most exclusive club in the corporate world provides access to privileged information and resources that will sustain the value of a NED to an organisation and to their future success in the market for directors. This study extends the concept of board capital to include cultural capital, as it is this capital that gains membership of the corporate elite. The NEDs appointed in this study had accumulated human, social and cultural capital and it was the blend of these capitals that gave them the board capital sufficient for a first-time NED and membership of the corporate elite.

The extensive process of referencing and vetting an individual in the corporate elite is striking. NEDs spoke of it as a 'shock to the system'. None of the NEDs had experienced a process like it in previous appointments to executive roles. Indeed, many NEDs made comparisons with executive recruitment, describing the NED process as very different, a longer, more opaque and ambiguous process. The referencing in some cases took up to nine months. However, there were differences between NEDs. NEDs who had more connections into the corporate elite network were referenced far more quickly and had a short interviewing process. NEDs with fewer connections had a more lengthy process of referencing and interviewing. Although NEDs described the process as opaque and ambiguous, they were aware it was taking place. All NEDs carefully selected the names they gave for formal referencing, often the most prestigious and embedded members of the corporate elite in their network. However, all candidates knew that the extensive referencing was informal through the networks of the Chairman. Some candidates deliberately referenced names of elite members into conversations with the Chairman as they aware there was a common connection. Further, NEDs were aware of the type of conversations the Chairman or his connections would have in the referencing process and the responses they were likely to get. The Chairman wanted to know if individuals could handle themselves, what kind of person they were and what their style was like. Candidates were cognisant that the individuals having the conversation were members of the corporate elite 'the good and the great' It was the elite member's judgement of an individual's fit with the corporate elite and whether they handle themselves with members of this club.

The interviewing process reinforced this with a focus on style, values, character and philosophical stance in life generally. However, it was the cultural nature of the process that was salient. Interviews with the Chairman and other members of the board took

place in culturally elite locations. These included private members' clubs, elite social events, House of Lords, MCC and others. NEDs described the moment they felt they clicked with the Chairman. It was in most cases a moment where they exchanged experiences about a cultural event or institution with which they both had a connection. It was reference to such things as an Art Exhibition, an elite skiing location, a Charitable Trust or a sporting event. In the interviewing process there were consistent references to the elite club and lifestyle.

Indeed, NEDs when asked about how they secured the appointment, reframed the question before answering to, 'why did I get chosen?' This suggests that they were aware they were joining the club. Many openly referred to 'the club' and were aware that once an individual was 'in' they needed to know how to behave. NEDs described how it was hard to get into the club, but once a NED was in, they immediately received many invites to prestigious culturally elite events. Membership was granted when the Chairman was satisfied that the individual had the cultural capital which established their fit with the corporate elite. This finding is consistent with the work of Useem (1984) and Useem and Karabel (1986) who found that directors were conscious of themselves as an elite community with remarkably similar attitudes and beliefs. This is also supported in the studies of Lorsch and MacIver (1989), Pye (2001, 2001, 2005), which describe a director community that is demographically similar and with shared experiences. Useem and Karabel (1986) suggest that access to the corporate elite is restricted to those individuals who have elite social and educational credentials and who are demographically similar to existing members. This study evidences that entry was granted when an individual demonstrated the elite human, social and cultural capital that ensured fit with existing members of the corporate elite.

Bourdieu's (1977) extended notion of capital is relevant for understanding the cultural capital of a NED. Bourdieu (1977: 178) describes capital as 'all goods, material and symbolic, without distinction, that present themselves as rare and worthy of being sought after in a particular social formation'. This conceptualising of capital highlights the concept of cultural capital in addition to economic and social. Bourdieu (1986) suggests that cultural capital can be broken down further into: (i) the embodied state (the dispositions of mind and body); (ii) the objectified state (cultural goods preferred and displayed) and (iii) institutionalised state (educational qualifications, formal group memberships). All three states relate to embodied and cognitive cultural dispositions and signify a persona that legitimises membership into a specific social space and an

understanding of the cultural norms and values associated with being a member of that space.

Bourdieu (1996) spoke of 'fields' as a set of factors often latent, which shape behaviour in a given context. Hence the corporate elite can be referred to as a field, which is comprised of the interactions between a series of institutions, rules, laws, rituals, categories, titles and appointment and these interactions shape behaviour in that field. A 'habitus' according to Bourdieu (1990) is the sum of an individual's values, dispositions and how one holds themselves in life. Habitus captures the notion of embodied history and is largely determined by socio-cultural experiences with education being a particularly dominant influence. A particular field in social space will embrace individuals whose habitus is similar to the dominant habitus of the field.

Individuals seeking entry to the corporate elite are joining the broader group of elites in society whose mark of distinction at the top of society is refined tastes and cultural sophistication (Bourdieu, 1984). An individual who gains a NED appointment needs to have a habitus that signifies the embodied and cognitive cultural dispositions of existing members of the corporate elite. Further, Bourdieu (1984) suggests that institutionalised cultural capital in the form of education is much more than possessing academic knowledge. An educational institution is often perceived as a proxy for possessing 'certain ways of being' and the values incorporated in those. As Bourdieu (1984; 25) suggests,

> *The tacit definition of the academic qualification, formally guaranteeing a specific competence is that it really guarantees possession of a 'general culture' whose breadth is proportionate to the prestige of the qualification.*

Moreover, the possession of a particular form of institutionalised capital is often a marker of a wider assemblage of capitals that shape an individual's identity. This suggests that certain educational institutions are fixing grounds for softer embodied skills and dispositions, forms of embodied and objectified cultural capital. This may go some way to explaining why the literature has consistently evidenced elite educational credentials in board directors over many decades (Domhoff, 1970; Useem, 1984; Westphal and Stern, 2006).

This study proposes that the referencing and vetting conversations in the corporate elite were assessing the fit of an individual's values and disposition with elite members

embodied, objectified and institutionalised forms of cultural capital. The location of interviews in prestigious cultural locations emphasised the objectified cultural capital of both the individual NED and the other members of the corporate elite present. When NEDs described the moment they clicked with the Chairman in the interview, it was a discussion about a cultural institution or event and both openly discussed the subject of cultural refined tastes and distinction. The Chairman had assessed their appreciation of these cultural events and the values and dispositions signified a fit with the corporate elite. Such was the significant of this point in the interview, that three candidates described how they could not remember very much of the interview after this point. Interviews with the Chairman and other members of the board were final confirmations of the individual's embodied, objectified and institutionalised cultural capital and it's fit with the corporate elite.

7.5 Reputational capital and a first-time NED appointment

7.5.1 Reputational capital drives appointment process

The literature indicates that the appointment process of established NEDs to new appointments is driven by reputational capital (Zajac and Westphal, 1996; Fama, 1980). The findings of this study support the literature and suggest that first-time FTSE 100 NED appointments are made on the basis of reputational capital. When NEDs were describing how the final decision to appoint them was made, there was consistent reference to reputation and the reputational capital therein. NEDs described how they had the 'whole package' (Jacob), 'it's how you got on with life and what it reveals about you' (Nicola) or 'it's about you as a person, your credentials and values, the real person' (Sona). Other candidates described the decision to appoint being based on 'everything you have done in life and where you are coming from' (Fred). Other NEDs referred to reputational capital as a lifetime's work, suggesting it was 'about what you have done in life and what it says about you' (Ross). NEDs also described having a 'rock solid reputation' (Jacob) or 'consolidating their reputation' (Jacob). NEDs were aware that the decision to appoint them was based on their reputational capital.

Corporate governance studies suggest that reputational capital drives the success or failure of existing NEDs in the market for directors. Reputational capital provides the market with reliable signals for the rewarding or sanctioning of existing directors (Certo, 2003; Pozner). Fich and Shivdasani (2007) found that directors associated with fraud,

although not sanctioned by the fraudulent company were sanctioned in the market for directors resulting in a significant drop in appointments held in other companies. Indeed several U.S. studies suggest that when reputational capital is damaged directors are less marketable (Yermack, 2004). A process of social distancing has been evidence when directors' reputational capital has been damaged, resulting in reduced opportunities for future NED appointments (Westphal and Khanna, 2003).

Reflecting these considerations of reputational damage and its consequences, in this study it was the consideration of risk and risk assessments that further reinforced the significance of reputational capital in the appointment process. NEDs described how Chairmen needed to weigh up the reputational capital of an individual and the possible risks associated with it. The risks involved were risk to the Chairman's reputation, the board and indeed the company. NEDs described the process of appointment as being opaque, particularly in the early stages when many conversations with ESFs took place without mentioning the company name. NEDs also indicated that their interest in a possible position was checked out many times before they were given the full details of the company. NEDs indicated they understood the confidential and opaque process as 'it takes years to acquire it…a lifetime and it can be lost in minutes' (Fred)'. It was understood that the Chairman needed to assess the reputational capital and any associated risks. A NED who could cause reputational damage could not be appointed. There also was an understanding that information about a forthcoming NED appointment, who had been approached, who had been rejected or who had rejected was all highly sensitive information. NEDs pointed out that if this information went into the public arena, it could lead to reputational damage for all concerned. NEDs described the necessity of a Chairman to engage in extensive referencing about the reputational capital of individuals in order to ensure there were no reputational risks associated with the appointment. This may go some way to explaining why the process of appointment has been described in the literature as flawed, opaque, lacking both transparency and formality (O'Neal and Thomas, 1996; Lorsch and MacIver, 1989; Pye, 2000, 2005).

The literature also suggests that when reputational damage has happened, directors who are more embedded in the networks of the corporate elite have greater chances of survival and long-term success in the market for directors (Westphal and Khanna, 2003). Individuals trying to gain their first NED appointment are more vulnerable to reputational damage and less likely to survive it as they are less embedded in the

networks of the corporate elite. Indeed this study reveals that NEDs understood reputational risk issues and invested time and resources on risk assessment. NEDs carried out reputational risk assessments regarding the Chairman, the board and the company's performance. NEDs were cognisant of the fact that they had a lifetime's reputational capital accumulated and wanted to use that to secure a NED and membership of the corporate elite. NEDs were conscious of the 'liability of newness' (Certo, 2003: 437), it being their first NED and their opportunity to gain entry to the corporate elite. Individuals did not want to take an appointment that would tarnish their reputational capital and hamper their chances of future success in the directors' market for NEDS. As a result, they invested a significant amount of time in due diligence such as contacting auditors and analysts in order to satisfy themselves that there was no risk to their reputational capital in taking a specific appointment.

This study evidences that a NED appointment is made on the basis of the reputational capital of an individual. A successful appointment means the Chairman has made a cognitive assessment of the reputational capital of an individual and it poses no risks to him as an established member of the corporate elite. An individual, who has accumulated reputational capital over a career, safeguards against reputational risk or damage by carrying out comprehensive due diligence. This assessment provides assurances for their future success in the NED market and the corporate elite.

7.5.2 Defining the reputational capital of a NED

Reputational capital has been cited in the corporate governance literature as a driver of NED appointments through the inter-corporate networks. However, there has been a plethora of definitions and as a construct it has not been explored and defined (Agrawal, Jaffe and Karpoff, 1999; Coles and Hoi, 2003, Kim and Canella, 2008). Reputational capital has been construed as a combination of different elements of human and social capitals. Further studies have operationalised reputational capital in many ways such as the number of outside directorships a director holds or the number of prestigious titles an individual has. This study supports the literature in suggesting that reputational capital is a combination of different elements of human and social capital. However, the data also reveal that cultural capital is a constituent part of a NED's reputational capital. This study reveals that the reputational capital of a NED is a blend of capitals, human, social and cultural supporting the assertion of Hillman and Dalziel (2003) that human and social capital are interdependent and act in concert.

However, the data extends the concept of board capital to include cultural capital, which suggests that human, social and cultural capital are interdependent and act in concert to accumulate an individual's board capital. The Reputational capital or a NED is a composite of human, social and cultural capitals – board capital, which have been promoted and communicated to the key stakeholders in the appointment process.

The study reveals that the reputational capital of a potential candidate provides the appropriate criteria for a NED and fit with the corporate elite. The Chairman assesses the signals from an individual's capitals accumulated over many years and builds an understanding of their reputational capital. This reputational capital based on the past actions of an individual enables the Chairman to predict the future behaviour of an individual as a NED. Individuals invested time and resources accumulating capitals which when communicated portrayed the appropriate values, norms and philosophy suitable for a NED appointment and membership of the corporate elite. These findings are consistent with the works of Shapiro (1983) and Weigelt and Camerer, 1988) on corporate reputational capital formation in the economics literature. Reputational capital is conceptualised by economists as:'a specific set of stakeholders beliefs in response to a firm's past actions over time and based on these beliefs stakeholders predict the future behaviour of the firm (Weigelt and Camerer, 1988:). Using this lens of corporate reputation in the economics literature provides the core principle that stakeholders perceive past behaviour as a good indicator of future behaviour. This lens is considered appropriate when exploring NED appointments as a NED appointment is based on past investments individuals have made in human, social and cultural capitals over the course of a long and successful career. A Chairman's assessment of an individual is based on these past actions and what they communicate to him about the individual's future predicted behaviour as a NED. Further, like a corporate, NEDs are largely in control of the investments they make and hence the reputational capital they accumulate. NEDs were agentic in their pursual of a NED, making the necessary investments when required and they had the resources particularly the financial resources to do so.

This study supports the principle that past actions signal the reputational capital of an individual to a stakeholder and enable them to form predictions on their future behaviour. The data also reveal the signalling process of Spence (1973) at work. Human, social and cultural capitals were considered of little benefit by NEDs unless they were promoted and communicated to the key stakeholders. Indeed this study

reveals that reputational capital is the composite sum of human, social and cultural capitals which has been signalled to stakeholders to enable an accurate assessment of future behaviour as a NED. .

7.5.3 Reputational capital development

This study reveals that NEDs described their appointment to a first-time NED by 'winding the clock back' (Theresa), detailing their long journey of accumulating human, social and cultural capital. The process of reputational capital development was significant in a first-time appointment, as actions that had occurred 15-20 years ago were important in the final stages of the appointment process. This is consistent with models of reputational capital formation in the economics literature (Weigelt and Camerer, 1988). In the same way that a firm's reputational capital is an asset, which can generate future rents, an individual's reputational capital is built up over many years and pays off in securing a NED in the later stages of their career.

Reputational capital is a valuable asset when there is information asymmetry in a marketplace. The labour market for hiring new employees has long been recognised as a market where there is information asymmetry (Spence, 1973). In any new hiring process, there is uncertainty and lack of information about the potential employee. It is not possible for the employer to observe the likely contributions of a potential employee. In such a market, the employee is the informed player with all of the information and the employer is largely uninformed. Indeed, Spence (1973) suggests that an employment decision is an investment with an uncertain outcome in the future, suggesting its similarity with 'a lottery'. Indeed, many of the attributes an employer wants information about such as values, motivations and character are not observable attributes. Therefore, potential employees have an incentive to invest in credible and observable indicators that signal their worth, such as education and work experiences. The market for directors is an imperfect hiring market with information asymmetry (Weigelt and Camerer, 1988). In addition to this information asymmetry, which exists in any hiring market, the risk of damage to reputational capital is greater at the apex of organisations. All involved in a NED appointment have considerable reputational capital at stake which leads to an opaque, informal process which lacks transparency. These factors can only exacerbate the information asymmetry and result in greater reliance on the potency and accuracy of signalling in the appointment process.

This study reveals that the path to a corporate board position often starts 15-20 years before the actual appointment takes place. The build-up of the required reputational capital spanned the course of an individual's career. NEDs pointed out that there was little point in having the capitals if they were not signalled to the market to create the reputational capital for a NED appointment. Indeed, it was the agentic nature of the pursuit of a NED position that revealed their signalling activities. For example, those NEDs who had attended an elite university were aware of the human and social capitals their education contained and on many occasions referred to the fact that Chairman and other members of their network understood the significance of them. These NEDs had maintained their university network very well, going to work in the same sector or in some cases the same company. Eleven NEDs were quick to point out that despite most of them having gone on to hold down senior prestigious jobs in the city, they regularly connected as an alumni of their (elite) university where their bonds had been made. NEDs ensured that the reputational capital communicated to Chairmen contained the values and norms of behaviour associated with their elite university. This study corroborates Spence's (1974) assertion that education, such as a university education, if associated with certain characteristics, such as the quality of an employee, can act as a potent signal to the market, not just of a university degree, but of more general quality attributes of the employee.

NEDs were aware of their prestigious work experiences and the human and social capitals they contained. Despite the proclaimed serendipity and informality of their networking activity, the data suggest that there was an agentic pursuit of individuals in their network and a seeking out of new connections. The conversations always involved exchanges of information about career, job moves, business and clients. Indeed, one NED described how on a regular basis she would take a step back from her work and decide if there was useful business or news that a connection would value and she would ring them up. This was a deliberate investment in time in signalling her human and social capitals to a member of her network, who happened to be a Chairman. She was also aware that this reputational capital would be passed on to members of the Chairman's network that day or that week. Most NEDs had a heightened awareness that information signalled to the right connections would continue to flow through the networks eventually reaching Chairmen, perceived as the gatekeepers to the corporate board. They attended the conferences, the lunches and dinners. They obtained invites to special events and signalled their reputational capital

to existing and new members in their network. In the words of one NED 'you have to find a way of showing your capabilities to the right people' (Gwen).

This investment of time in signalling activities in the development of reputational capital is consistent with the concept of reputational capitation formation by Weigelt and Camerer (1988) and Shapiro (1983). Reputational capital develops with consistent messages going into the market for directors. In a market for consumer goods, producers of high quality products want to signal their product's quality to consumers before the purchase decision (Weigelt and Camerer, 1988). An individual seeking a NED appointment consistently signals their quality as a suitable NED throughout the course of their careers, in some cases years before the decision making in the appointment process took place. The more consistently and closer an individual's signals came to Chairmen, the more an individual was approached for interest. First-time NEDs faced an arduous task in building connections into the corporate elite. Prestigious human capital was built up to facilitate a network of connections. Both weak and strong ties added connections laden with prestige and status connected into the corporate elite. Many NEDs commented on the on-going commitment of resources and time. One NED described how building connections was practically her full time job for six months. Another NED described how building the network took commitment over many years and required considerable financial resources to sustain the process, financial resources she had as she had worked in a lucrative banking sector.

These findings have substantial similarities with new ventures, who want to establish their credibility and legitimacy in the corporate world in order to access resources and information. The literature evidences new ventures making significant investments in human, social and cultural capital in order to signal the reputational capital to establish them in the corporate world. Further, those equipped with better financial resources can make bigger investments and establish larger amounts of reputational capital (Petkova, Rindova and Gupta, 2008; Rindova, Petkova and Kotha, 2007). Interestingly, all NEDs in the sample, at some point in their interview made reference to their 'financially independent position' in life.

NEDs used mentoring as a way of signalling particularly their unobservable attributes such as integrity, character or values. Some chose a mentor with whom they had worked closely, someone who knew them well and could vouch for their unobservable attributes. This mentor had gone on into the ranks of the corporate elite and was

chosen because of their prestigious reputational capital, which was well known in the marketplace. NEDs openly declared that they had not chosen the mentor, as a mentor, they had chosen them for their reputational capital coupled with the fact that they knew them well and would communicate their NED reputational capital to members of the corporate elite. Other NEDs declared making a point of ringing their mentor for advice to ensure prominence in the eyes of their mentor. Mentoring served the individual with a member of the corporate elite who was familiar with their reputational capital, who would vouch for them if needed and by association would bestow prestigious reputational capital on them. These findings are consistent with the literature about NVs establishing themselves in the corporate arena. NVs engage in reputation borrowing and reputation endowment in order to establish themselves in a market (1999; Williamson, 2000; Sapienza and Gupta, 1994). NVs appoint NEDs with prestigious reputational capital, and by their association with the new venture enhance their credibility and legitimacy in the corporate world. In this way, NVs gain access to resources and establish themselves as a player in the market (Petkova, Rindova and Gupta, 2008; Rindova, Petkova and Kotha, 2007). Certo (2003: 437) in his conceptual paper on IPOs, establishing their reputational capital, pointed to the challenge of 'the liability of newness' and how IPOs could overcome this by association with directors of high levels of prestigious reputational capital. Similarly, individuals attempting to gain their first NED built connections whose associations of prestige and high levels of reputational capital helped to establish their reputational capital in the corporate elite. The association sent signals to Chairmen and members of his network, which established their suitability for a NED in the eyes of the Chairman.

NEDs also took up positions in other companies such as a NED on a Fledgling Index company, Director General of a major industry body or NED of a FTSE 350 to signal their prestige and status. The findings suggest that these significant investments in human and social capitals produced frustratingly slow results. Although perceived by NEDs as large investments with potent signals to the corporate world and as such expected to deliver short term impact. The NEDs did secure an appointment eventually. These experiences support Davenport's assertion that investments in capital deliver results in the future and are more long term which can be frustrating for individuals seeking a NED. It also reflects the core principle of reputation capital formation, that although the individual is largely in control, the information signalled to the key stakeholders relies on their assessment of its impact. In this case, it is the

Chairman who makes a judgement on an individual's suitability for a NED based on the signals received (Shapiro, 1983; Milgrom and Roberts 1986; Weigelt and Camerer, 1988). Further, these findings support the literature on the intangible nature of reputational capital. Although reputational capital is an invaluable asset, which is signalled through significant investments in human, social and cultural capitals, it is intangible and ultimately resides in the assessment of the Chairmen (Dierickx and Cool, 1989). Indeed, Dierickx and Cool (1989) in their seminal work on intangible assets argue that it is the cumulative result of signalling consistent messages over time that generates the reputational capital. In other words, there are no quick fixes as some NED expected. This may go some way to explain the frustration of NEDs who made large capital investments with little short term gain – the prize came longer term.

Cultural affiliations were significant in the appointment process for all NEDs with many candidates pointing to a conversation on a mutual cultural association with the Chairman as the moment when they clicked in the interview and proceeded to secure a NED. However, for some individuals an association with cultural bodies such as a Governor of an Arts Foundation, a Charitable Trust or a prestigious cultural body proved a turning point in their search. One NED described how he had been frustrated with his progress in gaining a NED considering his excellent credentials as CFO with a FTSE 100 company. When he decided to take up a governorship on a prestigious charitable trust, he received a call the next day, a call which led to a NED appointment. Another NED, who found his search slow described how a meeting at an Arts Foundation, one of which he was trustee, led to the cementing of a relationship with a new influential connection. Subsequent to this meeting, the NED was invited for interview. This finding suggests that cultural affiliations were a potent signal in forming reputational capital for a NED appointment. This finding also reflects Useem's (1984) thesis that cultural and class signals can short circuit an individual's route to the corporate board. Indeed this view finds support in the literature on cultural bodies which finds an over representation of business people on these boards (Walden, (2000). This study would suggest that cultural affiliations are critical in signalling the reputational capital with the appropriate amount of cultural capital to establish fit with members of the corporate elite.

7.5.4 Conceptualisation of reputational capital development

Extant literature suggests that the market for directors is driven by reputational capital where NEDs with greater levels of reputational capital gaining access to more opportunities for directorships (Zajac and Westphal, 1996). Those NEDs with established reputational capital have easier access to opportunities than first-time NEDs who are in the process of establishing their reputational capital. Further, the market for NEDs like any hiring market is characterised by high levels of uncertainty and information asymmetry which makes appointment processes challenging. Indeed it is reasonable to suggest that information asymmetry is exacerbated in the NED appointment process as it takes place at the apex of organisational life. Exposure to reputational risk which could lead to reputational damage reduces the future success of a director. NED appointments involve a reputational risk assessment to ensure there is no risk to the reputational capital of any party involved in the process.

The findings of this study draw on the concept of Board capital from the Corporate Governance literature and theories of reputational capital formation and signalling from the Economics literature to conceptualise the reputational capital development and appointment of a first-time FTSE 100 NED. Hillman and Dalziel (2003: 386) conceptualised the term 'board capital' as a composite of human and social capital which enabled a NED to fulfil both their agency and resource dependency responsibilities. The authors assert that it is human and social capital in concert, acting interdependently that enables NEDs to deliver results required by boards. This study suggests that board capital is a criterion for the appointment of a first-time NED. The theory of reputational capital formation conceptualises reputational capital as a specific set of stakeholders' beliefs in response to a firm's past actions over time and based on these beliefs predict the future behaviour of the firm (Weigelt and Camerer, 1988:). This study adheres to the core principle that stakeholders such as Chairman can assess an individual's past actions and behaviour in order to predict their future behaviour with greater certainty. Finally, the use of reputational mechanisms such as signalling, have been evidenced in labour markets (Spence, 1973) as a way of dealing with high levels of uncertainly and information asymmetry. As the market for NEDs is characterised by exceptional levels of uncertainty and information asymmetry due to reputational risk factors, signalling mechanisms prove important in the appointment process.

NEDs made investments of time and resources in a university education, often to postgraduate level and work experiences, which demonstrated their excellent performance at the top of their field, sustained over long periods of time. NEDs made investments of time and resources in building connections, connections governed by the laws of social exchange and reciprocity that would eventually gain them access to the networks of the corporate elite. NEDs built high levels of prestige, through an elite education, gaining board experience, holding prestigious job titles and working for prestigious employers. Over the course of their careers, NEDs built prestigious connections through networks from university, work and social clubs. Reputational capital was accumulated through large investments in human and social capital over the long term. The facilitative nature of human capital gave rise to social capital and the additive value of social capital leveraged the full potential of the human capital invested in. Both capitals acting interdependently provided NEDs with board capital as a blend of capitals and a critical part of their reputational capital development for a board appointment.

Further NEDs invested over the long term in building cultural capital through building connections in the corporate elite, through engaging in cultural events and activities such as art collecting, becoming a governor of a charitable trust or attending an elite society event. These investments provided prestige and cultural distinction, factors which were important in the assessment of fit with being a NED and member of the corporate elite. This study supports the concept of board capital as a key criterion for appointment as a NED and goes further to suggest that it includes cultural capital. Bourdieu's (1977) extended notion of capital provides the concept of cultural capital in the forms: (1) embodied (dispositions of mind and body); (2) objectified (preferred and displayed cultural goods) and (3) institutionalised (educational qualifications and formal group memberships). This cultural capital is evidenced in the development of a NED's reputational capital. A NED had invested time and resources in building prestige and status which gave access to cultural capital. This cultural capital was referenced in the corporate elite and the focus of the interview with the Chairman. Cultural capital investments provided a fit with the norms, values and philosophy of the corporate elite whose club a first-time NED would join. Investments in cultural capital were a key part of the board capital that resulted in a successful appointment. This study suggests that board capital is a blend of human, social and cultural capital. Further as evidenced in

the interplay of capitals throughout the course of an individual's career, a sufficient amount of each capital was required in the blend to result in a successful appointment.

However, the build-up of human, social and cultural capitals over the course of an individual's career would not result in an appointment unless these capitals were signalled to the key stakeholders. Individuals used signalling of their past actions and investments in human, social and cultural capitals to build up the reputational capital required for a NED. The signals provide information on past actions and behaviour to enable the Chairman to predict an individual's future behaviour as a NED with greater certainty. Signalling theory suggests that there needs to be consistent messages communicated over a long period for signals to be fully effective. This study evidences individuals consistently signalling over the course of their career. Many NEDs were communicating messages from their elite education that had taken place 20-25 years ago. NEDs evidenced considerable agency in their signalling activity to promote and communicate their blend of capitals. The development of reputational capital in this study for first-time NEDs bears considerable similarity with the development processes of NVs. Literature on NVs suggest that they establish their reputational capital, by making large investments in human and social capitals over time, which signals consistent messages to specific stakeholders. These observable actions signal unobservable attributes about the new ventures, which forms its reputational capital in the eyes of their stakeholders, who were then able to predict the future behaviour of the NV with a greater degree of certainty (Petkova, Rindova and Gupta, 2008; Certo, 2003; Deutsch and Ross, 2003). This study suggests that individuals made significant investments in capitals which were signalled to the Chairman and members of the corporate elite. With this information gained through referencing and interviewing, the Chairman was able to predict the individual's future behaviour as a NED and member of the corporate elite with greater certainty. This study suggests that NEDs used signalling as a way of building up their reputational capital which carried unobservable attributes such as values, philosophy and general character.

Over the course of a career, individuals invested in human, social and cultural capitals which acted in concert as a blend of capitals. These capitals were signalled as a blend, reflecting the 'whole person' (Sona) to the key stakeholders to form reputational capital. The signals provided information on an individual's past actions and the values, behaviours and philosophy driving them. Using this information, the Chairman was able to predict the future behaviour of the individual and make an assessment on the

reputational capital developed. The Chairman assesses whether an individual's reputational capital is that required for a NED and member of the corporate elite. Both Chairman and candidate need to be satisfied that the appointment poses no threat to their reputational capital before the appointment is made.

7.5.5 Building a conceptual framework

The data analysis and interpretative process of the study was described in Chapter 5, Section 5.2 and illustrated in Figure 5.1. Although the interpretative process appears linear, it was iterative, where the researcher moved between the data, research questions and interpretations. Further, as the appointment process is a social process, and it unfolded in this study through the myriad social interactions of the NEDs, as recorded by the researcher, relationships between constructs are fundamental in the interpretation of the data and the development of the framework for reputational capital development (Figure 7.1).

The interpretive journey started when, descriptive codes based on NEDs lived experiences, were categorised into theoretical themes. For example, first order codes on 'education, work experiences, professional qualifications and industry recognition' were categorised into theoretical themes (second order themes) of 'credentials accumulated'. First order codes were synthesised and interpreted into nine theoretical themes (second order themes). These nine theoretical themes were further analysed, synthesised and interpreted into four aggregate dimensions of: Build-up of human capital; build-up of social capital; cultural fit with corporate elite and building reputational capital.

In moving from second order themes, these four aggregate themes emerged from the data. However, the relationships between the capitals continued to be a salient factor in their interpretation. There was an inter-play between human, social and cultural capitals which defied any linear progression. NEDs developed these capitals at different stages of their career. Some NEDs developed human capital first, followed by social and cultural capital. Some NEDs developed large amounts of social and cultural capital in the early stages of their career and continue to develop human capital in the later stages. Further, in support of Hillman and Dalziel's (2003: 386) concept of 'board capital' as a composite of the human and social capitals of directors, human, social and

cultural capitals were emerging as a blend of capitals. NEDs made investments in education at a prestigious institution, which provided human, social and cultural capitals. Human, social and cultural capitals, although independent constructs were emerging as interdependent and it was the blend of capitals rather than the separate constructs that derived the reputational capital for a NED. Therefore in moving from second order themes into the aggregate dimensions of human, social and cultural capitals, it was evident, that these capitals were interdependent, acting as a composite and were dynamic in nature, that is, levels changed over the course of an individual's career. This interpretation led to the first stage of the reputational framework in Figure 7.1. Human, social and cultural capitals are illustrated as three separate constructs developed by NEDs to provide a unique blend of board capital as a composite that was signalled to stakeholders. Both the facilitative and additive value of each capital was critical in the development of a blend of capitals sufficient for a NED appointment. A NED struggled to make progress when the level of a particular capital was not sufficient and all three capitals were required in the blend. It was the potency of the three constructs, as a blend, that built the required reputational capital. This blend of human, social and cultural capitals is illustrated as the composite 'board capital' (Hillman and Dalziel, 2003: 386) which is then signalled to stakeholders.

In moving from the second order themes of; images of reputation makeup, reputation building and risk and reputation, the aggregate theme of building reputational capital emerged. However, in this interpretive phase the relationship between reputational capital and the human, social and cultural capitals became evident. The second order theme of images of reputation suggests constructs of 'wholeness' (Sona) or 'the complete package' (Jacob). The data suggest that these constructs are made up of levels of human, social and cultural capitals and investments in these capitals need to have taken place before reputational capital can be developed. This temporal nature of reputational capital suggests that human, social and cultural capitals are built and based on these investments in the past, reputational capital is built for the present and the future. Reputational capital theory posits that investments in the past can help decision makers to predict future behaviour and hence build reputational capital (Milgrem and Roberts, 1986; Weigelt and Camerer, 1988). The 'wholeness' (Sona) of the concept of reputational capital is in the context of individuals having invested in capitals that can be used to signal their quality for a NED. Reputational capital is built on the basis of a blend of human, social and cultural capitals already in existence,

which can be signalled to stakeholders so that they can predict an individual's behaviour in the future as a NED.

The second order theme of 'reputation building' suggests the agency with which individuals approach building reputational capital. 'Wholeness' (Jane) of a person only becomes reputational capital when it is promoted and communicated to the key stakeholders through deliberate reputation building activities. In the words of Jane 'you have got to have a bark' to get noticed and enable an assessment of capitals to be made by the Chairman. The sense of agency in the pursuit of a NED is evidenced by NEDs and without this agentic pursuit it is unlikely individual appointments would have happened. Reputational capital is built through the agentic pursuit of signalling activities by NEDs. However, it is the relationship between the aggregate dimensions of human, social, cultural and reputational capital that is salient. NEDs evidenced that you have to have achieved, have a career long accumulation of capitals in order to be able to signal credibly to the Chairmen and members of the corporate elite. Signalling took place on a life's worth of achievements and connections and it were these capitals that signalled the appropriate qualities for a NED. The nature of signalling, where behaviours, in this case investments in human, social and cultural capital, suggests that consistent signalling over a sustained period of time with consistent messages is necessary. Board capital needs to be in place and consistently signalled over a sustained period before reputational capital develops for a NED. This suggests that reputational capital is the overarching concept in the appointment of a NED

Further, the construct of risk, evidenced most clearly in discussions on the point at which an appointment decision was make, related to reputation and reputational capital. Due diligence and reputational risk assessment was the final screening process before an appointment was made. This screening process was carried out on the reputational capital an individual had developed. It was not carried out on the separate constructs of human, social and cultural capitals, it was carried out on the character of the whole person, again indicating the salience of reputational capital as the overarching concept in the appointment process. What a person had achieved, their connections and cultural associations needed to develop in the eyes of Chairmen and members of the corporate elite a reputational capital appropriate for a NED. These past actions/investments led to future rent in the form of reputational capital. Figure 7.1 illustrates the development of human, social and cultural capitals as a composite blend of board capital which when communicated to the key stakeholders led to the

development of reputational capital. A final screen for reputational risk allowed the full development of reputational capital for a NED.   The interpretive journey is further illustrated in Table 7.1 where second order themes and the four aggregate dimensions are followed in the findings with quotes.

Table 7-1 Development of a conceptual framework

Second Order Themes	Quotes on pages	Aggregate Dimensions	Quotes on pages
Credentials accumulated	p122 (Fred)	Build-up of human capital	p122 (Gwen)
Value of life's achievements	p125 (Jane)		
Breadth and depth of social connections	p135 (Alexi)	Build-up of social capital	p146 (Jamie)
Nature of social connectivity	p142 (Bruce)		
Social vetting in the corporate elite	p154 (Ross)	Cultural fit with corporate elite	p174 (Nicola)
Value laden chemistry and fit	p166 (Niels)		
Images of reputation and make-up	p180 (Jacob)	Building reputational capital	p190 (Bruce)
Reputation building	p188 (Theresa)		
Risk and reputation	p193 (Steven)		

7.6 Contribution to knowledge

The **theoretical** contribution of this study is twofold. **Firstly**, this study supports Hillman and Dalziel's (2003) concept of board capital and proposes to extend this concept to include cultural capital (Bourdieu, 1977). **Secondly,** this study takes the conceptual processes of reputational capital formation and signalling theory from the field of economics (Weigelt and Camerer, 1988; Spence, 1973) to explore the process of

reputational capital development at an individual level in the field of corporate governance. As a result, this study proposes a conceptual framework for reputational capital development at an individual level in the field of corporate governance. The **empirical contribution** of this study is to provide an understanding of the FTSE 100 NED appointment process.

7.6.1 Board capital extended

This study is the first qualitative research to explore the appointment process for first-time FTSE 100 NEDs. What literature exists on the appointment process is largely quantitative using secondary archival data or surveys. The unit of analysis has been at the firm or board level. The small number of qualitative studies on the appointment process suggests that the process is flawed, takes place through referrals and the networks of Chairman. However, no qualitative study has been done on the appointment process per se. The insight gleamed from the research literature is that human and social capitals are part of the criteria for appointing a NED. Hillman and Dalziel (2003) suggest that it is the human and social capitals in concert, which provide a director with board capital to enable them to contribute and add value to a board. Hillman and Dalziel (2003: 386) introduced the concept of board capital as the 'composite of the human (Becker, 1964) and social capital (Coleman, 1988)' that enables a director to fulfil their agency and resource dependency responsibilities on a board.

This research supports the concept of board capital as developed by Hillman and Dalziel (2003) and suggests that it is indeed the capital that NEDs need to gain an appointment. NEDs built up large amounts of credentials through education, work experiences, professional qualifications and industry recognition to accumulate human capital. NEDs built connections both with weak and strong ties and prestige to accumulate social capital. However, as suggested by Hillman and Dalziel (2003), both human and social capitals were found to be interdependent. Although easily understood as separate constructs, the effects of human and social capitals were difficult to isolate. Hence this study suggests it is the concept of board capital as a criterion that is relevant in the appointment of a NED.

Further, this study extends the concept of board capital to include cultural capital. NEDs accumulated human, social and cultural capital and it was the blend of the three capitals working in concert that secured a NED appointment. Individuals gaining a

NED for the first time are vetted for the accompanying membership of the corporate elite. A NED needs cultural capital in the forms of embodied (dispositions of mind and body) objectified (preferred and displayed cultural goods) and institutional (educational qualifications or member of a formal group) in order to fit with the values and norms of the corporate elite. (Bourdieu, 1977, 1984, 1986) These embodied and cognitive cultural dispositions signify a character that fits with the existing membership of the corporate elite. This study proposes that it is the composite of human, social and cultural capital that provides individuals with the board capital necessary to gain a NED position. This study supports Hillman and Dalziel's (2003) concept of board capital and it has extended the concept to include cultural capital in the corporate governance literature.

7.6.2 Conceptual framework of reputational capital development

Reputational capital has been identified in the corporate governance literature as the driver of the marker for directors (Zajac and westphal, 1996). The studies are quantitative in nature, using secondary data from archives or publicly available information. Reputational capital has been taken as a given. In other words, scant attention has been given to its formation and a plethora of definitions exist from reputational capital being the number of titles an individual holds, to the number of multiple director appointments. Following this research, which suggests that reputational capital does drive the market for directors, this study takes the concept of reputational capital as a relevant lens to explore the appointment process of a NED. Little has been theorised on reputational capital in the corporate governance literature, therefore theory was sought elsewhere in the literature.

The economics literature is rich in research on reputational capital from a corporate perspective and signalling in labour markets. Therefore this study draws on the theories of reputational capital formation and signalling to explore the appointment process of a NED. Weigelt and Cemerer (1988) conceptualised reputational capital as a specific set of stakeholders beliefs in response to a firm's past actions over time and based on these beliefs stakeholders predict the future behaviour of the firm. Using this lens provides the principle that stakeholders perceive past behaviour as a good indicator of future behaviour. This principle established at the firm level is considered appropriate for exploring the NED appointment process at the level of the individual. Firstly NEDs make past investments in human, social and cultural capital and the

Chairman perceives these past actions as a good predictor of future behaviour. Secondly, NEDs are largely in control of the investments they make, having the resources to make the investments particularly financial resources. Signalling is evidenced as an effective reputational mechanism in the hiring market where there is high uncertainty and information asymmetry (Spence, 1973). These characteristics are exacerbated in the market for NEDs due to considerations of reputational risk which makes signally a more potent mechanism in the appointment process.

This study defined reputational capital as multi-dimensional, as it had been indicated in the corporate governance literature that the reputational capital of a director contains different kinds of human and social capital. This study reveals a process of reputational capital development by NEDs which results in their appointment. An individual invested in human, social and cultural capitals, which in concert, as 'board capital' (Hillman and Dalziel, 2003: 386) they deliberately and consistently signalled over a career to the stakeholder group of the Chairmen and other members of the corporate elite. NEDs were agentic in their signalling efforts to ensure Chairmen and other members of his network were aware of their credentials, connections, prestige and cultural capital in the form of embodied, objectified and institutional capital. NEDs undertook specific activities promoting and communicating their past investments so that Chairmen understood the reputational capital they had accumulated. Sufficient levels of human, social and cultural capitals were signalled in a blend of capitals to promote 'the whole person' (Sona) and the reputational capital they possessed. In line with signalling theory observable actions such as investments in human capital were used to signal more unobservable attributes such as values, philosophy and norms governing behaviour. NEDs promoted their investments in capitals such as being MD with a prestigious employer to signal unobservable attributes of the quality of person they were. As with NVs, first-time NEDs made large investments in human, social and cultural capital to overcome the 'liability of newness' (Certo, 2003: 437) and develop the reputational capital required for a NED role. First-time NEDs, through investments and signalling over a career, developed the reputational capital in the eyes of the Chairman and members of his network that secured them an appointment.

Economists suggest that signals need be consistent and delivered over a long period of time to be effective. In the case of NEDs, their signalling was consistent over the course of a career. The signals received by the Chairman regarding the past actions of the individual enabled him to predict their future behaviour as a NED with some

certainty. The signals communicated not just the level of reputational capital the individual had, they also communicated that there was no exposure to reputational risk for the Chairman or the candidate if the appointment took place. Individuals developed reputational capital through a blend of the sufficient levels of human, social and cultural capitals which were signalled to the Chairman and members of his network, as

Figure 7-1 Conceptual framework of reputational capital development for a NED
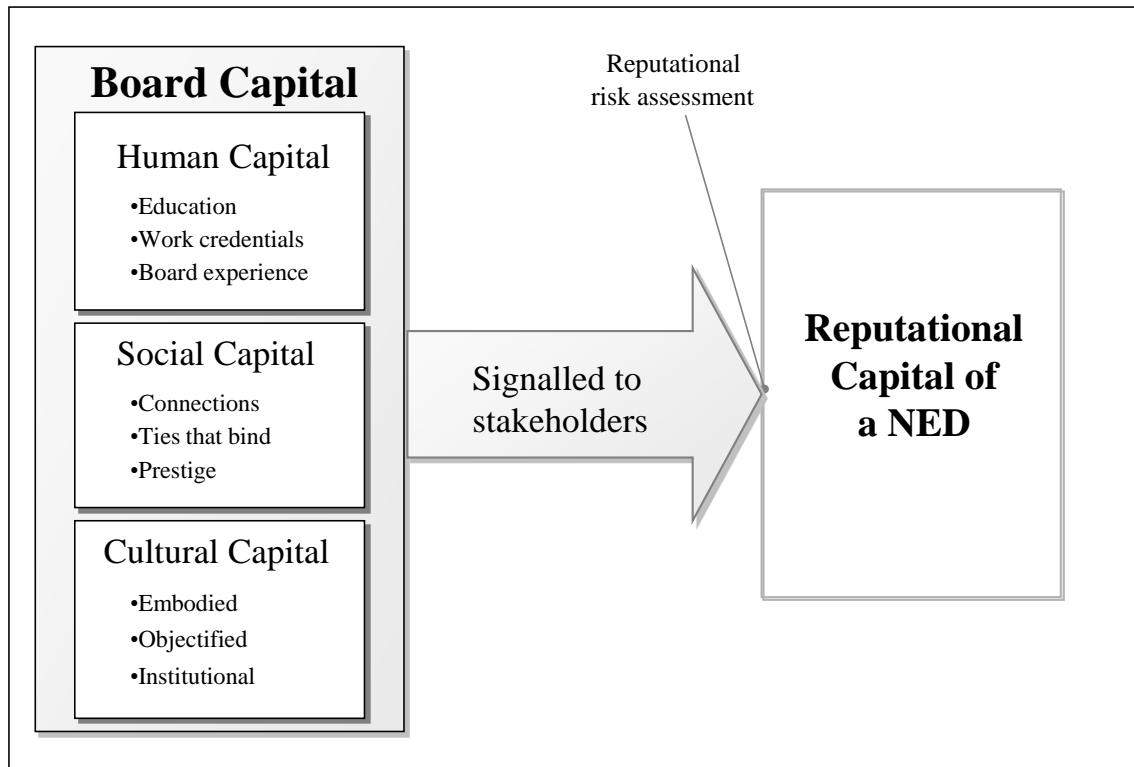
stakeholders in the appointment process. As outlined above my contribution to the corporate governance literature theory is a conceptual framework of the reputational capital development of a first-time FTSE 100 NED. This model is displayed in Figure 7.1.

7.6.3 Empirical understanding of NED appointment process

Extant literature in corporate governance suggests the appointment process of NEDs is flawed, being informal, opaque and lacking in transparency (Lorsch and MacIver, 1989; O'Neal and Thomas, 1996; Pye, 2000, 2001). The appointment process per se has received scant attention and this research has answered consistent calls for qualitative research on the appointment process for greater insight. This study supports the literature suggesting the FTSE 100 NED appointment process is opaque and informal.

Further, this study provides an understanding of the opaque and informal processes experienced by first-time FTSE 100 NEDs in their appointment process.

The literature suggests reputational capital drives the appointment process of NEDs and this study supports that assertion for first-time FTSE 100 NEDs. An individual develops the reputational capital required for a NED and the accompanying membership of the corporate elite. NEDs were aware of the coveted prize of entry to the corporate elite with expressions like 'when you are in you are in, you get invited to everything' (Fiona)' and 'this is pretty much as far as you can go' (Ross) However, as reputations are everything in the corporate elite and drive continued success as a corporate director, reputational risk and possible reputational damage are significant concerns around the appointment of a NED. Any new appointment needs to pose no reputational risk to the Chairman and other members of the corporate elite involved in the appointment. Further, candidates who are cognisant they have the reputational capital to secure a NED are mindful of how they manage the process to ensure they do not damage their reputation. Reputational damage for an existing member of the corporate elite such as the Chairman results in sanctions and social distancing and diminished opportunities for success in the future (Weshphal and Khanna, 2003). Reputational damage for a first-time NED would restrict entry and opportunities in the future. Everyone involved in a NED appointment understood how to manage the process to ensure there was no exposure to reputational risk. New candidates who carried potential reputational risk were a 'complete no' (Jamie).

Candidates, Chairmen and other members of the corporate elite engage in opaque, informal and often ambiguous processes to ensure there are no reputational risks. Meetings are held 'back stage', conversations are ambiguous and always verbal – face to face or on the telephone. Individuals are approached discretely often with little information on the company involved and rejection is always handled discretely. Some individuals described going for 'conversations with the Chairman' (Theresa) not knowing it was for a possible position. Reputations are at stake in the process, information going public is a threat to everyone involved and in some cases the reputation of the company involved. At the apex of organisations and in the corporate elite 'reputation…can be lost in minutes' (Fred) and processes are in place to protect members from exposure to risk. This goes some way to explaining why the appointment process is opaque, informal and lacks transparency.

7.7 Summary

This chapter discussed the contributions of this thesis as related to the bodies of literature the study engaged with. Table 7.2 provides a comprehensive summary of the thesis contributions and the factors that influence the NED appointment process. The main contributions of the thesis are highlighted in bold.

Table 7-2 Summary of thesis contributions in the FTSE 100 NED appointment process

Domain	Confirmed	Extended / developed
Theoretical		
Human Capital	Human capital is long term investments in capital which reap rents in the future.- Becker, 1993; Davenport, 1999	
Social capital	Strength of strong ties in building social capital - Krackhardt, 1992 Strength of weak ties in building social capital- Granovetter, 1973 Multidimensionality of social capital (structural, relational and cognitive) - Nahapiet and Ghoshal, 1998. Structural affiliation and personal status attract higher levels of prestige and more resources - D'Aveni and Kesner, 1993	
Board capital	Interdependence of human and social capital.- Hillman and Dalziel, 2003.	**Board capital includes cultural capital, in addition to human and social capital.**
Cultural capital	Embodied, Objectified and institutionalised capital among the corporate elite - Bourdieu, 1977, 1996.	
Reputational capital		**A conceptual framework of the reputational capital development of an individual in corporate governance.**

Domain	Confirmed	Refuted	Extended /developed
Empirical			
	Financial expertise a sought after NED criteria - Mizruchi and Stearns, 1994.	CEOs as highly desirable NEDs - Lorsch and MacIver, 1989.	**An understanding of the FTSE 100 NED appointment process**
	Political expertise and connections a sought after NED criteria - Hillman, 2005		High levels of education more likely to engage in boundary spanning activity. Extend work of Hambrick and Mason (1994) from TMTs to NEDs
	Higher levels of firm complexity lead to recruitment of business experts. - Markaman and Parbonetti, 2007)		
	Prestigious elite credentials of NEDs - Useem and Karabel (1986)		
	Social clubs bastions of prestige - Palmer and Barber, 2001		
	Reputational capital is driver of appointment process - Zajac and Westphal, 1996		

8 CONCLUSIONS

8.1 Introduction

In the previous seven chapters of the thesis, the researcher described and explained how the doctoral research study was designed and conducted, presented the findings of the study and articulated the theoretical contribution offered by this thesis. This chapter concludes the thesis by providing an overview of, the problem tackled in section 8.2, the study and its theoretical contribution in section 8.3, contribution to practice in section 8.4. Further, the researcher discusses limitations in section 8.4 and suggests areas for future research in section 8.5. The researcher finalised the thesis with a brief synopsis of personal learning throughout the doctoral process.

8.2 Research problem

The literature evidences that the appointment process of NEDs is flawed. However, there has been no exploratory qualitative study on the process of appointment. Although human and social capitals in concert have been suggested as part of the criteria for a NED, there has been no exploration of the human and social capitals of a NED in the appointment process. Further, studies suggest that it is the reputational capital that helps secure appointments in the director's market. However, there is little consensus on its definition and as a construct it has not been explored. The economics literature has explored the labour and hiring markets and suggests that prospective employees develop reputational capital through signalling their human and social capitals to a specific set of stakeholders in order to communicate their quality as a candidate.

This study has answered repeated calls in the literature for an exploratory qualitative study on an important board process, the appointment process of a NED (Pettigrew, 1992). It has followed the work of Zajac and Westphal (1996) and explored the reputational capital of a first-time NED. A first-time NED provided a richer canvass to explore the micro processes of appointment at an individual level as once NEDs are in the inter-corporate networks, appointments happen through referrals and the Chairman's networks. The literature explored board capital as human and social capitals in concert as a criterion for a NED appointment. Finally, drawing on the economics literature, this study used the conceptual lens of reputational capital formation and signalling to theorise about the reputational capital of a first-time NED

(Weigelt and Camerer, 1988; Spence, 1973) The main research question was supplemented by three further questions.

RQ1:   How does a first-time NED gain a FTSE 100 appointment?

SQ1:   How is reputational capital constituted?

SQ2:   How is personal fit established?

SQ3:   How is reputational capital developed?

8.3 Overview of this study

This study was an exploratory qualitative piece of research based on the ontological assumptions of social constructionism and the epistemological assumptions of interpretivism. Through a qualitative methodology the study explored the appointment process of a first-time FTSE 100 NED. It consisted of a pilot phase and a main study phase. The pilot phase interviewed three Chairmen, three ESFs and three NED, representatives of the three stakeholder groups involved in the appointment process. The resulting triangulated data gave a holistic picture of the NED appointment process and confirmed that reputational capital was the criterion for appointment. The main study consisted of 15 NED interviews and explored the appointment process using the following questions:

1. How did you get appointed as a NED to x company?
2. Who was involved in the process?
3. A. What were the criteria for selection?
   B. Why do you think you were appointed?

The data was analysed using a template analysis approach supported by NVivo software and aimed to explore and understand reputational capital, its constituent parts and reputational capital formation for first-time NEDs. The findings addressed the research questions formulated and made two theoretical contributions and one empirical contribution. Theoretically: Firstly, this study extends the concept of board capital to include cultural capital and secondly, it provides a conceptual framework of the reputational capital development of a first- time NED. Empirically, this study provides an understanding of the appointment process of a first-time FTSE 100 NED.

8.4 Contribution to knowledge

8.4.1 Board capital extended

This study substantiated the concept of board capital as introduced into the literature by Hillman and Dalziel (2003). NEDs built up human and social capitals in the form of education, board and work experiences, network connections and high levels of prestige and elite associations. These capitals in concert provided the board capital necessary for a NED to fulfil their agency and resource dependency responsibilities. NEDs needed both a breadth and a depth of credentials, connections and prestige in order to credibly monitor the executives (agents) and protect the interests of the shareholders (the principals) Pfeffer and Sanancik, 1978; Hayes and Hillman, 2010). NEDs had the ability to access actual and potential resources embedded within, available through and derived from relationships in their network (Nahapiet and Ghoshal, 1998) Individuals who gained a first-time NED had backgrounds as auditors, bankers and politicians who brought expertise, connections and privileged access to information at favourable terms for the benefit of the firm. NEDs were appointed with these backgrounds to enhance the environmental scanning ability of the firm and help reduce uncertainty around firm decisions for the future.

As an empirical piece of research this qualitative study substantiates the concept of board capital and enriches understanding of the range and blend of human and social capitals of a NED appointed onto a corporate boards. Further this study takes the theoretical development one step further by extending the concept of board capital. This study suggests that board capital is the composite of human, social and cultural capital and it is the accumulation of these capitals working in concert that provides individuals with the board capital necessary for a NED appointment. The cultural capital of an appointed NED consisted of embodied (dispositions of mind and body), objectified (preferred and displayed cultural goods) and institutional (education qualification and membership of formal groups) capital as suggested by Bourdieu (1984, 1986). These embodied and cognitive dispositions signified an individual's suitability for membership of a particular social group or club, in this case the corporate elite. These dispositions signified an understanding of the norms, values and 'rules of the game' of the corporate elite. The importance of prestige, elite credentials and cultural disposition suggests that social and cultural capitals pave the way to a board seat with human capital providing the threshold criteria. One investment such as an

elite education can provide significant amounts of all three capitals. Board capital is human, social and cultural capital in concert.

Further the study provided empirical evidence on NED's use of structural holes both with weak and strong ties in order to access the networks of Chairman. (Granovetter, 1973). It was the accumulation of connections, prestige and cultural capital that enabled individuals to continue progressing to the apex of corporate life. Strong ties governed by the laws of social exchange and reciprocity had binding ties which secured social and cultural capital in the corporate elite. Weak ties provided the linkages through reputation borrowing or reputation endowment which accessed more privileged resources and enabled NEDs to accumulate otherwise unobtainable social and cultural capital.

8.4.2 Conceptual framework of reputational capital development

Firstly, this study drew on the concepts of reputational capital formation and signalling theory from the economics literature to explore and understand the reputational capital of a NED. Weigelt and Camerer (1988) suggest that reputational capital is formed by firms signalling their past actions to a specific stakeholder group who form assessments about how the firm is likely to behave in the future. Spence (1973) in his work on the hiring market suggested that signalling is an effective reputational mechanism in a market with high levels of uncertainty and information asymmetry. These concepts were borrowed from the economics literature to explore the concept of reputational capital of a NED in corporate governance literature. The market for NEDs has high levels of uncertainty and informational asymmetry and reputational capital has been evidenced in the literature as the driver of this market (Spence, 1974; Vafeas, 1999).

Secondly, this study describes the reputational capital of a NED, its constituent parts and proposes a conceptual model for the formation of reputational capital of a NED. In a similar way to new ventures in the corporate world who establish their reputation by signalling their actions to stakeholders, NEDs invested in human, social and cultural capital and signalled these actions to their stakeholders, members of the corporate elite. The investments in human, social and cultural capital provided the board capital to fulfil their responsibilities from both an agency and resource dependency perspective. Signalling this board capital to Chairmen communicated the quality of the individual and their suitability for a NED. The signals communicated observable

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attributes such as education or work experiences, and more unobservable attributes such as values and philosophy (Spence, 1973).

The board capital communicated to the Chairmen and other members of the corporate elite was a blend of human, social and cultural capital and some actions would have communicated all three in one signal. For example a prestigious job title in a prestigious organisation. The signalling process enabled the Chairmen to make predictions on the future behaviour of the individual and their suitability for a NED. The signalling of an individual's board capital led to the development of reputational capital with the Chairmen and other members of his network. NEDs were agentic in their signalling and consistent signals were sent over the course of a career. Spence (1973) suggests that signals need to be consistent and over a sustained period of time to be effective which in the case of the NED, it led to their first appointment. Further, actions that were signalled, represented substantial investments in time and resources which made them costly and difficult to imitate as suggested by Certo (2003).

The levels of uncertainty and information asymmetry coupled with the risk of reputational damage at the apex of an organisation made it necessary for Chairmen to use signalling as a screening mechanism, to screen out individuals who had reputational risk attached to them. Weiss (1995) suggests that prospective employers may actively screen in or screen out potential employees on the basis of observable characteristics when the desired ones cannot be observed. In summary, NEDs invested in human, social and cultural capital to accumulate board capital. This board capital was signalled to Chairmen and members of the corporate elite and enabled them to make predictions about an individual's future behaviour as a NED. It is the process of signalling and the formation of beliefs in the stakeholder group that led to the development of reputational capital for a NED. This reputational capital was assessed and screened to ensure it carried no risk of reputational damage to the Chairman. A conceptual framework of the reputational capital development of a NED is displayed in Figure 8.1.

Figure 8-1 Conceptual framework of reputational capital development of a NED
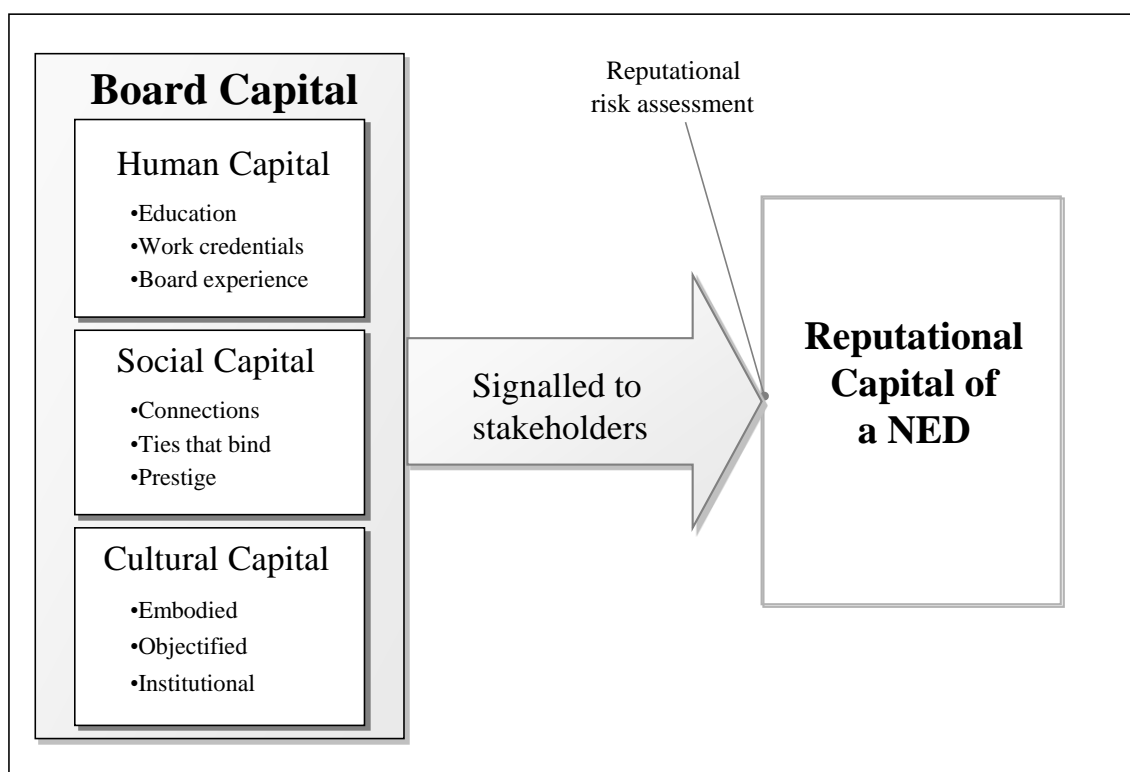
8.4.3 Empirical understanding of NED appointment process

The literature posits that the appointment process of NEDs is flawed, being opaque, informal and lacking in transparency. This study answers consistent call for qualitative research on the process for further insight and understanding. The study supports the notion of an opaque and informal appointment process and further suggests that these processes are engaged in to protect the reputational capital of all involved.

This study supports the assertion in the literature that reputational capital drives the market for directors. Long term success in the corporate elite is driven by an individual's reputation and any reputational damage may result in sanctions which reduce further opportunities for success. To thrive in the corporate elite a director needs to keep their reputation intact. The appointment of a new director is fraught with possibilities of reputational risk, to the Chairman, the candidate and other members of the corporate elite involved. Candidates are comprehensively vetting on their reputational capital and any risks it may carry. Chairmen manage the process through informal, 'off the record' and 'back stage' mechanisms in order to protect reputations. A candidate turning a company down could cause reputational damage, a Chairman

turning a candidate down, could hamper that individual's future opportunities, particularly if they are trying to secure a first-time NED. The norms of behaviour of the corporate elite guide the process, norms which are governed by the laws of social exchange and reciprocity and the individual is discretely assessed for any possible reputational risks. Due diligence is carried out by both the Chairman and the candidate and an appointment is made when both parties are confident their reputational capital is secure.

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8.5 Contribution to practice

The findings of this study have relevance for practice at three levels, at the individual level, at the organisational level and at the level of policy makers.

This study provides guideline to individuals seeking a NED position in the future. NEDs engaged in reputational capital building activities throughout the course of their career and these activities provided them with the reputational capital necessary for a NED. The study suggests an individual development path based on the accumulation of human, social and cultural capital to gain access to the apex of an organisation. Further, the findings outline the signalling process that communicates individual's investments in capital to the key stakeholders, members of the corporate elite. The study suggests that the individual NEDs in the study were agentic in their pursuit of rising to the apex of an organisation and may suggest that not everyone in business is motivated in this way. The NEDs spent considerable time and resources in getting to a position of being eligible for a NED, a commitment that everyone may not want to make.

This study indicates that individuals who gain a NED engage in activities that build human, social and cultural capital in concert with each other. An individual with substantial amounts of human capital will not progress beyond the threshold without the connections, prestige and cultural dispositions that fit with the corporate elite. Organisations need to provide development programmes, mentoring schemes and other measures that help the talent in their organisations to understand these capitals and facilitate their accumulation. The study revealed the interplay between capitals in order to gain a NED and evidenced it is possible to build any of these capitals early or later in an individual's career. However, individuals need to understand what they need

to do, be agentic about it and gain the support of their organisation. Examples in this study showed that taking part in a mentoring scheme, sponsored by the organisation, provided knowledge, connections and prestige that enabled individuals to succeed to the board.

Finally, this study has implications for policymakers. It is widely acknowledged that the corporate boards of FTSE 100 companies are a homogeneous community of demographically similar individuals who network in the dense inter-corporate networks and are self-replicating. Corporate governance reforms have laid down guidelines for organisations to change the appointment process of NEDs in order to tap into a wider talent pool and one that is more representative of society. However, this study suggests that reforms as they exist will have limited effect on the actual selection process for NEDs. The selection process engages with the formal processes in place as mainly a 'box ticking' exercise with the appointment decisions still being made through informal mechanisms 'back stage'. During the course of this project, guidelines on gender diversity were issued for listed companies. Significant political pressure was exerted on Chairmen to increase their representation of women on boards and this led to an initial increase in the percentage of women on boards. However, this trend has plateaued in the last twelve months, showing signs that enough has been done to allay concerns and little may have changed in the way NEDs are recruited long-term.

Further, the entry point for a NED will always entail an assessment of cultural fit with existing members of the corporate elite. Individuals may have the human and social connections to fulfil the agency and resource dependency responsibilities of a very effective NED. However, they will not secure an appointment unless they have the cultural capital, which gives them fit with the corporate elite. This study evidences that the cultural capital needed is often gained through similar cultural experiences, activities and events that have privileged access and require large amounts of prestige. In order to overcome the internal inertia for change within the FTSE 100 community of directors and the screening for cultural fit with the corporate elite, future reforms need to consider on-going monitoring of the implementation of guidelines with rigorous reporting systems supported by metrics and open to public scrutiny.

Finally, this study has substantiated the role of education in the building of credentials, prestige and cultural capital. A graduate education and in many cases, an elite education provided a launch pad for many of the activities an individual NED used to

develop their reputational capital. The study informs policymakers of the need to continue to have policies, which ensure equal access to graduate and elite education for talented individuals in society. In the light of recent changes to the fee structure of university education, potentially well off students have greater resources to afford a graduate education. The study provides food for thought on whether such policies will reduce opportunities for talented but less well-off individuals making it to the top of organisations.

8.6 Limitations

As with any research, there are limitations to this study that need to be acknowledged. Some of these limitations relate to aspects of general aspects of qualitative and interpretive analysis and some relate to the specific subject of the study. The limitations of this study relate to researcher bias, sampling, elite interviewing and the generalisability of the findings.

8.6.1 Researcher bias

The researcher came to this study with a personal interest in understanding how corporate directors got appointed. Having spent many years working in the development and recruitment of senior executives, she was puzzled about the process of appointment for corporate directors and how some senior executives gained a NED and others did not. In some senses this intellectual curiosity about the area and the emotional engagement which Lofland et al. (2006) says is necessary for completion has made this research at times very challenging. However, it calls into question the validity of interpretive results. The role of the researcher is pivotal to an understanding of the findings of qualitative research (Easterby-Smith et al., 2002) Interpretive research is exploratory in nature and elicits large quantities of interview data. Throughout the research process, self-awareness has been essential to counter possible influence of personal bias. Self-reflection has occurred throughout all stages of the project. Further the researcher attended to the questions suggested by Miles and Huberman (1994) to address any issues around researcher bias.

Efforts were made to ensure there was a faithful delivery of interviewee accounts and an accurate reflection of those accounts through analysis and reporting. The broad semi-structured interviews followed up by probing ensured transcripts were very rich and not overly directed. Through the use of a social constructionist approach the

research explored the differing experiences of NEDs and although the researcher was mindful of social desirability affecting some of the interview data given by the sample, there is sufficient variety in the finding to reflect contrasting and sometimes contradictory evidence. This countered any tendency for bias in the selection of what was to be presented. Finally, findings are supported by large extracts from interviews giving contextual support for conclusions being drawn. It is hoped that all of these efforts demonstrates the self-conscious application of an emergent thematic approach and resulted in a study with enhanced reliability and validity.

8.6.2 Sampling

As an exploratory study of FTSE 100 NEDs, members of the corporate elite, who as a group in society are difficult to access and research, this research has limitations in its sampling design. Institutional links with Cranfield were used to draw up the first possible sample group and later the use of intermediaries and the 'snowball' technique was adopted in order to counter issues of access all of which will have introduced a degree of bias into the findings. Attempts were made to ensure the final sample interviewed was as diverse a group of NEDs as possible. The sample is diverse across sectors, nationalities and gender. Given the eliteness of the individuals being interviewed and problems of access, it was felt that the introduction of some degree of bias was an unavoidable consequence of exploring the appointment process of NEDs, a board activity which occurs often 'back stage' in informal and opaque circumstances (Pye, 2000).

8.6.3 Elite interviewing

Power relations are unquestionably present in interviewing elites. The researcher's need to be acknowledged, respected and even liked can lead to an overly deferential interview. The pilot study provided substantial learning for the researcher in understanding how best to gain rich data from members of the corporate elite. I used broad open questions, allowing interviewees to go off course and later bringing them back to the specific area of inquiry. Sometimes the researcher was persistent in probing to gain more information on a topic without irritating the interviewee. This interviewing process gained rich data on individual's experiences. All interviewees were informed of the anonymity of all individuals and their data and once interviewees had this reassurance they were open and candid about their experiences, which led to

large volumes of rich data. At no point did the researcher feel that accounts were overly romantic or self-aggrandising recollections.

8.6.4 Generalisability of the findings

The findings of this research are specific to the sample group of NEDs interviewed during the course of this study. While the interview data gives an understanding of the appointment process of 15 NEDs, they are not representative of the whole population of NEDs on FTSE 100 companies, hence the findings are not generalisable. This is a limitation raised with many qualitative studies and this research presented here is no exception.

8.7 Directions for future research

The findings of the current study pave the way for exciting opportunities for future research. The reputational risk assessment is an interesting area for further study. This research has evidenced a process of reputational risk assessment taking place before the final decision to appoint is made by the Chairman. However, what exactly constitutes reputational risk? And how are these risks evaluated. What constitutes a large reputational risk or a small reputational risk? Are some reputational risks acceptable? Unpacking the reputational risk assessment would enrich the literature's understanding of the appointment process.

This study suggests that the signalling process communicates the board capital of an individual, in a blend of human, social and cultural capital and this leads to the formation of reputational capital in the stakeholder group, the corporate elite. Further, signalling enables individuals to be screened in or out of the process (Spence, 1973, Weiss, 1995). A closer examination of the signalling process would generate a greater understanding of reputational capital development. Are there effective and ineffective signals? This study suggests there are signals that communicate higher reputational capital than others. For example, an elite education signalled high reputational capital, whilst those with board experience on FTSE 350 companies expressed frustration with the level of reputational capital it signalled.

This research has explored the reputational capital of a NED using concepts of reputational capital formation and signalling theory. The surprise finding of this study on the importance of high levels of cultural capital needed in order to secure a NED

suggests that Bourdieu's framework on cultural reproduction may be an interesting avenue of research. It was evident in this study that some NEDs had high levels of social and cultural capital very early in their career. Most NEDs started their descriptions of their journeys with references to their university. However, this study begs the question whether earlier educational and family socialisation processes where also at play as suggested by Useem (1984) and Bourdieu (1993). The cultural capital of NEDs with embodied, objectified and institutional elements suggest that further exploration using Bourdieu's work could enrich our understanding of how cultural capital is developed in an individual's journey to a corporate board. The addition of using an institutional lens could also add to our understanding of how this process of cultural capital takes place over time as with NEDs, it took place over the course of a career.

Previous literature has suggested that in exploring the appointment process of a NED, the motivations of individuals who seek board appointments represent an interesting avenue of future research (Withers, Hillman and Cannella, 2012) This study would endorse that suggestion as NEDs agentically pursued the signalling of their board capital to the relevant stakeholders. NEDs sought out and leveraged opportunities for signalling their suitability for a NED. An insight into NED motivations would deepen our understanding of individuals who gain appointments to corporate boards.

8.8 Post script

The decision to start this journey was greeted by some with surprise considering I have a full time job and am a mum. However, I have never doubted that this was something I needed to do. Although challenging at times I have found the process to be the most expansive, rewarding and fulfilling of my life. I started my career as an economist and have since moved into working in organisational development, enjoying a greater focus on people and their issues. In doing this PhD I have found the integrating of the literatures from economics, corporate governance and to a lesser extent sociology hugely rewarding. And I have discovered behavioural corporate governance, which is scantily researched and presents me with an exciting challenge for the future.

Intellectually I have been re-invigorated by the process. I have engaged with several literatures and they have enriched my thinking, providing insights and challenging the way I view the world. I have enjoyed questioning my standpoints and have a better appreciation of the nuanced nature of life and people. My prior experience of research

has been in quantitative research. Working with qualitative data, although messy, and often overwhelming, has been rewarding. Having the opportunity to uncover processes that are often hidden, unacknowledged or even tacit and note how they shape the lives of so many people is genuinely fascinating.

In conducting this research I felt truly privileged to interview 21 members of the corporate elite. They gave generously of their time and openly shared their experiences. For that I am grateful. This research has encouraged me to reflect on my own reputational capital and in particular my connections. I have engaged with the research community and have made many connections, ones I intend to nurture over time.

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Appendix A Contact summary form

Type of Contact: Mtg: Interview

Place: Public Coffee Bar   Contact date: 07.2011

Written up: 07.2011   Written: by MG

1. What were the main issues or themes that struck you in this contact?

Incredible track record of achievement

The social and informal nature of interviewing

The significant role of the Chairman

The process was long

Connections played a key part in process

Role of chemistry and fit

The focus on behaviour and values

2. Summarise the information you got (or failed to get) on each of the target questions.

Question 1:   Sequence of events in the appointment process

Information:

Sequence of events clearly described from the moment the NED was contacted regarding role

Story stretched over a career

Visible stacking up of credentials and connections

Prestigious employers

High status positions

Question 2:   Actors involved in the appointment process

NED, Chairman, ESFs, other Board Directors

Connections and networks of colleagues and clients who made it into the corporate elite

Connections go way back

Network connections successful or even more successful than candidate

Question 3:   Selection criteria and selection process

Significant focus on formal criteria for NED as stated in Corporate Governance guidelines

Very similar phrasing and language to other interviewees on this – almost script like

Missing link between stated criteria for a NED and reasons given for being appointed – appointment all about much less tangible topics

Fit and chemistry

Informality, ambiguity

Click with Chairmen

Extensive interviewing – social settings

Locations of interviewing elite places – a focus on surroundings

Status of individuals referred to a lot the 'good and the great'

Philosophy and values prominent during referencing and interviewing

Conversations became more subtle, informal,

Referencing club-like language – you are 'in or out'

Reputation much more salient in final decisions stages

3. Anything else that struck you as salient, interesting, illuminating or important in this contact?

The fit process is with the Chairman AND other members of the corporate elite

Fit is broader than the Chairman and the board –

The cultural nature of the final stages continue to be salient

4. What new (or remaining) target questions do you have in considering the next contact for interview?

Continue to probe on selection point

Appendix B : Interview protocol –pilot study

Below the researcher provides the main questions asked from each of the stakeholder groups during the semi-structured interviews. Also the researcher had suggested probing questions from which some were chosen during an interview.

Questions for Chairman

1. Describe the last NED appointment to your board?

2. Who was involved in the process?

3. A) What were the selection criteria?

   B) Why did you appoint the individual?

Suggested probing questions:

- Is there a chain of actions or events?

- Are there critical points in the process?

- Can you describe one in detail?

- Were all the people involved of equal importance?

- Who were the critical decision makers?

- How did they make the decisions involved?

- Describe the meetings between the decision maker and the candidate

- Are these criteria written down?

- How are the criteria communicated?

Questions for a NED

1. How did you get appointed as a NED to X company?

2. Who was involved in the process?

3. A. Were there selection criteria?

B. Why do you think you were appointed?

Suggested probing questions:

- What were the stages involved in the process?

- What would you say were the critical stages in the process?

- How long did the process take?

- Who initiated the process for this particular NED appointment?

- What role did these people play in the process?

- Who was/were the decision maker/s?

- Describe the meetings you had with the key decision maker/s.

- What were the criteria for selection as a NED?

Questions for ESF

1. Describe the most recent FTSE 100 NED appointment you have been involved with.

2. Who were involved in the process?

3. Were there selection criteria?

4. Why do you think the individual got appointed?

Suggested probing questions:

- Who initiated the appointment process?

- What were the stages in the process?

- Where were you involved?

- How were you involved?

- Describe critical moments in the process.

- How were individuals involved?

- Did people have specific roles in the process?

- Who would you say were the key player/s?

- Who made the decisions?

- How were the decisions made?

- Describe meetings with key players.

- Describe your meeting with the chosen candidate.

- Were there clear criteria in place for this appointment?

Appendix C : Interview protocol – Main study

Below I provide the questions, which were asked of the NED candidates during the semi-structured interviews. A list of probing questions was also suggested if needed if needed in the interview.

Questions for a NED

1. How did you get appointed as a NED to X company?

2. Who was involved in the process?

3. A. Were there selection criteria

   B. Why do you think you were appointed?

Suggested probing questions:

- What were the stages involved in the process?

- What would you say were the critical stages in the process?

- How long did the process take?

- Who initiated the process for this particular NED appointment?

- What role did these people play in the process?

- Who was/were the decision maker/s?

- Describe the meetings you had with the key decision maker/s.

- What were the criteria for selection as a NED?

Appendix D : Corporate governance changes during the study

Interview Schedule and Significant Events Affecting the Appointment Process of NEDs to FTSE Companies

Other Signifcant Events

Oct 2009 - Government Equalities Report: Increasing Diversity on Public and Private Sector Boards

March 2012 - Lord Davis: Women on Boards Annual Report

Oct 2012 - Diversity Amendment made to the Corporate Governance Code

Nov 2012 - EU Proposed gender quota fo 40% for Women on Boards of Listed Companies

Lord Davis Monitoring Report: Women on Boards - A naming and shaming exercise with progress on quota

Lord Davis Monitoring Report: Women on Boards with a 25% quota by 2015

Lord Davis' consultation with business on greater gender diversity on behalf of Government

Cumulative number of interviews

16
14
12
10
8
6
4
2
0

Mar-10 Apr-10 May-10 Jun-10 Jul-10 Aug-10 Sep-10 Oct-10 Nov-10 Dec-10 Jan-11 Feb-11 Mar-11 Apr-11 May-11 Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12

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Appendix E Coding structure

Achievements			
Tree Node	Education		
Tree Node	Board experiences		
Tree Node	Work experiences		
Tree Node	Recognition		
Tree Node	Professional		
Tree Node	Levels and titles		
Tree Node	Threshold		
Connectivity			
Tree Node	Temporal		
	Tree Node	Duration	
	Tree Node	Maturity	
Tree Node	Networks		
Tree Node	Informal		

Tree Node	Private and confidential		
Tree Node	Social		
Tree Node	Chinese whispers		
Tree Node	Serendipity		
Tree Node	Closeness of relationships		
	Tree Node	Knowing vs knowing of	
	Tree Node	Distance	
	Tree Node	Familial	
Fitting in			
Tree Node	Style		
Tree Node	Behaviours		
Tree Node	Philosophical position		
Tree Node	Personal values		
Tree Node	Liking and chemistry		
Tree Node	Professional respect		
Tree Node	Expression of self		
Tree Node	Being invited		

	Tree Node	Club	
	Tree Node	Chosen	
	Tree Node	Acknowledged vetting	
Tree Node	Irrelevance of monetary		
Tree Node	Lifestyle		
	Tree Node	Eliteness	
	Tree Node	Exclusivity	
	Tree Node	Places of culture	
	Tree Node	Cultural events	
Prestige			
Tree Node	Job title		
Tree Node	Institutional		
Tree Node	Social clubs		
Tree Node	Status in society		
Tree Node	By association		

Reputation			
Tree Node	Wholeness of package		
Tree Node	Blends		
Tree Node	Interplays		
Tree Node	Facilitative		
Tree Node	Agency		
	Tree Node	Promoting	
	Tree Node	Targeting	
	Tree Node	Partnering	
	Tree Node	Reciprocity	
		Tree Node	Give and take
		Tree Node	Solicits advice
		Tree Node	Utility
		Tree Node	Information carrier
	Tree Node	Planning for the future	
Tree Node	Risk		

	Tree Node	Avoidance	
	Tree Node	Damage	