

Directors & Boards®

Why More Women Are Not Landing on Boards

By Douglas Chia



The reasons — or perhaps excuses — are not new: not a priority . . . fear of change . . . unconscious bias.

In conversations with male and female board chairs, CEOs, and nominating committee members at Fortune 1000 companies, those were just some of the reasons heard for why women hold few board seats and why the rate of progress remains sluggish. The feedback came from [approximately 60 meetings](#) between business leaders at the non-partisan Committee for Economic Development (CED) and their networks of boardroom decision makers.

None of these reasons (or perhaps the more accurate term would be “excuses”) is new. But, as frustrating as these findings are after years of collective efforts to “move the needle,” we see opportunity. Removing or lessening these purported setbacks lies within the reach of companies and their boards, but if and only if they internalize the feedback and course-correct.

Start with the arguments over lackluster progress resulting from supply challenges. In these peer-to-peer conversations, many reported that their companies use what we view as narrow criteria, mainly experience as a public company CEO or CFO. Some interviewees whose companies use search firms lamented that they are typically presented with a limited list of familiar female candidates. It is not hard to see why—just look at how many female public company CEOs and CFOs exist today. (This is like seeking new members for your basketball team when the criteria is that they have to be English-speaking men who stand over seven feet tall!)

Seeking Untapped Pools

Companies routinely express their aspirations for gender-diverse boards in annual proxy statements, yet many continue to resort to these sorts of self-defeating practices. They need to challenge themselves to cast broader nets and seek untapped potential

candidate pools. Among others, nominating committees should be scouting female business segment and division presidents, chief legal and human resources officers, management consultants, entrepreneurs, and executives from the nonprofit, academic, and public sectors. Chief technology or information officers are groups that will also interest companies looking for more cyber security knowledge on their boards (though the numbers of women in these categories may also present challenges).

At smaller corporations, some boardroom decision makers said limited resources prevent them from bringing on search firms. Fortunately, with the click of a button, more affordable online registries such as the Equilar Diversity Network now provide access to a near-endless supply of diverse, qualified candidates. Nominating committees can find those who meet their criteria using tools that can filter and sort candidates by age, gender, title, executive and board experience, and geographic location, among other qualifications. Technology is giving us cost-effective solutions.

The ‘Best Overall Athlete’ Approach?

Aside from supply issues, some interviewees expressed skepticism over the business case for gender diversity on boards. One said, “We should be looking for the best overall athlete.” In fact, a growing body of research reveals a relationship between greater female representation and greater company performance. The business organization Catalyst found that companies with the most female board directors outperformed those with the fewest: return on sales by 16% and return on invested capital by 26%. Moreover, Credit Suisse found that, among large companies with market capitalization exceeding \$10 billion, those with at least one female board member exceeded those with none by five percent.

While these figures demonstrate a correlation, as opposed to causation, of board gender diversity and company performance, they are significant enough for companies to investigate the possible reasons, which include better understanding of target demographic markets and lower risk of cognitive biases impacting business decisions.

Those championing board diversity should have all the data to make the business case an equal – or even greater – part of their argument as the good governance case.

Finally, some interviewees said the snail’s-pace of progress comes in part from an unconscious bias of the people involved in the board recruitment process. From 2011 to 2015, the total number of women on boards on Fortune 1000 companies grew to 1,771 from 1,440, and the average number of women on boards in the same timeframe increased to 1.9 from 1.5. Here, setting defined goals would inject some needed accountability to make headway.

The ‘Every Other One’ Approach

One potential solution, the “Every Other One” approach advocated by CED entails boards setting a goal of appointing a woman to every other vacant board seat. By doing

so while retaining existing female board seats, women would hold a third of Fortune 500 board seats within the next five years – by no means warranting a victory lap, but a major step in the right direction. By making gender-diverse boards a priority, successful companies that include Ingredion, Cardinal Health, and ManPowerGroup have women holding a third of seats. And just recently, General Motors made headlines over reaching actual gender parity.

Any successful course correction depends on knowing the roadblocks. Champions of boardroom diversity now have an updated roadmap, with candid feedback about the challenges at hand. With a clearer path toward our destination we can become more effective in our drive for change. Change is always difficult and met with resistance. Some of our interviewees at all-male boards expressed discomfort with adding a woman because it would change board dynamics. We need to remind them that's the whole point, and it will be for the better.

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