A simple yet effective solution for increasing women on boards

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In both Europe and the US, women make up over half of the population, nearly half of the workforce and now attain more higher education degrees than men. They also influence 70 to 80 percent of all purchasing decisions worldwide.

Why, then, do women remain underrepresented in corporate leadership, and especially on boards? Despite their economic and educational impact, women hold approximately one in four board seats among STOXX 600 companies in Europe. And in the US, they hold approximately one in five board seats among Fortune 500 companies.

While the reasons behind this imbalance may be complicated, the solution does not have to be. Companies looking to diversify their boards should consider adopting the ‘Every Other One’ approach. The name says it all: fill every other vacant board seat with a woman.

Today, if American companies in the Fortune 500 followed Every Other One, while retaining existing female seats, women would occupy a third of board seats in just a few years. And in some countries in Europe, where representation well exceeds the US average, company boards would reach actual gender parity within just a few years.

Among the benefits of Every Other One, the approach can accelerate progress regardless of geography and, equally importantly, regardless of government policy. In 2003, Norway pioneered the use of gender quotas, requiring public companies to fill at least 40 percent of their boards with women. Otherwise, they would risk losing their board certification. Inspired by Norway, other countries, including Iceland, Spain, France, Italy, Belgium and Germany, soon followed suit by enacting their own targets. In nations such as these, filling every other board seat with a woman would go a long way toward complying with strict government policy.

By contrast, Britain avoided quotas when it launched an initiative back in 2011 to increase the number of women directors on boards. The effort not only boosted the representation of women directors without the use of quotas, but also dramatically decreased the number of all-male boards from 152 to none in the FTSE 100, and to just 15 in the FTSE 250. In nations that eschew quotas, such as Britain and the US, Every Other One has the ancillary benefit of staving off potentially intrusive government policy.

Why must companies prioritise gender diversity in corporate leadership?

Beyond fairness, increased gender diversity brings a competitive advantage to modern companies, which face extraordinary competition in an economy that puts an unprecedented premium on knowledge. Women comprise more than half of the pool of human capital. Companies that fail to fully leverage and draw from more than half of the pool risk losing an edge.

Furthermore, companies better connect with their stakeholders – be it customers, employees, owners, and the communities in which they operate – when they have greater diversity, including on their boards. Research from McKinsey & Company, Credit Suisse and

Catalyst has documented that companies with gender-diverse boards experience greater returns on equity, increased returns on sales and higher returns on invested capital.

Beyond the competitive advantage, increasing the number of women on boards is an essential ingredient for effective corporate governance. A high-performing board is one that generates and implements the freshest and most inclusive ideas. When a gender imbalance exists, boards can easily fall into 'group think' and fail to see and account for perspectives that might enhance company performance. Great ideas can arise only when a diverse pool of thought is active and present at the table.

Sceptics of the Every Other One approach argue that a lack of supply of qualified candidates prohibits boards from adding more women to vacant seats. This argument is simply false, and represents a lack of creative, open-minded thinking. As of 2017, there were 150 female CEOs in the Russell 3000, 64 women CFOs in the S&P 500, 11,266 female law partners and about 487,000 female-owned businesses with revenues greater than $1m in the US.

If boards look only within the top few hundred companies for female C-suite executives, then they, themselves, have created a supply problem. Companies also can – and should – expand the criteria for board directors to achieve parity. Corporate leaders can cast a broader net to include senior female executives with strong business track records. The list of occupations includes but is not limited to divisional presidents, entrepreneurs, management consultants, non-profit executives, former audit and legal partners, foundation heads, financial service executives and university presidents. All of these are sources of women board members.

If companies extend beyond the conventional pool of current and former CEOs, they could increase female representation relatively quickly. Boards must insist that search firms present them with expanded slates of qualified women director candidates in order to take advantage of the broad talent pool available.

So, how can companies begin?

The fastest way to achieve change through Every Other One, in addition to expanding search criteria, is by initiating peer-to-peer conversations among current board members.

Boards are increasingly recognising that gender diversity is imperative to successful business, but more action is needed. While some boards already have a substantial representation of women, and a number have been adding women, they must make it an ongoing priority to increase the number of women on their boards. Without a deliberate plan, it could take generations to reach gender parity in the boardroom. Every Other One is a rare, simple solution.

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