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Conference Paper

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26th European Regional Conference of the International Telecommunications Society (ITS): "What Next for European Telecommunications?", Madrid, Spain, 24th-27th June, 2015

Provided in Cooperation with:

International Telecommunications Society (ITS)

Suggested Citation: Whalley, Jason; Garrett, Janette; Vialle, Pierre (2015) : An exploratory study of the board composition of European incumbent telecommunication operators, 26th European Regional Conference of the International Telecommunications Society (ITS): "What Next for European Telecommunications?", Madrid, Spain, 24th-27th June, 2015, International Telecommunications Society (ITS), Calgary

This Version is available at:

<https://hdl.handle.net/10419/127197>

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An exploratory study of the board composition of European incumbent telecommunication operators

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Abstract

While Internet executives such as Jeff Bezos or Mark Zuckerberg have achieved widespread recognition beyond the business pages, this is not the case for the chairman or chief executive officers of telecommunication service providers. However, they are responsible for the provision and then management of a key infrastructure that we increasingly rely upon in the information intensive economy that is emerging.

An extensive literature has emerged examining the composition of company boards and the impact that they have on the performance of companies. This literature, however, has largely overlooked the telecommunications industry.

In this paper we address this shortcoming by presenting an exploratory study of the boards of two European incumbent telecommunication companies: British Telecom and France Télécom / Orange. Through drawing on public documents, we identify the board members of both companies before investigating their characteristics. We focus on the gender, education and professional background of board members as well as their presence on other (company) boards. We conclude by suggesting areas for further research.

Keywords: board composition, telecommunications, BT, France Télécom / Orange

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I. Introduction

In today's information economy the senior executives of some companies have achieved widespread recognition. This is particular true for executives of high profile Internet companies like Mark Zuckerberg (Facebook), Larry Page, Sergey Brin and Eric Schmidt (Google) and Jeff Bezos (Amazon). And although Bill Gates is no longer the chief executive officer of Microsoft, he is arguably better known than his successors. In contrast, the general public would be hard pressed to name any member of the senior management of a telecommunications service provider.

In many respects, this is unsurprising. Telecommunication companies provide an infrastructure that users, in essence, take for granted as they update their Facebook status, search the Internet or buy a book from Amazon. Moreover, the senior management of telecommunication companies are rarely included in the various lists compiled by Forbes or Fortune magazines, with Carlos Slim being the exception that proves the rule in the most recent list of billionaires published by Forbes magazine (Forbes, 2015).¹ The senior management of telecommunication companies only ever appear in the public eye when something goes wrong, such as in the case of Bernie Ebbers and the collapse of WorldCom.²

Notwithstanding the obscurity of most telecommunication board members, there is an extensive literature regarding the composition of company boards and their impact on corporate performance – see, for example, Deutsch (2005), Finegold, Benson and Hecht (2007), Pugliese, Bezemer, Zattoni, Huse, van den Bosch and Volberda (2009) or Schmidt and Brauer (2006). While telecommunication companies are often included in broad studies of, say, the relationship between board composition and company performance within the constituent members of a stock exchange index, relatively few studies focus on them. To the best of our knowledge, only one presented paper at recent

¹ The ten richest individuals identified by Forbes (2015) are, in descending order, as follows: Bill Gates (\$79.2 billion, USA), Carlos Slim Helu (\$77.1 billion, Mexico), Warren Buffett (\$72.7 billion, USA), Amancio Ortega (\$64.5 billion, Spain) Larry Ellison (\$55.3 billion, USA), Charles Koch (\$42.9 billion, USA), David Koch (\$42.9 billion, USA), Christy Walton (\$41.7 billion, USA), Jim Walton (\$40.6 billion, USA) and Liliane Bettencourt (\$40.1 billion, France). Of these, only Carlos Slim is identified as his wealth being derived from the telecommunications industry, though the wealth of both Bill Gates and Larry Ellison is derived from software companies.

² See, for example, Curwen and Whalley (2004: Chapter 7) for a discussion of the collapse of WorldCom.

European regional or biennial conferences of the International Telecommunications Society has addressed the issue of staffing, and even this paper – Marcus and Rendon Schneur (2010) – does not solely focus on the issue. Within the broader literature, Nestor (2005) stands out through its focus on the boards of privatised telecommunication companies in Europe.

In this paper we seek to (partially) address this lack of interest in the boards of telecommunication companies by investigating the composition of incumbent boards within Europe. As our intention is to be exploratory, the scope of this paper is limited to a handful of European incumbent telecommunication companies, namely, British Telecom and France Télécom / Orange. As a consequence, the remainder of the paper is divided into five main sections. In the first of these, relevant literature regarding board composition is recounted while in Section 3 a series of research questions are outlined and data sources discussed. In Section 4 the findings are presented, before conclusions are drawn in the final section of the paper.

2. Literature review

A considerable literature has emerged that addresses the issue of board composition. Not only does this literature address the issue of board composition (see, for example, Kang, Cheng and Gray, 2007) but also its impact on company performance (see, for example, Veltrop, Hermes, Postma and de Haan, 2015). Before we address salient issues in this literature, it is useful to begin by detailing two widely adopted theoretical approaches, namely, agency theory and contingency theory.

When ownership and management is separate from one another, there is possibility that management – the agent – may act in their own self-interest (Lynall et al, 2003). Thus, the role of the board of directors is to monitor the management of the company so that they do not act in their own self-interest. Integral to this role is ensuring that board members are sufficiently motivated to actively monitor the company's management, and that board members are independent of management (Finkelstein and D'Aveni, 1994; Lynall et al, 2003). Independence can be variously interpreted, including board members not being drawn largely from the company's management or being financially linked with the company that they are supposedly monitoring (Lynall et al, 2003; van der Walt

and Ingley, 2003). In addition, van der Walt and Ingley (2003) suggest that board members should not hold a large financial stake – that is, a large number of shares – in the company on whose board they sit.

The second theoretical approach is contingency theory. In essence, contingency theory argues that the influence of the board on the company is context dependent (Morgan, 2007; Zona, Zattoni and Minichilli, 2013). Although Morgan (2007) engages in a detailed discussion of contingency theory, he does provide a useful summary that highlights three key characteristics that are relevant for our analysis. The first of these is that companies adapt to the environment in which they operate, while the second is that there is no best way for them to organise themselves (Morgan, 2007, pp. 42). Together, these give rise to the third issue identified by Morgan (2007), namely, that the structure of companies need to align themselves to the needs of the environment.

The remainder of this section is divided into three sub-sections that address relevant issues within the literature that will subsequently enable the boards of the two telecommunications companies to be evaluated.

Board composition

How can the composition of a company board be evaluated? Kang, Cheng and Gray (2007) provide a useful starting point, identifying a series of variables against which board diversity could be evaluated. These variables, broadly speaking, fall into one of two categories: ‘observable diversity’ and ‘less visible diversity’. The former category includes variables like ethnicity, gender, age and nationality while the background of the board director is an example of the latter category (Kang et al, 2007, pp. 195).³ van der Walt and Ingley (2003) adds to this latter category through adding more details regarding the background of board directors, identifying variables like the professional and technical background of the directors, as well as their career, commercial and industrial experience. McIntyre, Murphy and Mitchell (2007) mention the cultural diversity demonstrated by company boards.

³ Piekkari, Oxelheim and Randoy (2015) suggest another characteristic, namely, the range of languages spoken by individual board members. They found that, among other things, while the chief executive officer of those companies interviewed were comfortable working in English, board members were not.

Others have gone beyond the individual characteristics of board members identified by Kang et al (2007) and van der Walt and Ingley (2003) to discuss the mechanics of the board. Wincent, Anokhin and Boter (2009), for example, mention a range of characteristics against which board composition could be judged. One of these characteristics is board size, while others are how frequently the board meets, the balance between internal and external appointments and the remuneration of board members (Wincent et al, 2009, pp. 58). The length of tenure – that is, how long has the board member been a member of the board – is another possible characteristic (Barroso, Mar Villegas and Pérez-Calero, 2011).⁴

If we combine these various contributions together, then board composition can be readily assessed with respect to the characteristics of the individual (age, gender, nationality) and board mechanics (frequency of meetings, tenure) and whether the board member is internal or external,⁵ and how well they are paid. More difficult to assess, however, are those characteristics relating to the background of the board member.

Board composition and performance

It has been widely argued that board composition effects company performance (see, for example, Lynall, Golden and Hillman, 2003; McIntyre et al, 2007; Veltrop, Hermes, Postma and de Haan, 2015; van der Walt and Ingley, 2003). It is perhaps no surprise that the literature exploring this relationship is diverse in character. Several contributions have sought to explore the relationship between board composition and performance within a specific national context. Kang et al (2007) explored board composition within Australian companies. They found, perhaps unsurprisingly, that board diversity is related to board size with larger boards being more diverse. In addition, larger boards do not necessarily result in greater gender diversity. Moreover, there is not link between the industry in which the company operates and gender diversity. There is, however, a relationship between the industry and the independence of directors and their age (Kang et al, 2007).

⁴ McIntyre et al (2007) mention an ‘optimal’ tenure period, which is sufficient for the board member to learn how the company operates and what their role entails but not too long to negatively impact on the company’s performance. Unfortunately, they do not state how long this ‘optimal’ period is.

⁵ Internal board members undertake a management role within the company, while external ones do not.

Chen, Dyball and Wright (2009) also focus on Australian companies to explore the relationship between board composition and company diversification. Among other things, they identify a higher proportion of independent board members than those representing institutional investors and that neither is positively associated with company diversification (Chen et al, 2009, pp. 215). In contrast, Jackling and Johl (2009) found that among Indian companies the greater presence of external directors was associated with improved company performance as well larger board size. They suggest that the larger board size may improve the company's financial performance as the board members are able to draw on a wider array of experiences when discussing the company's strategy, and thus better position it in the market. Having said this, Jackling and Johl (2009) also found that those company directors holding multiple directorships were associated with a negative impact on company performance.

McIntyre et al (2007) draw on data from Canadian companies to examine the relationship between board composition and company performance. They found, among other things, that larger board size is not associated with declining performance and that the average age of board members and company performance are not positively correlated. In other words, the performance of the companies did not increase as the board members aged.

A different approach to exploring the relationship between board composition and company performance is evident in Veltrop, Hermes, Postma and de Haan (2015). They focus on the faultlines that exist among board members, examining, in other words, the various factions that exist among board members. Using data from over 300 Dutch pension fund boards, they were able to comment on board characteristics – the average age of board members was 54, while the average size was seven. In addition, younger boards were also associated with a higher proportion of females, and larger boards were associated with faultlines (Veltrop et al, 2015).⁶ With regards to faultlines, Veltrop et al (2015) found that the stronger the demographic differences on the board the greater the likelihood that this will result in faultlines emerging. Moreover, these faultlines have a negative effect on board performance. Having said this, board reflexivity, which is when

⁶ For a wider discussion of gender and ethnicity, see, for example, Vieito (2012) or Hill, Upadhyay and Beekun (2014).

board members in one subgroup reflect on the objectives of the other subgroup(s) present on the board, can negate the impact of faultlines (Veltrop et al, 2015).

If faultlines exist and negatively impact on board performance, there is a good chance that the value of the company will fall. Oxelheim and Randøy (2003) explore the relationship between board membership and company value, though rather than looking at this issue in general they focus on the extent to which the presence of foreigners on the boards of Norwegian and Swedish companies influences their value. They find that those companies with Anglo-Americans present on their boards have a higher value. Interestingly this influence varies by industry, with, for example, it being stronger for manufacturing and telecommunication companies than it is for media or publishing companies (Oxelheim and Randøy, 2003, pp. 2386). In addition, Oxelheim and Randøy (2003) also found that those companies with Anglo-American board members had a higher rate of foreign ownership and, among other things, a tendency to list or trade overseas.

One of the issues explored by Krivogorsky (2006) was whether the number of external board members affected company performance in continental European companies. Using data from 87 European companies, she did not find a ‘strong’ relationship between the proportion of external directors and company performance (as measured by profitability). Having said this, the analysis did find that the greater presence of external directors on the company board was associated with improved performance (Krivogorsky, 2006, pp. 191).⁷ The senior management of a company may negatively influence its performance if they exert too much influence. Based on data covering UK-based companies, Lasfer (2006) observed that as the board’s ownership of shares increased, the tendency of the company to implement the corporate governance recommendations of Cadbury declined.⁸ Lasfer (2006) also highlights how important the context of a company is, noting how, for example, management ownership varies by the size of the company.

⁷ Interestingly Krivogorsky (2006) found that the presence of scholars on a company board was not associated with its improved performance.

⁸ The Cadbury report was published in 1992 and suggested, among other things, that companies split the roles of chairman and chief executive officer from one another.

Board composition and innovation

One issue that has been addressed in the literature is the relationship between the board of directors and innovative activity undertaken by companies. Robeson and O'Connor (2013) explore this relationship drawing on data from almost 100 large companies. They argue that the board of directors can positively influence the innovativeness of a company. Having said this, Robeson and O'Connor (2013) suggest two caveats, namely, that the board should be 'democratic' / free from entrenched interests and that they need to co-operate with those overseeing innovation. Indeed they argue that the board of directors should be concerned for their continued employment, at least in the short-term (Robeson and O'Connor, 2013, pp. 15).

In contrast, Fitzgerald, Flood, O'Regan and Ramamoorthy (2008) and Héroux and Fortin (2013) are narrower in their scope. Héroux and Fortin (2013) focus on Canada, finding that board diversity does positively influence innovation. In particular they found that a diversity of board tenure contributes to innovation, as does the degree of IT competence manifested by board members. Fitzgerald et al (2008) address a slightly different issue, namely, the relationship between company governance and innovation within the context of the Irish software industry. Broadly speaking, they identified a positive relationship between compensation and product innovation. In particular Fitzgerald et al (2008) found that greater levels of contingent compensation, that is, compensation like profit sharing and stock options, resulted in greater product innovation. Interestingly, they also found that more of this sort of compensation also resulted in greater levels of shared 'norms and values' within the company (Fitzgerald et al, 2008, pp. 42).

Zona, Zattoni and Minichilli (2013) investigate how board characteristics – size, diversity and internal/external split – impact on innovation. Drawing on data from 225 Italian companies they found that larger companies are more innovative, and that the impact of external board members on innovation is more pronounced for larger than smaller companies. In other words, the size of the company plays a key role in shaping the relationship between the board and innovation. Zona et al (2013) also note, however, that context is important when attempting to measure and thus comment on this relationship.

3. Board composition in telecommunication companies

The previous section has highlighted the broad nature of the research that has been undertaken regarding board composition and its impact on, for instance, company performance. While the telecommunications industry has been included in some of the larger, more statistical studies, very few papers focus solely on the sector. One exception, however, is Nestor (2005) who examines the composition of the boards of European telecommunications companies. In particular, he examines the governance regimes of privatised European telecommunication companies, arguing that it is particularly important when the state retains a stake in the company.

One issue that Nestor (2005) draws attention to is the quality of the board. The use of an initial public offering (IPO) to privatise the telecommunication company raises the possibility that the largest shareholder, which in the immediately aftermath of the IPO is the state, or management would act opportunistically. As such, the state and/or the management of the telecommunications company would benefit at the expense of shareholders. This reflects the constituency nature of boards (Nestor, 2005), where its members represent different constituencies such as government shareholders, employees, private shareholders and so forth. Nestor (2005) found that the boards of the privatised European telecommunications companies included in his sample were indeed constituency boards composed of employee representatives, independent directors, executives (management), non-executive directors and shareholder appointees.⁹

Although Nestor (2005) does shed light on the composition and operation of European telecommunications company boards, the analysis is relatively high level and almost a decade old. With this in mind, this paper focuses on two European telecommunication companies – British Telecom and France Télécom / Orange – and seeks to explore the composition of these two incumbent operators. Drawing on the literature recounted in Section 2, it is possible to identify a series of broad questions that can guide the investigation. One such question is what is the gender split between the board members, while a second is what educational background do the board members possess? A third

⁹ As the information is presented in an aggregated manner, it is not clear how boards of the various companies in the sample available to Nestor (2005) differ in terms of the split between the constituencies identified.

question is what is the split between the internal and external directors, while a fourth is what experience do they have?

To answer these questions we draw on data from the annual reports of British Telecom and annual reports and registration documents of France Télécom / Orange. We draw on annual reports from 1997 to 2014 (inclusive) for British Telecom, and annual reports and registration documents between 2005 and 2013 (inclusive) for France Télécom / Orange. These sources provide an annual snapshot of the company, detailing not only their performance and operations but also their management. While some members of the company's management, notably the chairman and chief executive officer, are prominent within them, they also contain detail of who sits on their boards.

The annual reports and registration documents do not provide details of their senior management and boards in a consistent fashion. As much detail as possible regarding the personal and professional background of board members and senior management were collected for each, which were then collated and checked for inconsistencies. What emerged from this process was a list of all board members and senior management of the two companies. Given that we include just two European incumbent operators in our analysis, our investigation is exploratory in character.

4. Findings

British Telecom

Table 1 provides an overview of the British Telecom board. The first point that can be made is that the size of the board has, over the years, not remained constant. It is possible to identify three phases in the size of the board: between 1997 and 2005 the size of the board was more or less constant, before increasing between 2006 and 2008. In the final phase, between 2009 and 2014, the size of the board has declined to its present composition of nine members. A second point is that the balance between executive and non-executive directors has also changed over the years. For some of the years covered by our sample, the balance between executive and non-executive members is one to two, that is, one-third of the board members are executive while two-thirds are non-executive. Having said this, for some years the balance is more evenly matched. For example,

between 2003 and 2005 (inclusive) the split was six executive to seven non-executive directors (British Telecom, 2003; British Telecom, 2004; British Telecom, 2005).

[Insert Table 1 about here]

Between 1997 and 2014 (inclusive), a total of 46 individuals have sat on the BT board. Of these 46, just nine were female. Moreover, not a single woman has been an executive director of the company over this period. This is quite surprising, especially given the prominence of Olivia Garfield due to her position as Chief Executive Officer of BT Openreach between April 2011 and February 2014 (British Telecom, 2012; British Telecom, 2013, British Telecom, 2014). Proportionally the presence of women on the BT board occurs is greatest in 2012 and 2013 when three out of 11 board members are female.

Figure 1 shows the length of tenure of board members. The first observation that can be made is that relatively few individuals are board members for a decade or more. Of the 46 individuals who have sat on the board of BT between 1997 and 2014, just four have done so for a decade or more.¹⁰ Interestingly two of these long serving board members are executive directors - Sir Iain Vallance and Ian Livingston - while two are non-executive directors - Malcolm Argent and Carl Symon. Nineteen board members stayed on the board for either six or seven years, suggesting this is the typical length of tenure for the company. If we divide all board members into executive and non-executive directors, then a slightly different picture emerges regarding tenure. As suggested in Figure 2, the length of tenure for executive directors is typically four or seven years. One possible explanation for this is that those present for just four years head a function or division, while those present for seven are the chairman or chief executive officer. This would reflect the structural changes that have occurred within BT over the years, as well as the shifting balance on the board between executive and non-executive directors.

[Insert Figure 1 about here]

[Insert Figure 2 about here]

¹⁰ As we do not include the period 1984 to 1997 (inclusive) in our sample, it may be the case that this would change if these years were to be included in the analysis.

The average age of the BT board has remained more or less constant between 1997 and 2014 (inclusive). It was 57 years in 1997, before rising to 58 in 2001 and then fluctuating downwards to 55 in 2014. This variation hides, however, the differences that exist within the board. For example, in 1998 the youngest and oldest board members were both non-executive directors, namely, 47 years old Robert Bruce and 63 years old Sir Colin Marshall respectively (British Telecom, 1997). In subsequent years, while the age of the oldest board member does not vary that much, the age of the youngest does. The age of the oldest board member slowly rises so that by 2007 both Sir Christopher Bland and Baroness Jay were 68, before gradually falling to 66 in 2014. In contrast, the age of the youngest board member rises and falls with new appointments. For example, the youngest board member in 1998 was Robert Bruce (47 years old) but this fell to 41 in the subsequent year with the appointment of Helen Alexander (British Telecom, 1997; British Telecom, 1998). Similarly, the appointment of Ian Livingston in 2002 as Group Finance Director at the age of 37 and Gavin Patterson as Chief Executive Officer of BT Retail at the age of 40 both reduced the age of the youngest board director (British Telecom, 2002; British Telecom, 2008).

Biographical details of board members are provided each year in the annual report. Although these vary in their length, they do enable us to comment, albeit to differing degrees, on the education, background and external commitments of board members. Only limited information regarding the educational background of board members is provided in the company's annual reports. A handful of board members such as Iain Anderson and Paul Reynolds have gained a PhD, while considerably more have accounting related qualifications. In addition, Sir Peter Bonfield is described as being a Fellow of the Royal Academy of Engineering and Institute of Electrical Engineers (British Telecom, 1998).

More can be said regarding the background of board members. As can be seen from Table 2, the board members of British Telecom are drawn from a diverse array of backgrounds. Some are politicians (for example, Baroness Jay) while others are businessmen, occasionally from technology related companies (for example, Warren East and Matti Alahuhta) but more usually from non-technology companies (like Phil Hodgkinson and Yve Newbould). A former ambassador – Sir Ewen Ferguson – is also a

non-executive board member. When the various titles – sir, baroness - and roles of board members – ambassador, secretary of state - are taken into account, the ‘establishment’ is arguably well represented on the British Telecom board.

[Insert Table 2 about here]

In addition, the background of some board members appears to be largely British Telecom based. For instance, Andy Green, Chief Executive Officer of BT Ignite, joined the board in 2001 as an executive member (British Telecom, 2002). As he joined British Telecom in 1986, it would appear that he has spent a significant part of his career at the company. Similarly, it would appear that Hanif Lalani, who became an executive board member in 2005, has spent his entire career at British Telecom (British Telecom, 2005). More unusually, Francois Barrault had undertaken a range of jobs within British Telecom before he joined the board in 2007 as an executive director, he had also worked elsewhere as well (British Telecom, 2007).

Most of those who sit on the board of British Telecom also sit on the boards of other organisations. Table 3 illustrates some of the external non British Telecom commitments of the company’s board members. As can be seen from the examples listed in Table 3, sometimes these organisations are commercial, while on other occasions they are charitable or governmental in character. The commercial organisations also varied, representing a range of industries such as content (for example, News Corporation), financial services (for example, Lloyds TSB), food and drink (for example, Scottish & Newcastle) and manufacturing (for example, Kone Corporation). Just six board members do not sit on the boards of other organisations. These six – Robert Brace, Tony Chanmugam, Ian Livingston, Gavin Patterson, Paul Reynolds and Ben Verwaayen – are, interestingly, all executive directors of British Telecom.

[Insert Table 3 about here]

France Télécom / Orange

An overview of the board of France Télécom is provided in Table 4. Between 2005 and 2013 (inclusive), the overall size of the France Télécom board remains more or less the same with 15 members. In contrast, the size of the executive committee or management

group varies considerably over the period. In 2005 the executive committee of France Télécom was comprised of 19 members, but in the following year this has fallen to just nine (France Télécom, 2007). After a couple of years with just nine members, the membership of the management committee increased once again to 15 in 2009 (France Télécom, 2010) and fell once again in 2013 to 11 (France Télécom-Orange, 2013; Orange, 2014).

[Insert Table 4 about here]

There is some overlap in the membership of the board and executive committee / management group, though perhaps not as much as could be reasonably expected. For all but one year, the overlap is just a single person, namely:

- 2005 - 2010: Didier Lombard, chairman and chief executive officer France Télécom
- 2012 – 2013: Stéphane Richard, chairman and chief executive officer France Télécom

The exception is 2011, when Stéphane Richard and Gervais Pellisier were both members of the board and executive committee of France Télécom. Stéphane Richard was a member of both due to his position as chairman and chief executive officer of France Télécom, while Pellisier added the one-off membership of the board to his more long-standing position on the executive committee and management group of the company.

Between 2005 and 2013 (inclusive) it is possible to identify 70 individuals who participated in either the board or executive committee / management group of France Télécom. Of these, 14 are female. With regards female representation on the board, this has increased over time to its present level of around a quarter. This, however, is eclipsed by the female presence on the executive committee / management group – from a low of just over a tenth of this group being female, the combined effect of a smaller management group and greater gender equity has resulted in the proportion climbing to 45 per cent.

The tenure of those who have sat on either the board or the executive committee / management group varies considerably, with, as can be seen from Figure 3 (below) a large number serving only a year. That the majority of those whose length of tenure is a

year sit on the executive committee / management group suggests a high rate of turnover among the senior executives of France Télécom.¹¹ Having said this, Figure 3 also highlights how the tenure of other executive committee / management group members is relatively longer at five or more years. Indeed, five years would appear to be the ‘typical’ length of tenure on the executive committee / management group. With regards to the board, the typical tenure is just a handful of years – one and three year tenures are commonplace, though the longest serving individual in our sample sat on the board for nine years.

[Insert Figure 3 about here]

Commenting on the age of the individuals who have sat on board and/or executive committee / management group is complicated by two factors: missing and inconsistent data.¹² What we can comment on, however, is the average age across both the board and executive / management group of France Télécom / Orange is more or less constant. In 2005, the average age was 52, with subsequent years varying between 53 and 55. Of course, these averages hide considerably variations. In 2005, for instance, the youngest person was 35 (Stephane Tierce) and the oldest 76 (Henri Martre) (France Télécom, 2006a; France Télécom, 2006b). Both are board and not executive committee / management group members. Furthermore, three board members – Henri Martre, Jacques de Larosière and Marcel Roulet – are over 70 years of age between 2005 and 2008 (inclusive). It is no surprise, therefore, that the board is, on average, older than the executive committee / management group throughout our sample.

[Insert Figure 4 about here]

The annual reports and registration documents of France Télécom do provide biographical information that sheds some light on the educational background of its board members and senior executives. All of the company’s board members and senior

¹¹ This is not to imply that they are leaving the company, but rather that their presence on this particular body is limited to a year. It could, for example, reflect the rotation of senior executives through a series of positions to provide them with a rounded experience of the activities undertaken by France Télécom.

¹² For example, successive annual reports and registration documents contain contradictory ages for Jean-Paul Cottet, Jean Simonin and Stéphane Richard. These contradictions were resolved using Internet sources. No age details are included for Olaf Swantee.

executives are graduates, with the overwhelming majority graduating from French universities. Particularly prominent among these French universities are Ecole Polytechnique, Ecole nationale d'administration and Ecole Nationale Supérieure des Telecommunications de Paris. In contrast, just three board members and senior executives – Elle Girard, Beniot Scheen and Antione Saintoyent – have graduated from non-French universities.¹³

These same sources also highlight another feature worthy of comment, namely, the presence on employee representatives on the board. From successive annual reports and registration documents it is possible to identify nine individuals who were elected onto the board to represent the interests of employees.¹⁴ At the same time, several board members were appointed by decree – for example, Pierre-Mathieu Duhamel (2005) and Pascal Faure (2009) – presumably to represent the interests of the state. This is also evident when the backgrounds of some appointed by decree are considered. Antione Saintoyent, who was appointed by decree in 2013, sat on the board of the French Government Shareholding Agency (France Télécom-Orange, 2013), as did Giles Michel (appointed by decree in 2009) and Denis Samuel-Lajeune (appointed by decree in 2005) (France Télécom, 2005a; France Télécom, 2005b; France Télécom, 2010).

Most of those who sit on the board of France Télécom also sit on the boards of other companies. Table 6 provides illustrative examples of the extent to which some sit on the boards of other companies. Arnaud Lagardère sits on the boards of numerous companies associated with his family's company, Lagardère Group. While this number of companies does stand out as being large, other France Télécom board members such as Charles-Henri Filippi, Henri Martre and Stéphane Richard also sit on a relatively large number of boards.

[Insert Table 5 about here]

¹³ Girard graduated from Harvard, Scheen from the University of Namur and Saintoyent from the University of Bonn.

¹⁴ The nine employee representatives are: Alain Baron (elected in 2005), Rene Barnadi (2005), Jean-Michel Gaveau (2005), Stéphane Tierce (2005), Hélén Adam (2006), Caroline Angell (2009), Ghislaine Coinaud (2009), Daniel Guillot (2009) and Jean-Luc Burgain (2013).

Pierre-Mathieu Duhamel sits on the board of companies where the French state retains an interest, namely, Air France-KLM, EDF and SNCF.¹⁵ He illustrates a category of board member who sits on the boards of state entities, commercial and non-commercial, and who moves between them on a seemingly regular basis. Over the years, several France Télécom board members have also sat on the board of, for example, Air France-KLM.¹⁶ In contrast, José-Luis Durán holds positions on the boards of private companies. It is apparent from examining all France Télécom board members that very few of them sit on the boards of non-French multinational enterprises. Indeed, it would appear that only José-Luis Durán (HSBC Holdings plc.) and Jacques de Larosière (Fitch and AIG) fall into this category.

5. Discussion and conclusions

The previous section has explored the composition of the boards of British Telecom and France Télécom / Orange. From this exploration it is clear that similarities and differences exist between the boards of British Telecom and France Télécom / Orange. One clear similarity that emerges from the analysis is that both boards are largely male, with female representation increasing relatively recently. Having said this, it is worth highlighting that female representation is more advanced for France Télécom / Orange than it is for British Telecom. That no woman has been an executive director of British Telecom is, in this day and age, clearly surprising.

Both boards are characterised by the presence of elites. This, of course, is not unexpected but what is surprising is the different nature of these elites between France and the UK. In France, the ‘elite’ is more political than commercial in character. While the France Télécom / Orange board does include members like Arnaud Lagardère who are arguably part of the country’s commercial elite, these are overshadowed in position and number by the presence of board members who are active participants of what can be described as France’s ‘political-commercial’ elite. This elite straddles the political and commercial

¹⁵ The French state is a minority shareholder in Air France-KLM, a majority shareholder in EDF and the outright owner of SNCF.

¹⁶ Over the years, three France Télécom board members have also sat on the board of Air France-KLM, namely, Bruno Bézard, Henri Martre, Pierre-Mathieu Duhamel.

spheres within France, with those sitting on boards owing their position to their privileged educational background, prominent administrative positions, membership of political parties and so forth. The geographical scope of this elite is, in essence, domestic. This reflects the role that state owned companies like EDF, Air France-KLM and SNCF play as a recipient of state appointed board members.

In the case of British Telecom, the elite that sits on its board is more international in character. One aspect of this relates to the nationality of those who sit on the company's board, while another is the geographical scope of their commitments. The internationalisation of the board that results is, however, quite surprising given the largely domestic nature of British Telecom's operations – the company does not own any overseas networks, with its international exposure being via BT Global Services. Although this company generated 39 per cent of the company's revenues in the financial year ending 31 March 2014 (British Telecom, 2014), it was responsible for just 15 per cent of earnings before interest, tax, depreciation and amortization.¹⁷ In other words, the international board for the largely domestic British Telecom stands in stark contrast with the domestic board for a highly internationalised France Télécom / Orange.

There is no employee representative sitting on the board of British Telecom. In contrast, nine individuals sit on the board of France Télécom / Orange at some point between 2015 and 2013 (inclusive) and represent employees. As no British Telecom board member is appointed by the state, the character of the France Télécom / Orange board is quite different – its constituencies include the state, managers, employees and private shareholders. In contrast, the two constituency groups represented on the British Telecom board are managers and shareholders.

Interestingly both companies combine the roles of chairman and chief executive officer. While British Telecom split these roles in 1995, with Sir Iain Vallance becoming executive chairman and Sir Peter Bonfield chief executive officer, the two roles remain combined together in the case of France Télécom / Orange. The present incumbent of this combined position in France Télécom / Orange is Stéphane Richard. That France

¹⁷ BT Global Services generated revenues of £7,131 million but only EBITDA of £917 million (British Telecom, 2014).

Télécom / Orange has not split the roles raises the question as to the extent to which the company is run in the favour of one constituency in preference to others.

Our analysis of British Telecom and France Télécom / Orange suggests several areas where further research is required. The first area relates to the performance of the two companies. Quite simply, what is the relationship between the board in terms of its composition and the performance of the company? Composition here refers to more than the gender split to include the educational and professional background of board members.

A second area for further research relates to the compensation paid to the senior management of telecommunication companies. One aspect of this is the rather mundane task of identifying how much senior executives are paid, not only in terms of the absolute amount but also the split between basic pay and bonuses that may take the form of additional cash or share-based payments. Once this has been ascertained, a more difficult task is then to relate this to how senior managers make decisions?

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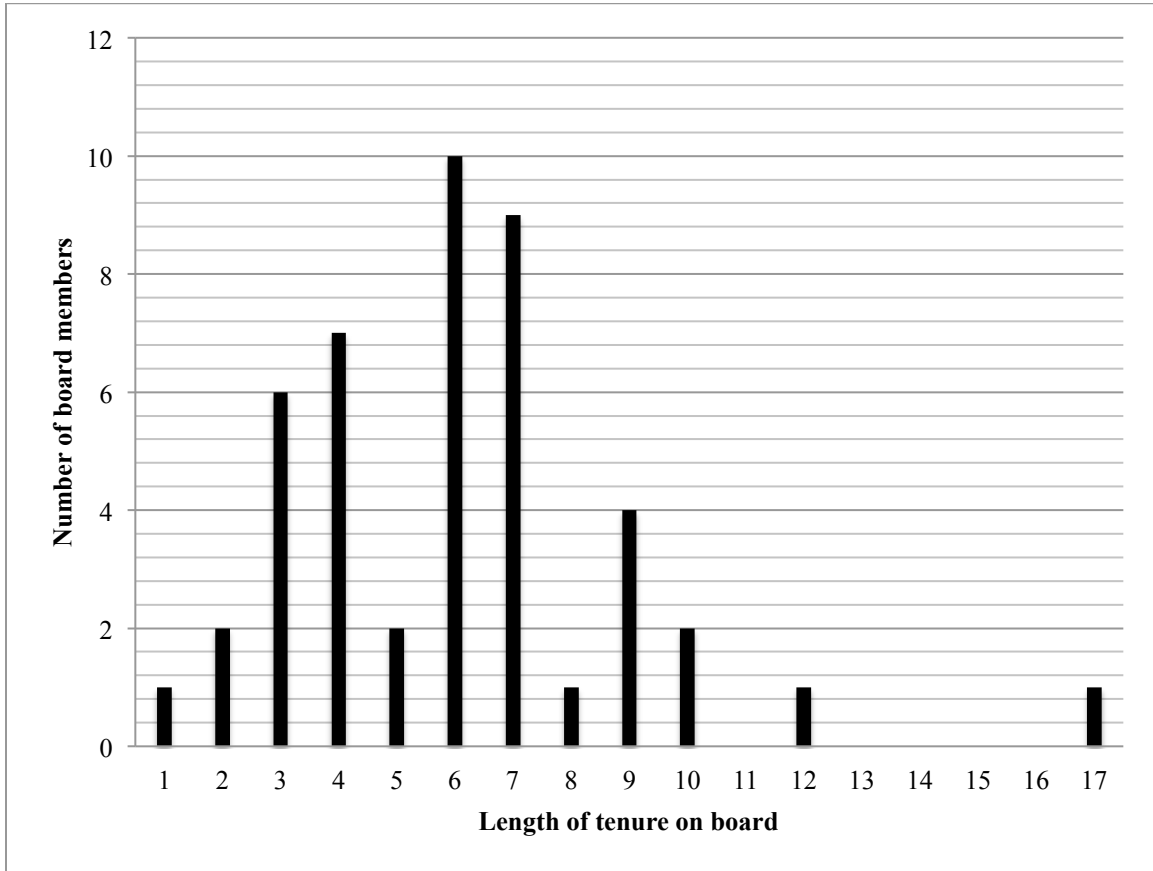
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Table 1: BT board member characteristics, 1997 – 2014 (inclusive)

Year	Total number of board members	Split between executive and non-executive board members	Female representation	
			Executive directors	Board members
1997	13	5 / 8	0	2
1998	13	4 / 9	0	1
1999	11	4 / 7	0	1
2000	12	4 / 8	0	2
2001	11	2 / 9	0	2
2002	12	5 / 7	0	1
2003	13	6 / 7	0	1
2004	13	6 / 7	0	1
2005	13	6 / 7	0	1
2006	14	6 / 8	0	1
2007	15	7 / 8	0	1
2008	14	5 / 9	0	2
2009	13	5 / 8	0	2
2010	10	4 / 6	0	1
2011	12	4 / 8	0	2
2012	11	4 / 7	0	3
2013	11	4 / 7	0	3
2014	9	3 / 6	0	2

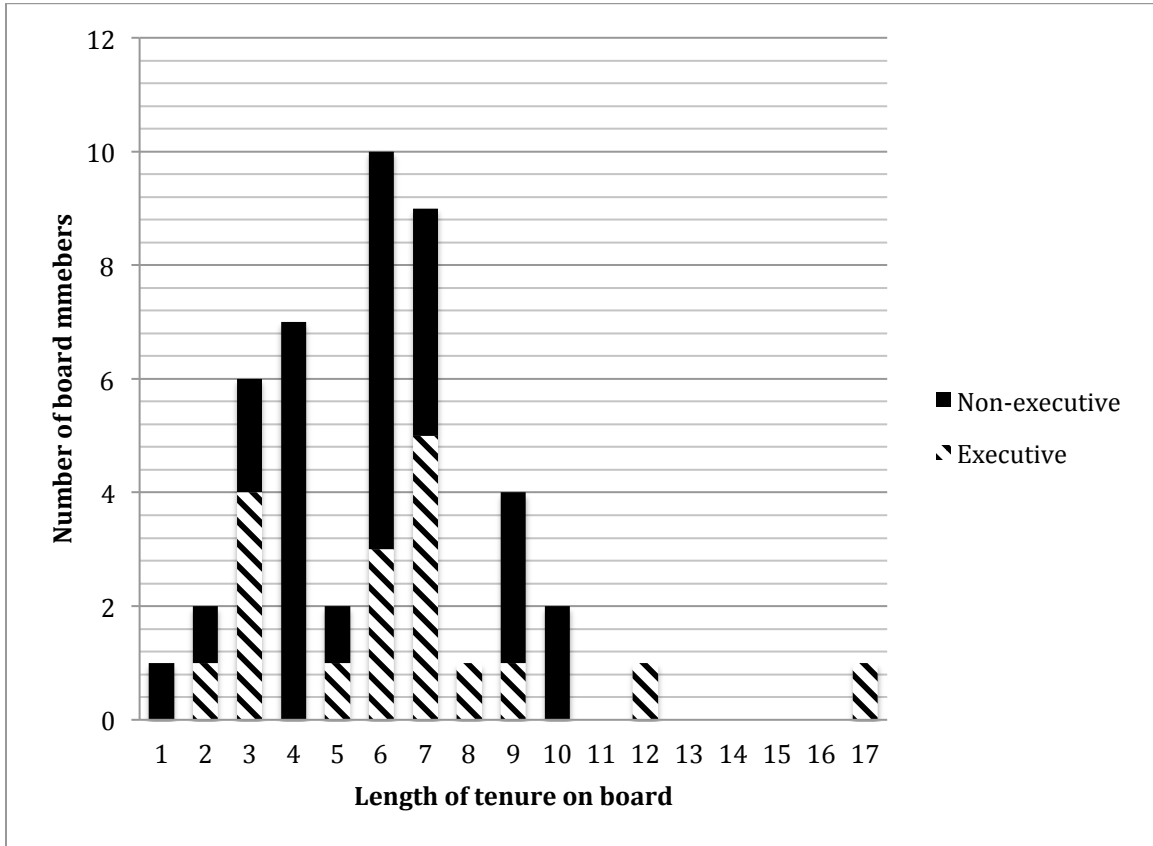
Sources: annual reports of BT, 1997 – 2014 (inclusive)

Figure 1: Board member length of tenure



Source: successive annual reports of BT between 1998 and 2014 (inclusive)

Figure 2: Executive and non-executive board member length of tenure



Source: successive annual reports of BT between 1998 and 2014 (inclusive)

Table 2: Illustrative examples of the external background of BT board members, 1997 – 2014 (inclusive)

Board member	Role within BT	Background
Matti Alahuhta	Non-executive director	President mobile phones, president telecommunications, strategy officer and executive vice-president, all at Nokia
Tony Ball	Non-executive director	Former Chief Executive Officer, BskyB
Maarten van der Bergh	Non-executive director	President, Royal Dutch Petroleum
Sir Christopher Bland	Chairman	Chairman – BBC Board of governors, LWT, NFC, Sir Joseph Causton & Sons
Warren East	Non-executive director	Chief Executive Officer, ARM Holdings Unspecified various roles at Texas Instruments
Sir Ewen Ferguson	Non-executive director	UK ambassador to France
Sir Anthony Greener	Joint Deputy Chairman	Chairman and Chief Executive Officer, Guinness
Patricia Hewitt	Non-executive director	Secretary of State for Health, Secretary of State for Trade & Industry, Minister for Women Director of Research for EMEA, Anderson Consulting
Phil Hodgkinson	Non-executive director	Chairman – Clerical Medical Investment Group, Halifax Financial Services Chief Executive Officer – Zurich Life, Eagle Star Life
Baroness Jay	Non-executive director	Lord Privy Seal, Minister for Women, Minister for Health. Non-executive appointments with Independent News & Media, Scottish Power, Carlton TV, LBC
Deborah Lathen	Non-executive director	Chief of Cable Services Bureau, FCC Legal appointments with TRW Financial Systems, Quaker Oats
Sir Colin Marshall	Deputy Chairman	Chairman and Chief Executive Officer of British Airways
Yve Newbould	Non-executive director	Company secretary, Hanson
Sir Michael Rake	Chairman	Chairman – KPMG International
Ben Verwaayen	Chief Executive Officer	Vice-chairman, Lucent Technologies
Jasmine Whitbread	Non-executive director	Unspecified positions at Oxfam Managing director, Thomson Financial

Sources: annual reports of BT, 1997 – 2014 (inclusive)

Table 3: Illustrative examples of the other boards sat on by BT board members, 1997 – 2014 (inclusive)

Board member	Company and role
Matti Alahuhta	<ul style="list-style-type: none"> • Kone Corporation, President • Institute for Management Development, Board chairman • Technologies Industries of Finland Centennial Foundation, Chairman
Helen Alexander	<ul style="list-style-type: none"> • Economist Group, Chief Executive • Northern Foods, Director • Selection Board British Home Civil & Diplomatic Service, Member
Iain Anderson	<ul style="list-style-type: none"> • Scottish & Newcastle, Non-executive director • PM – Millennium Compliance, Special advisor • Scottish Science Trust, Director • Leverhulme Trust, Director
Maarten van der Bergh	<ul style="list-style-type: none"> • Lloyds TSB, Chairman • Shell Petroleum, Director
Anthony Greener	<ul style="list-style-type: none"> • Marketing Council, Vice-principal • University for Industry, Chairman • Mondavi Corporation, Director
Patricia Hewitt	<ul style="list-style-type: none"> • Groupe Eurotunnel SA, Director • India Business Council, Chairman • Katha Children’s Trust, Chairman
Sir Michael Rake	<ul style="list-style-type: none"> • Commission for Employment and Skills, Chairman • Barclays, Director • McGraw Hill, Director • Financial Reporting Council, Director • RNIB, Vice-president • Transatlantic Business Dialogue, Board member • CBI International Advisory Board, Member • Chartered Management Institute, Member • BERR’s US/UK Regulatory Taskforce, Member
Sir Iain Vallance	<ul style="list-style-type: none"> • Royal Bank of Scotland, Vice-chairman • Mobil Corporation, Director • Princess Royal Trust for Carers, Chairman

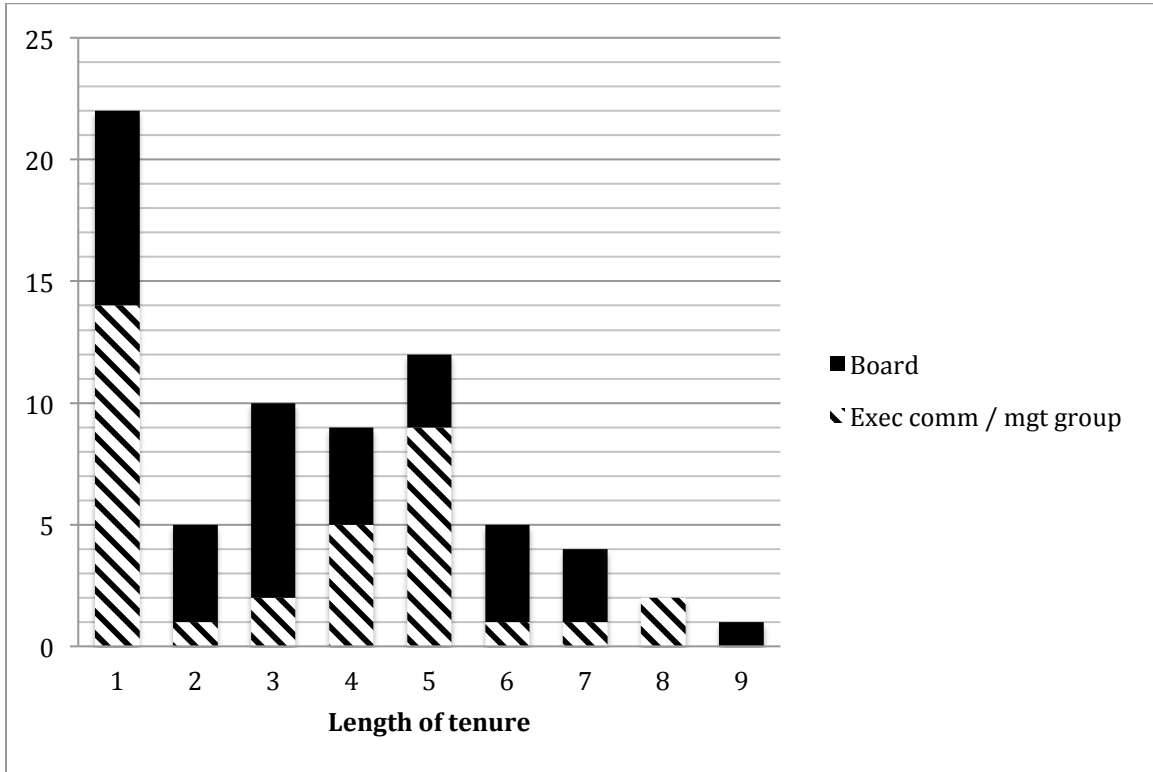
Sources: annual reports of BT, 1997 – 2014 (inclusive)

Table 4: France Télécom board and executive committee membership, 2005 - 2013 (inclusive)

Year	Total number of board members	Total number of executive / management committee members	Overlapping membership	Female representation	
				Board members	Executive / management committee
2005	16	19	1	0	3
2006	15	9	1	1	1
2007	15	9	1	2	1
2008	15	9	1	2	1
2009	16	15	1	3	3
2010	15	14	1	3	3
2011	15	13	2	3	5
2012	15	14	1	3	5
2013	15	11	1	4	5

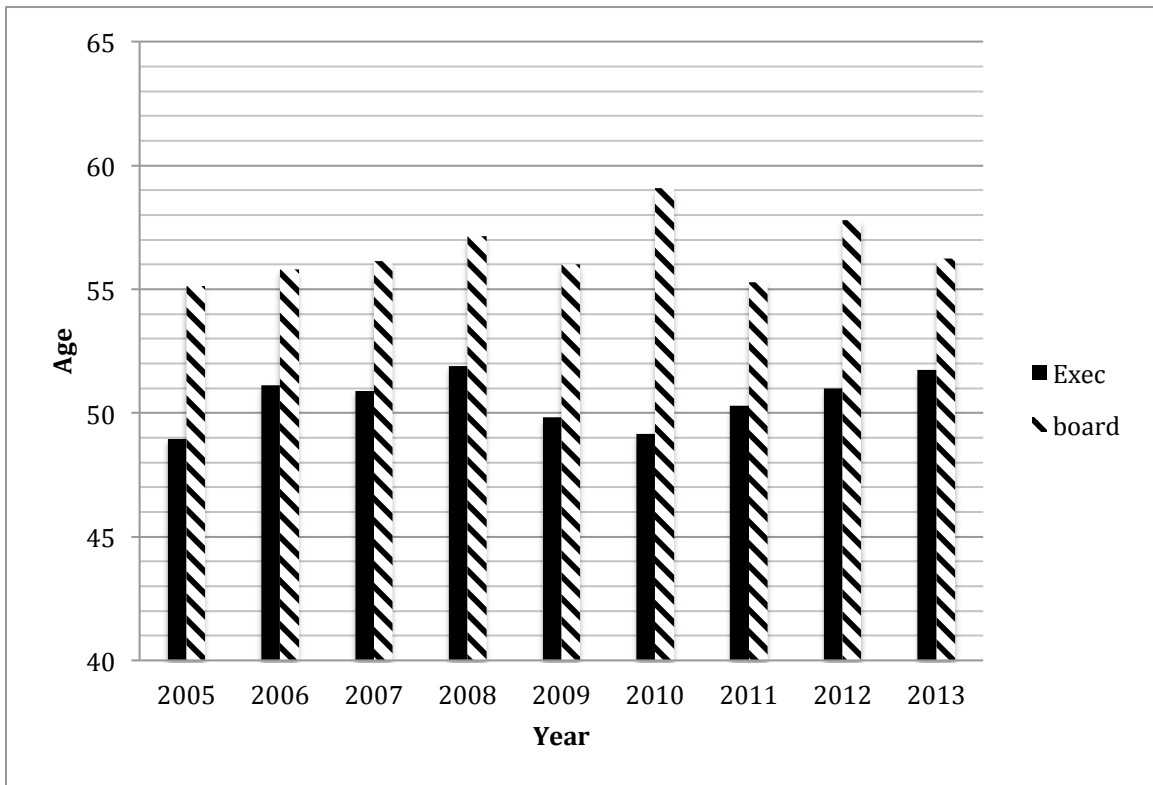
Sources: annual reports and registration documents of France Telecom, 2005 – 2013 (inclusive)

Figure 3: Board and executive committee / management group length of tenure



Source: successive annual reports and registration documents of France Télécom between 2005 and 2013 (inclusive)

Figure 4: Average age – board versus executive committee / management group, 2005 to 2013 (inclusive)



Sources: annual reports and registration documents of France Telecom, 2005 – 2013 (inclusive)

Table 5: Illustrative examples of the other boards sat on by France Télécom board members, 2005 – 2013 (inclusive)

Board member	Company and role
Pierre-Mathieu Duhamel	<ul style="list-style-type: none"> • Air-France KLM, Director • EDF, Director • SNCF, Director
José-Luis Durán	<ul style="list-style-type: none"> • Carrefour Group, Chairman • Maus Frères International Services, Chairman • HSBC Holdings plc • Lacoste Holding, Chairman • Gant AG, Chairman • Devanley's Management Board, Chairman
Pascal Faure	<ul style="list-style-type: none"> • Institut TELECOM, Director • Ecole Normale Supérieure, Director • La Poste, Director • La Française des Jeux, Director
Arnaud Lagardère	<ul style="list-style-type: none"> • Lagardère SCA, Manager and general partner • Lagardère Resources SAS, Director • Hachette Livre SA, Director • Hachette Distribution Services SA, Director • Hachette Filipacchi Medias, Director • LVMH-Moët Hennesy Louis-Vuitton SA, Director • FIMALC, Director • Hachette SA (Lagardère Media), Chairman and chief executive • Lagardère SAS, Chairman • Lagardère Active SAS and Lagardère Active Broadband SAS, Chairman • Lagardère Capital et Management SAS, Chairman • Foundation Jean-Luc Lagardère, Chairman • Lagardère Thématiques SA, Chairman • Lagardère Active Broadcast SAS, Deputy chairman • Arjil Commanditée-Arco, Chairman and chief executive • Banque Arjil and Compaigne, Vice chairman • Virgin Stores SA, board member • Lagardère Elevage SARL, Manager • EADS and EADS Participations NV, Chairman • Club des Entreprises Paris 2012, Chairman • Association Amis de Paris Jean-Bouin CASG, Chairman
Henri Serres	<ul style="list-style-type: none"> • Ministry of Defence • EINSA Board of directors of Groupe des Ecoles des Télécommunications, Chairman • Groupe La Poste board of directors, State representative
Jean Simonin	<ul style="list-style-type: none"> • Regional Municipal Association, Mayor and vice president • AFTAS, Director

Sources: annual reports of France Télécom, 2005 – 2013 (inclusive)