Women ON BOARD

Women have made great strides in business, but their progress stops suddenly—and inexplicably—at the corporate boardroom door. Business schools must look beyond the discouraging statistics and discover just what's keeping women off corporate boards.

by Patricia M. Flynn and Susan M. Adams

illustrations by Vivien Flesher

Women have made such substantial strides in business and make sizable contributions to the global economy. In the United States, for instance, women outnumber men in the population and are responsible for more than 80 percent of all purchases of goods and services. Women represent more than 45 percent of all investors and more than half of all financial managers, accountants, and auditors. They own more than 10 million companies, which account for more than 45 percent of all U.S. firms.

Yet, the boardrooms of many public companies remain off-limits to women. Even among Fortune 500 companies, whose track record for women directors far outpaces smaller firms, women still represent a small minority of board members.

What keeps women out of the boardroom? Several recent studies suggest that the problem is widespread and systemic. The research serves as a starting point for further exploration, and as a benchmark for measuring progress, or lack thereof, of women in boardrooms across the globe. Business schools have the resources and the contacts to study these findings, conduct further research, and work toward viable solutions.

Moreover, business schools can do much more to promote an important message to corporations. Changing the gender composition of corporate boards isn't just for the sake of diversity, nor for regulatory compliance. It's simply better for business.

Facts and Figures

Several organizations have taken to heart the premise that "What gets measured, gets done." Indeed, their studies, which have been released over the last 12 months, show clearly that women's access to seats on corporate boards of directors lags far behind their participation in other areas of the economy. In fact, several 2003 census reports on directors—which range from regional to international—demonstrate not just that women account for a small proportion of directors, but that many companies still lack even one woman on their boards. Their findings show the stark reality when it comes to women in directors' positions:

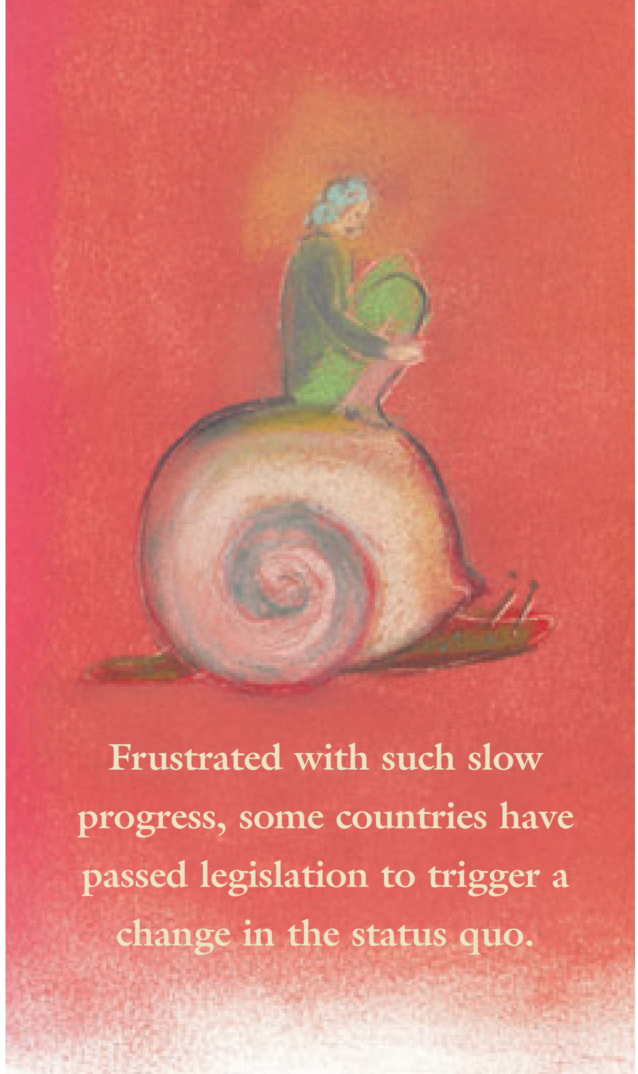
- **13.6 percent** of all board seats in Fortune 500 companies are held by women, while **10.8 percent** of companies surveyed have no women directors. ("2003 Catalyst Census of Women Board Directors of the Fortune 500," Catalyst)
- In countries such as Italy, New Zealand, Portugal, Spain, Japan, and the U.K., less than **10 percent** of corporate board seats are filled by women. In the U.K., **58 percent** of companies surveyed have no women on their boards; in Spain, that number is **76 percent**; and in Japan, it skyrockets to **97 percent**. (Corporate Women Directors International)
- On the corporate boards of the 100 largest public companies in Massachusetts, women hold **9 percent** of the board seats, and **50 percent** of these companies have no women

directors. (“Strategic Assets: The 2003 Census of Women Directors and Executive Officers,” The Boston Club)

- In Chicago, **12.4 percent** of all board seats are held by women, and **10 percent** of the companies have no women directors. (The 2003 “Census of Chicago’s 50 Largest Companies,” The Chicago Network)
- In Philadelphia’s 120 largest public companies, **11.5 percent** of all board seats are held by women, and **34.2 percent** of companies surveyed have no women directors. (“Women on Boards: Different Perspectives. More Talent. Better Results,” The Forum of Executive Women)
- In 175 public companies in Georgia, women hold **7.1 percent** of the board seats, and **54.3 percent** of companies have no women directors. (“The Time Is Now! Women in the Boardrooms,” Board of Directors Network)

These numbers show that women’s boardroom participation overall hovers around 10 to 12 percent. They also demonstrate the considerable range in results across countries and geographic areas, especially regarding the share of companies that still operate with all-male boards.

In addition, larger firms are more likely than smaller firms to have a woman director, and they also have a greater share of board members who are women. In Chicago, for instance, while 12.7 percent of the Fortune 500 board seats are held by women, the percentage drops to 8.4 percent for companies in the Fortune 501-1000. In the Philadelphia area, comparable figures are 16.8 percent for Fortune 500 companies, and 9.2 percent for Fortune 501-1000 companies. The vast majority of companies lie outside the Fortune 1000 (all of which had revenues of over $1 billion in 2002), and on average have considerably less representation of women in the boardroom. There are also large differences among companies with more than one woman on their boards. In the U.S., for example, almost half (47.6 percent) of Fortune 500 companies have two or more women board members. But in the regional studies that include many smaller companies, the percentage is often far less, from 44 percent for companies in Chicago, to 28.3 percent in Philadelphia, to 19 percent in Massachusetts, down to 10.3 percent in Georgia.



Women directors of color are rare. Catalyst reports that only 3 percent of board members are women of color in the 415 Fortune 500 companies for which they had data by gender. This is a slight increase from the 2.5 percent that Catalyst recorded in 1999, when it first started tracking these data.

Frustrated with such slow progress, some countries have passed legislation to trigger a change in the status quo. Israel, for instance, passed legislation for more equal representation on the boards of state-owned companies in 1993. The share of public company board seats held by women subsequently rose from 7 percent in 1993 to 30 percent in 1998 in these companies. More recently, Norway passed legislation mandating that women serve in at least 40 percent of directorships at state-owned companies, effective January 1, 2004. Sweden is threatening similar legislation in 2005 if women hold less than 25 percent of board seats at that time.

The fact that legislation has sparked positive change in some countries is encouraging. That it has often taken acts of law to effect such change, and that the positive results are primarily confined to state-owned sectors, is less heartening. The message that women make strong contributions to boards of directors has yet to take hold.

Small Gains, Slow Progress

Somewhat greater gains have been made by women at the executive officer level. In Chicago, for example, for the 23 companies that have been tracked consistently over the past six years, the share of women executive officers rose 9 percent, compared to a 4 percent increase in women board members. Catalyst shows an increase of 7 percentage points in the share of women executive officers in the Fortune 500 companies nationwide from 1995 to 2002, relative to a 4 percent increase in women directors between 1995 and 2003.

True progress, it seems, has been concentrated in the top

WOMEN ON CORPORATE BOARDS, BY COUNTRY

	Board Seats Held by Women		Companies with *no* Women Directors
United States (2003)	13.6%	(500) *	10.8%
Australia (1999)	10.7%	(300)	53.0%
Japan (1998)	0.2%	(2,396)	97.0%
Spain (2002)	4.6%	(300)	76.0%
United Kingdom (1997)	5.0%	(200)	58.0%

*The number of companies is shown in parentheses.

tier of business. The Philadelphia and Chicago studies, in particular, demonstrate that gains, when made, tend to be among the largest companies in the area. Smaller companies, which account for the vast majority of businesses, still have significant work to do.

There is a growing consensus that corporate boards should be "strategic assets" of organizations. (Read, for instance, the piece by the National Association of Corporate Directors, *Board Evaluation: Improving Director Effectiveness*, Washington D.C., 2001.) The more diverse boards are in terms of talent, expertise, and professional and personal backgrounds, the stronger an asset they become. Directors who reflect the various constituencies of companies and that come to the table with different backgrounds pose different kinds of questions, ask about untapped markets, and provide new ways of thinking about business issues.

Business schools can make corporate leaders aware of the business case for women on corporate boards. Many of the companies that lack women directors operate in markets dominated by women as customers and employees in the United States. Some, for instance, manufacture women's shoes; others sell everything from ice cream to financial services; still others manage nursing homes. These are examples of only the most obvious instances in which female perspectives are likely to prove highly valuable to the bottom line.

It may not be surprising that six of ten board directors with cosmetics company Avon, for example, are women. What is surprising is that computer companies Apple and Gateway have *no* women on their boards. After all, women control or influence 66 percent of home computer purchases, according to Intelliquest; they are also involved in more than 70 percent of all electronics purchases in the U.S. alone, according to the Consumer Electronics Association.

Having women "on board" doesn't just establish diversity, meet a quota, or abide by law—it reflects the realities of the marketplace.

BOARD SEATS HELD BY WOMEN, U.S.

Study (all 2003)	All Companies Surveyed		Fortune 500		Fortune 501–1000	
United States	13.6%	(500)*	13.6%	(500)	Data not available	
Atlanta	7.1%	(175)	12.7%	(14)	9.1%	(12)
Boston	9.0%	(100)	12.4%	(11)	9.8%	(11)
Chicago	12.4%	(50)	12.7%	(34)	8.4%	(11)
Philadelphia	11.5%	(120)	16.8%	(26)	9.2%	(17)

*The number of companies is shown in parentheses.
(includes both "Board Seats" and "Companies with *No* Women" data)

Time to Move Forward

Unlike Israel or Norway, the U.S. is unlikely to mandate women's participation on boards. One positive development, however, is that major recent changes in corporate governance present incentives and opportunities for companies to diversify their boards.

The growing emphasis on sound corporate governance, as well as regulatory requirements for board independence and financial expertise, should indirectly expand the proportion of women directors. Women, who have been absent from the boardroom for so long, make excellent candidates for "independent" directors as now required by the U.S. Sarbanes-Oxley Act of 2002. Moreover, as women represent over half of all financial managers in the United States, they provide a large pool of candidates who could qualify as "financial experts," which are being recommended for audit committees of NYSE- and NASDAQ-listed company boards in 2004.

In addition, the Securities and Exchange Commission (SEC) mandate that public companies disclose the nominating committee's selection process and minimum requirements for directors bodes well for women. The traditional informal process of depending on the recommendations of current board members has often produced a limited pool of candidates, most of whom shared characteristics of incumbent directors and hindered women's access to board positions.

The corporate tradition of seeking mainly CEOs and former CEOs for the board is also losing its hold. Nominating committees are placing increasing value on functional expertise as they strive for strategic advantage in an increasingly global marketplace. Women offer a wealth of expertise in areas such as finance, technology, marketing, and human resources (including compensation expertise), thus vastly broadening the pool of qualified board candidates beyond the CEO level.

In addition to these changes, board members are being asked to shoulder more responsibility and devote more time to board commitments due to new laws and regulations such as Sarbanes-Oxley. Such developments are expected to reduce the average number of boards on which individuals are willing to serve, thus providing opportunities for new faces in the boardroom—including, and perhaps especially, women. Research shows that diverse boards are more likely to tackle head-on issues of ethics, conflict of interest, and board assessment than are more homogeneous boards. Read, for instance, The Conference Board of Canada's 2002 report, "Not Just the Right Thing, But the Bright Thing," available at www.realassets.ca/web_pdfs/reports/ra_report_may_02.pdf.

Companies, especially larger ones, are increasingly turning

COMPANIES WITH *NO* WOMEN DIRECTORS

	All Companies Surveyed	Fortune 500	Fortune 501–1000
United States	10.8%	10.8%	Data not available
Atlanta	54.3%	7.1%	33.3%
Boston	50.0%	10.0%	27.3%
Chicago	10.0%	6.5%	27.3%
Philadelphia	34.2%	0.0%	41.2%

Champions for the Cause

Many organizations are studying the discrepancy between women's participation on boards of directors and their participation in business at large. Business educators looking for more information can visit their Web sites or contact their offices for access to many studies, publications, and other information on the issue:

The Board of Directors Network
P.O. Box 5616
Douglasville, GA 30154
770-489-6689
president@boarddirectorsnetwork.org
www.boarddirectorsnetwork.org

The Boston Club
P.O. Box 1126
Marblehead, MA 01945
781-639-8002
info@TheBostonClub.com
www.thebostonclub.com

Catalyst
120 Wall Street, 5th Floor
New York, NY 10005
212-514-7600
info@catalystwomen.org

2825 North First Street,
Suite 200
San Jose, CA 95134
408-435-1300
calinfo@catalystwomen.org

8 King Street East,
Suite 505
Toronto, Ontario M5C 1B5
416-815-7600
caninfo@catalystwomen.org

The Chicago Network
5734 S. Kimbark Avenue
Chicago, IL 60637-1615
773-324-0202
amytcn1@ameritech.net
www.thechicagonetwork.org

Corporate Women Directors International
1211 Connecticut Avenue, NW
Suite 504
Washington, DC 20036
202-835-3713
globesummit@aol.com
www.globewomen.com

The Forum for Executive Women
1231 Highland Avenue
Fort Washington, PA 19034
215-628-9944
info@foew.com
www.foew.com

National Association of Corporate Directors
1133 21st Street, NW
Suite 700
Washington, DC 20036
202-775-0509
info@nacdonline.org
www.nacdonline.org

to search firms to identify potential female board candidates. In addition, several women's organizations such as The Boston Club are well-positioned to help companies recruit women board candidates who meet their specific needs.

Obstacles still must be overcome, however—from direct opposition within corporations, to a lack of knowledge on how to find potential qualified board members who are women, to simple inertia. Documenting the status of women directors, in and of itself, will not bring about change. Business schools, their advisory boards, and their graduates can play a more active role than in the past in facilitating the process.

A Larger Role for Business Schools

It's a logical next step for business schools to address the problem directly through their executive education programs, partnerships, case study selection, and research. Schools worldwide can become key resources for corporations by conducting research and further documenting the benefits of diversity on boards.

U.S. business schools with campuses in the more than 40 states without a Census of Women Directors, for instance, should consider conducting an annual report to track the status of women in boardrooms and in executive positions in their states. Most states have professional women's organizations that would be willing to co-sponsor this activity and help with dissemination of the results.

In addition, given their extensive links to the business community, business schools can be instrumental in introducing women executives and entrepreneurs to corporate leaders involved in the selection of board members. Business schools can host forums on topics such as effective networking and personal marketing, and can offer training, mentoring, and coaching for women. More generally, they can incorporate issues of corporate governance and risk management into their teaching of management development and diversity.

The tide appears to be turning, but business schools can help to ensure it continues to turn in a positive direction and that the pace is more than glacial. When more companies tap into the large, underutilized reservoir of highly qualified women and assign them places around their boardroom tables, women, men, and business will benefit. Z

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