



Forum of Executive Women A Case for Increasing Gender Diversity on Corporate Boards¹

“[D]iversity in corporate leadership is not solely a women’s issue. It is an issue of economic competitiveness. And the presence of more women in the boardroom and in the corporate suite is critical to companies’ creativity, performance, and ability to thrive in the 21st century.” – Penny Pritzker, U.S. Secretary of Commerce

Current Numbers

- Women hold 19.2% of S&P 500 board seats in the United Statesⁱ
- Only 12% of the board seats of the 100 largest public companies in Philadelphia region are held by women.ⁱⁱ
- Of the Philadelphia region’s largest 100 public companies, 35 had no women on their boards as of 2014.ⁱⁱⁱ

Reasons to Include More Women on Corporate Boards

Improved Governance^{iv}

- Inclusion of diverse groups in corporate decision making increases board capabilities. (More women = more diverse skills and experience)^v
- Diversity alters board dynamics in positive ways, including by signaling to all groups that differences of viewpoint are encouraged. (More women = a better, more robust discussion)^{vi}
- Inclusion of different points of view facilitates discussion of a broader range of options and solutions for corporate decisions. (More women = better decisions)^{vii}
- Notable improvements in corporate governance occur with three or more women on a board. (More women = better governance)^{viii}

Better Financial Performance

- A study by Catalyst of the return on equity (ROE), return on sales (ROS) and return on invested capital (ROIC) of Fortune 500 companies measured by the number of women on their boards found that companies in the highest quartile substantially outperformed those in the lowest quartile, and that these numbers were increased in instances where the boards had three or more women.^{ix}
- A study by the Credit Suisse Research Institute found that of 2,360 companies studied, companies with a single woman director had higher net income growth (14%) than companies with no women directors (10%).^x
- Research shows that women connect better with the long-term societal perspectives of stakeholders.^{xi}

¹ This paper was developed by the Forum of Executive Women’s Women in Executive Leadership and Governance Committee members Mary Beth H. Gray and Sheryl L. Axelrod in consultation with Vicki W. Kramer.

Access to Bigger Talent Pool and Better Alignment with Consumers

- Women control \$12 trillion of the overall \$18.4 trillion spent on consumer purchases worldwide.^{xii}
- In the United States, women control \$11.2 trillion, or 39%, of the country's investable assets.^{xiii}
- The percentage of women in the workforce has increased from 32% to 61% from 1948, while the percentage of men has declined from 89% to 75% in the same period.^{xiv} • More than 1/3 of MBAs in the United States are earned by women.^{xv}
- By 2019, women are projected to be 60% of undergraduates.^{xvi}
- Diversity of talent pool and demonstration of equal access is critical to competitiveness in a more diverse market.
- Corporate decision-making in a global economy should not be made exclusively by groups that represent a smaller and smaller percentage of the supplier and consumer base.^{xvii}

Recommendations from Business Leaders

- The Committee for Economic Development (CED) is at the forefront of business-oriented public policy groups in advocating that U.S. corporations bring more women onto their boards. If U.S. publicly-traded companies set well-defined goals and provide regular disclosure on progress, they can build a pathway toward fulfilling this objective. If prominent corporations adopt a target of recruiting women in every one of two board seat openings, CED believes that 30 percent participation would likely occur by 2018.^{xviii}
- "First, change must start at the top, which means we must engage men and senior leadership, who set the tone of their companies. . . Second, boards should develop deliberate strategies for recruitment. This can be done by making diversity one of the considerations to fill board vacancies and taking gender diversity into account in succession planning. Some boards even have a minimum target for gender diversity." – *Penny Pritzker, U.S. Secretary of Commerce*
- "It is also important for companies to work harder to identify qualified women to serve on boards. Some defenders of the status quo still say that there are not enough qualified women to fill board vacancies at higher rates. I disagree. There is no shortage of highly qualified candidates. And if that is the view of any company, its nominating and governance committees should broaden their searches. The challenge is not a lack of suitable candidates. There is adequate supply, but the challenge is creating real and committed demand." – *Mary Jo White, Commissioner of the U.S. Securities and Exchange Commission*^{xix}

"As you become aware of board openings, please consider contacting The Forum of Executive Women (www.foew.com) as a resource. The Forum is committed to having a diversity of perspectives around the table. The Forum is a membership organization of over 400 women of influence in the Greater Philadelphia region, whose members hold top positions in every major segment of the community. Through our membership and national and regional networks, as well as our affiliation with like-minded organizations, we may be in a position to suggest the names of potential candidates. To inform us about a board opening or for information about the work of The Forum, please contact Sharon Hardy at sharonhardy@foew.com."

- i Catalyst. *New Global 2014 Catalyst Census: Women Board Directors*. New York: Catalyst, 2015. Access. <http://www.catalyst.org/media/new-global-2014-catalyst-census-women-board-directors>
- ii The Forum of Executive Women. *The Forum of Executive Women – Women on Boards Report*. Philadelphia: The Forum of Executive Women, 2014. Access. <http://www.forumofexecutivewomen.com/SiteData/docs/WomenonBoa/dcfcb4f8f05d7d04/Women%20on%20Boards%20Report%202014.pdf>
- iii *Id.*
- iv Dhir, Aaron A. *Challenging Boardroom Homogeneity; Corporate Law, Governance and Diversity*. Cambridge: Cambridge University Press, 2015
- v Rhode, Deborah L. and Amanda K. Packel. “Diversity on Corporate Boards: How Much Difference Does Difference Make?” *Delaware Journal of Corporate Law* 39 (2014): 377, 394
- vi Lissa Lamkin Broome and Kimberly D. Krawiec. “Signaling Through Board Diversity: Is Anyone Listening?” *University of Cincinnati Law Review* 77 (2008): 431, 447, 448
- vii Lisa M. Fairfax. “Clogs in the Pipeline: The Mixed Data on Women Directors and Continued Barriers to Their Advancement”. *Maryland Law Review* 65 (2006): 579, 590
- viii Konrad, Alison M. and Vicki W. Kramer. “How Many Women do Boards Need?” *Harvard Business Review* (2006)
- ix Carter, Nancy M. and Harvey M. Wagner. “The Bottom Line: Corporate Performance and Women’s Representation on Boards (2004-2008)”. New York: Catalyst, 2011. Access. <http://perma.cc/BEE2-ZJMU>
- x Credit Suisse Research Institute. “Gender Diversity and Corporate Performance” Zurich: Credit Suisse Research Institute, 2012: 12-16. Access. <http://perma.cc/TC6U-FAH2>
- xi Committee for Economic Development. “Fulfilling the Promise: How More Women on Corporate Boards Would Make America and American Companies More Competitive” Washington, D.C.: Committee for Economic Development, 2012: 13-14, 16. Access. http://www.fwa.org/pdf/CED_WomenAdvancementonCorporateBoards.pdf
- xii Catalyst. “Catalyst Quick Take: Buying Power.” New York: Catalyst, 2013
- xiii Morgan Stanley. “Power of Purse Highlights Women’s Wealth Leadership.” New York: Morgan Stanley, 2015. Access. <https://www.morganstanley.com/articles/power-of-purse/>
- xiv United States. Department of Commerce, Economics and Statistics Administration and the Executive Office of the President, Office of Management and Budget for the White House Council on Women and Girls. “Women in America: Indicators of Social and Economic Well-Being”. Washington: GPO, 2011
- xv Catalyst. “Women MBAs”. New York: Catalyst, 2011. Access. http://www.catalyst.org/file/496/qt_women_mbas.pdf
- xvi Department of Commerce, *supra* note xiv
- xvii Committee for Economic Development, *supra* note xi, 14
- xviii Committee for Economic Development. “Every Other One: More Women on Corporate Boards; An Update of a Policy Statement by the Committee for Economic Development’s Policy & Impact Committee” Washington, D.C.: Committee for Economic Development, 2014: 5. Access. <https://www.ced.org/reports/single/every-other-one-morewomen-on-corporate-boards>
- xix White, Mary Jo. “Completing the Journey: Women as Directors of Public Companies” (Speech at Global Conference on Women in the Boardroom, September 16, 2014) Access. <http://www.sec.gov/News/Speech/Detail/Speech/1370542961053>