

Written evidence submitted by Mike Buchanan on behalf of an organization he leads, Campaign for Merit in Business – ‘C4MB’ – to the Business, Innovation and Skills Committee inquiry on Corporate Governance.

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Paragraph 1	<p><u>Executive summary</u></p> <ol style="list-style-type: none"> 1. This inquiry starts with the premise that increasing female representation on boards is a desirable objective. This view is ideologically-driven (in line with feminist thinking) and is deeply anti-meritocratic and anti-male. 2. The government assumes that a business case exists for increasing female representation on boards, but it continues to ignore compelling evidence of a causal link between increasing female representation on boards, and corporate financial <i>decline</i>. I presented some of that evidence to House of Commons and House of Lords inquiries in 2012, MPs and peers did not challenge it. There is no business case for ‘more women on boards’. 3. The leading proponent of ‘more women on boards’ is a British professor, Susan Vinnicombe. In 2012 she admitted to a House of Lords inquiry that she knew of no evidence of a causal link between increasing the proportion of women on boards, and corporate financial improvement. 4. The reasons for the historically low proportion of women on major corporate boards are well understood, and do not include discrimination against potential female directors. The three key reasons are gender-typical work ethic differences, the proportion of women working in the private sector, and the low proportion of women at senior levels in Finance. 5. On the basis of merit (work ethic, relevant experience, expertise) fewer than 5% of FTSE100 directors today would be women. Because of government pressure on those companies – notably the threat of legislated gender quotas in the Davies Report (2011) – the proportion today is 26%, and rising. 6. We ask why the government is not seeking to address women’s (or other groups’) ‘under-representation’ in sewage work, construction, long-distance lorry driving, road maintenance, forestry, bomb disposal... 7. In the light of the compelling evidence of a causal link between increasing female representation on boards and corporate financial decline, the government should immediately cease pressurising private companies into appointing more female directors, and cease all work aimed at increasing the proportion of women on corporate boards.
2	<p><u>Introduction about our organization, and why we’re submitting evidence</u></p> <p>In 2012 – a year before the launch of the political party I lead, Justice for Men & Boys (J4MB)¹ – I launched Campaign for Merit in Business (C4MB).² C4MB was then, and remains to this day, the only organization in the world campaigning against government initiatives to bully companies into increasing the proportion of women on their boards, and because of this position, we are uniquely qualified to give oral evidence to this inquiry.</p>

¹ <http://j4mb.org.uk>

² <http://c4mb.wordpress.com>

3	<p>We oppose government initiatives to bully major companies into increasing the proportion of women on their boards for a number of reasons, including:</p> <ul style="list-style-type: none"> - they are ideological (feminist) in origin, and are concerned not with gender equality, but with privileging women over men; - they are profoundly anti-meritocratic, as well as anti-male. Men pay almost 75% of the income tax which largely finances the state³ – including all politicians – so with these initiatives you are assaulting the rights of men in this country, the section of society which largely funds your existence; - the argument for increasing female representation on boards is sometimes presented as a ‘need’ to have board representation which is reflective of the country in general, or the company’s customers in general. This is a fatuous argument, and only made because for women it’s self-serving, and takes no account of the merit of potential corporate directors – <i>why</i> should it follow the demographic breakdown of the population, or a company’s customers? Also, many companies supply other companies, not the public, so what possible argument could there be for increasing female representation on <i>those</i> companies’ boards?; - they ignore what has long been known about the gender balance of corporate boards, in particular the difference between men’s and women’s gender-typical work ethics. On the basis of merit (hard work, experience, expertise) fewer than 5% of FTSE100 board directors today would be women, in contrast with the current 26% (and rising). The evidence to support this assertion is contained in the section, ‘Factual information...’; - they presume a business case exists for more women on boards, but it doesn’t. It’s been known for some years that a causal link exists between increasing female representation on boards, and corporate financial <i>decline</i>, and I presented some of the evidence (longitudinal studies) to House of Commons and House of Lords inquiries in 2012. The evidence to support our position is contained in the section, ‘Factual information...’.
4	<p><u>Commentary on the terms of reference relevant to ‘composition of boards’</u></p>
5	<p>What evidence is there that more diverse company boards perform better? While evidence exists of a correlation between female representation on corporate boards and financial performance, no evidence exists (to the best of my knowledge) of a causal link. Correlation is not causation. In my view, the explanation of the correlation is the opposite of that inferred by supporters of ‘more women on boards’, some ill0defined ‘female factor’ driving improved corporate performance. Companies with strong financial performance can more easily afford social engineering programmes, of which ‘more women on boards’ is one example.</p>
6	<p>Statistically speaking, it cannot be concluded – or, indeed, inferred – that because a correlation exists between x and y, x <i>causes</i> y. In the section, ‘Factual information...’ I present the evidence of a causal link between increasing female representation on boards, and corporate financial <i>decline</i> (evidence I presented to House of Commons and House of Lords inquiries in 2012).</p>

³ <https://j4mb.wordpress.com/2016/05/22/201314-the-income-tax-gender-gap-increased-again-to-7540000000/>

7	<p>The inquiry website quotes Iain Wright MP, chair of the inquiry, as follows:</p> <p style="padding-left: 40px;">It's all too clear that there is significant under-representation of women in executive levels. We're interested in hearing about the barriers to women achieving senior positions, the measures being taken to remedy the situation, and what action Government might take to improve the gender balance.</p>
8	<p>Astonishingly, the conclusion has been reached by the inquiry's chair <i>even before the inquiry has started to take evidence</i>, that 'more should be done to increase the number of women in executive positions...'</p>
9	<p>This is an ideological position, not one resting on any 'business case'. The only business case that could rationally be made, in the light of the known causal link between female representation on boards and corporate financial performance decline, would be to <i>reduce</i> the number of women on boards. From the section on 'inquiry background', on the same web page:</p> <p style="padding-left: 40px;">Following the Davies Review, which successfully focussed on increasing the number of non-executive directors, the BIS Committee wants to examine what more should be done to increase the number of women in executive positions.</p>
10	<p>This is a cynical misrepresentation of events. At no time was it ever stated in the Davies Report (2011) that the objective of the Review's recommendations was to increase the number of female <i>non-executive</i> directors. This was a post-hoc rationalisation of the fact that 96% of female director appointments to FTSE100 companies over 2011-5 were non-executives, such was (and remains) the shortage of women qualified for executive directorships.</p>
11	<p>How should greater diversity of board membership be achieved? What should diversity include, e.g. gender, ethnicity, age, sexuality, disability, experience, socio-economic background?</p> <p>The assumption is that greater diversity <i>should</i> be increased, when to my knowledge no evidence supports the assumption (at least with regards to gender diversity). I predict that it will be only the gender issue which will continue to achieve traction, because it's women who have historically (and shamelessly) pursued self-advancement onto corporate boards on grounds other than merit (work ethic, experience, expertise). We might reasonably ask why the government is not seeking to address women's (or other groups') 'under-representation' in sewage work, construction, long-distance lorry driving, road maintenance, forestry, bomb disposal...</p>
12	<p>What more should be done to increase the number of women in Executive positions on boards?</p> <p>The assumption is that 'something should be done', only 'what' should be done being up for debate. The obvious answer to the rhetorical question is this:</p> <p style="padding-left: 40px;">To increase the number of women in Executive positions on boards, more women need to work harder in the relevant disciplines, and earn the positions on the grounds of merit, like men must. Gender equality, anyone?</p>

13	<p>We know from five longitudinal studies (of organizations in Norway, the US, Germany) that the appointment of more women to corporate boards harms financial performance, even when the majority of them are appointed as non-executives. If the number of women in executive positions is increased, we can reasonably expect the negative impact on financial performance to increase even more.</p>
14	<p><u>Factual information from which the committee might be able to draw conclusions, or which could be put to other witnesses for their reactions</u></p>
15	<p>A British professor, Susan Vinnicombe, has been for many years the leading academic proponent of ‘more women on boards’ in the world. She made a remarkable admission to a House of Lords inquiry in 2012.⁴ Her exchange with Lord Fearn (I’ve put in bold text, the most relevant section):</p> <p><i>Lord Fearn:</i> Is there a strong business case for improving the gender diversity of boards? If so, does it follow that there is also a strong business case for increased gender diversity on boards across the EU?</p> <p><i>Professor Susan Vinnicombe:</i> Yes. We believe that there is a very strong, compelling and comprehensive business case for gender diversity on boards, and it is a case which stands not only in the UK but across the EU and indeed globally. It sits on several broad platforms.</p> <p>One is talent management. In all the developing countries of the world, 60% of the graduates are now women. We have a tremendous number of women coming in at graduate level to our big corporates. So the fact that we are seeing so few women at the top on our corporate boards is a sheer waste of talent. Talent management would be our first point concerning the business case.</p> <p>Secondly, if corporates are to serve their markets well, it just makes sense that they need to be able to represent those markets. In many of the markets, women are the consumers, so it makes very good business sense to have women on the corporate boards of those companies.</p>
16	<p>Thirdly, there has been quite a push in the past – indeed, we ourselves have engaged in such research – to look at the relationship between having women on corporate boards and financial performance. We do not subscribe to this research. We have shared it with chairmen and they do not think that it makes sense. We agree that it does not make sense. You cannot correlate two or three women on a massive corporate board with a return on investment, return on equity, turnover or profits. We have dropped such research in the past five years and I am pleased to say that Catalyst, which claims to have done a ground-breaking study on this in the US, officially dropped this line of argument last September.</p> <p>However, there are broader, non-financial performance indicators, such as corporate social responsibility, employee involvement, innovation, philanthropy and good communications, which have been seen to be connected to companies that have women on their boards.</p>

⁴ <https://c4mb.wordpress.com/2012/07/20/a-remarkable-statement-by-a-leading-proponent-of-improved-gender-diversity-in-the-boardroom/>

17	<p>In 2012 I sent written submissions to a House of Commons inquiry, 'Women in the Workplace',⁵ and House of Lords inquiry, 'Women on Boards'⁶ (the latter being the same inquiry to which Susan Vinnicombe gave oral evidence), and gave oral evidence to the former,⁷ along with two other people challenging the government's 'more women on boards' initiatives:</p> <ul style="list-style-type: none"> - the renowned sociologist Dr Catherine Hakim, who developed Preference Theory (2000), in which she outlined her finding on men's and women's gender-typical work orientations. While four in seven British men are 'work-centred', only one in seven British women is.⁸ This largely explains the gender balance we have historically observed on corporate boards. - Steve Moxon, author of <i>The Woman Racket</i> (2008).
18	<p>To both inquiries, I presented some of the evidence of a causal link between increasing female representation on boards, and corporate financial <i>decline</i>, namely five longitudinal studies.⁹ Non-longitudinal studies are literally <i>worthless</i> – in a statistical sense – in the bid to establish causal links between female representation on boards, and corporate financial performance.</p>
19	<p>The MPs and peers didn't dispute the evidence, and presented no counter-evidence – many witnesses to the inquiry were misrepresenting correlation as causation, as they do to this day – but pressed on regardless with the government's bullying of large companies to 'improve' gender diversity on their boards, through the threat of legislated gender quotas in 2015.</p>
20	<p>The government's bullying of FTSE100 companies to appoint more women to their boards – starting with the publication of the Davies Report (2011) – led to FTSE100 companies doubling the proportion of women on their boards between 2011 (12%) and 2015 (25%). 96% of the new female director appointments over the period were as <i>non-executive</i> directors, exposing the feminist myth of a 'glass ceiling' keeping able women out of boardrooms.</p>
21	<p>I shall finish this section by explaining why women should be taking fewer than 5% of FTSE100 directorships (the current figure is 26%, and rising).</p>
22	<p>I believe that all positions should be awarded on the grounds of merit, and to my mind merit should be defined with regards to board directorships as work ethic, relevant experience, and expertise.</p>
23	<p>Given that only one in seven women is work-centred, in contrast with four in seven men, all else being equal, we'd expect women to take 20% of FTSE100 directorships. But all else is far from equal:</p>

⁵ <https://j4mb.files.wordpress.com/2016/10/121012-c4mb-written-submission-to-hoc-final-draft-2-first-names-corrected.pdf>

⁶ <https://c4mb.files.wordpress.com/2012/07/120726-house-of-lords-sub-committee-written-evidence-submitted.pdf>

⁷ <https://www.youtube.com/watch?v=zwqTi6HN0pM> (video, 56:50)

⁸ <https://j4mb.wordpress.com/2015/05/12/why-most-people-at-the-top-of-major-companies-are-men-dr-catherine-hakims-preference-theory-2000/>

⁹ <https://c4mb.wordpress.com/improving-gender-diversity-on-boards-leads-to-a-decline-in-corporate-performance-the-evidence/>

24	<ul style="list-style-type: none"> - Only a third of private sector employees are women, so our expected proportion would fall to around 6.7% - Men still considerably outnumber women in the senior echelons of the professional discipline most likely to lead to a FTSE100 board position, Finance
25	<p>Putting these factors together, we would expect women to take fewer than 5% of FTSE100 directorships. 26% of FTSE100 directors are female today, the only logical conclusion we can draw is this:</p> <p style="padding-left: 40px;">Women are already more than five times over-represented on FTSE100 boards, on the grounds of merit. Your inquiry has an objective of <i>further</i> increasing women’s over-representation.</p>
26	<p><u>Recommendations for action by the Government or others which we would like the committee to consider</u></p>
27	<ol style="list-style-type: none"> 1. In the light of the compelling evidence of a causal link between increasing female representation on boards and corporate financial decline, the government should immediately cease pressurising private companies into appointing more female directors, and cease all work aimed at increasing the proportion of women on corporate boards.
28	<ol style="list-style-type: none"> 2. Politicians wishing to understand why the historical level of female board directors was never ‘a problem to be resolved’ should read my book, <i>The Glass Ceiling Delusion: The <u>real</u> reasons more women don’t reach senior positions</i> (2011).
29	<ol style="list-style-type: none"> 3. I repeat my wish to give oral evidence to the inquiry. Without it, the ideological bias of the inquiry, and the belief that a business case exists for ‘more women on boards’, will not be challenged robustly.

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