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International Research and Practice

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We would like to thank Mary Mattis and her associates at Catalyst for getting us interested in women's roles on corporate boards. Mary was critical in providing both encouragement and guidance in those early days when we all took our first tentative steps into the field.

Women on corporate boards of directors: international issues and opportunities[1]

Ronald J. Burke and Susan Vinnicombe

This collection addresses growing international interest in women on corporate boards of directors. But why a book on corporate women directors now?

The first research-based book (Burke and Mattis, 2000) appeared almost ten years ago. Since then, both international research and business interest has spiraled in terms of examining the role and number of women on corporate boards. Back in 2000 only the USA regularly measured the number of women on top corporate boards. Now more than 12 countries are regularly reviewing the gender balance of their top boards. It seemed time to take stock of what had transpired in these areas since 2000. Several journal articles (for example, Adams and Flynn, 2005; Burgess and Tharenou, 2002; Daily and Dalton, 2003; Vinnicombe and Singh, 2004), a few books (for example, Branson, 2007; Huse, 2007; Thomson and Graham, 2005), and some government reports (for example, Brown et al., 2003) have appeared in this time period. It seems that there have been several important developments since that time, some positive and some negative, having implications for women's representation on these boards.

Let us first consider the bad news. This includes:

- slow progress of women to senior management ranks, the pool from which many directors are selected;
- slow increase (glacial to some) in number of women on corporate boards;
- women continue to face the same challenges in being selected for board membership (e.g. the old boys' network, gender bias);
- decreases in the size of corporate boards;
- fewer women executive or inside directors in some countries;
- weak government monitoring of the status of women serving on corporate boards;

- little interest in government intervention, often couched by opponents as 'quotas';
- a small number of international researchers studying board composition and its effects, and the experiences and contributions of women and minorities to board;
- the dramatic failure of corporate governance in many countries;
- a shortage of all directors as directors retire or choose to serve on fewer boards since board service has become more demanding and risky.

Let us turn now to the good news. This includes:

- a need for more and more qualified directors;
- legislative efforts in an increasing number (but still few) countries requiring a fixed percentage of board seats be held by women or other designated groups (e.g., Norway, Spain, South Africa, Sweden);
- government studies and inquiries into the state of corporate governance (e.g., the UK, USA, New Zealand, Canada, among others);
- greater board accountability and transparency;
- increasing efforts to evaluate board member contributions;
- increasing efforts to equip qualified women for selection to corporate boards (e.g. mentoring, use of placement firms, directories of qualified women);
- some educational and credential-providing programes for potential and actual directors delivered by schools of management and director institutes or associations;
- some 'soft' ratings of the best and worst corporate boards by business periodicals and newspapers;
- boards becoming more diverse;
- women directors now serve on more powerful board committees;
- women are bringing higher levels of human and social capital to their boards;
- more stakeholder activism for justice and change.

Considering the bad news and good news, we were surprised at the length of the listing of good news items. There seem to be some reasons for optimism as far as the future is concerned. We may be at a 'tipping point' in increasing women's representation on corporate boards, particularly if these items link together. This was one of the motivations for bringing our international authors and consultants together here.

What is the current international situation pertaining to women serving on corporate boards of directors, what has happened in the past ten years, and what are some of the important factors that have been found to affect women's representation on boards of directors? We will review a few here, leaving it to the chapters that follow to expand on these while adding several others.

1. Though women's representation on corporate boards of directors is, on average, low and relatively slow in changing, there is considerable variation in these figures across countries. Data from the top 50 firms in 29 European countries showed an average of 10 per cent, with a high of over 30 per cent in Norway to a low of 2 per cent in Italy and Malta.
2. The use of legislated quotas in a few European countries has produced positive change. Norway has legislated for 40 per cent female board representation with penalties for non-compliance. Recent Norwegian data indicate a 37 per cent participation rate in the companies registered on the Oslo stock exchange; Spain is considering a 40 per cent female representation rate compared to its present 5 per cent; and Sweden has proposed legislation for a mandatory 25 per cent participation rate for women. But targets (or quotas) are unlikely in many other countries (e.g., UK, USA, Canada).
3. Three different stakeholder approaches to increasing women's representation on boards have been identified over the past decade. These are: coercive – the use of government legislation (Norway, Sweden and Spain); liberal – organizations will voluntarily consider appointing women to corporate boards because it is the right thing to do (US, Canada); collaborative – a cooperative approach across various stakeholder groups (UK).
4. Various levers work simultaneously to increase women's board representation. These include: legal (equity legislation, anti-discrimination measures); corporate governance frameworks mandating an increasing number of independent directors on boards' lobbying from the media; the engagement of Chairmen and CEOs and the visibility/prestige attributed to companies with increasing numbers of women on their boards.
5. Firms having more women directors being seen as employers of choice, particularly those organizations operating close to their customers. The reputation of an organization having more women directors may be heightened, since this is seen as a sign of good governance, an indicator of good management, shows more sensitivity to the needs of stakeholders in general, is seen as more ethical and socially just, and it develops better relationships, especially with female stakeholders.

6. Women directors are more likely to be found in larger organizations, particular industries (retail, banking) and in organizations whose boards are linked to other boards that have women directors (Hillman et al., 2007)
7. There is an obvious need to consider the wider national environment – social, political and economic – to understand women's representation on boards of directors, though this has received little attention to date. Women's representation on boards is likely to be associated with women's representation in senior management, with the sizes of the gap in pay levels of women in relation to men, the presence of equality legislation, the availability of work–family initiatives and support in the society, and broader cultural values such as masculinity–femininity.
8. There is some evidence that having more women on a board increases the quality of board deliberations and corporate governance as a whole (Clarke, 2005; Fondas and Sassalos, 2000; Huse and Solberg, 2006; Stephenson, 2004; Van der Walt and Ingley, 2003).
9. There is some preliminary evidence that organizations having more women on their boards are more profitable (Erhardt et al., 2003; Zahra and Pearce, 1989).
10. There seem to be common barriers that women face across many countries that keep their representation on boards of directors low and relatively unchanging. These include: the attitudes of male chairmen and CEOs and male board members that favour other males, the old boys' network, the reluctance of search consultants to promote women, women seen as lacking line or bottom-line responsibilities in their careers, work and family responsibilities, and women not actively seeking board placements (Bilimoria and Piderit, 1999; Sheridan and Milgate, 2003).

OBJECTIVES OF THIS VOLUME

We see this collection as being of interest to both academic and business management constituencies. In addition, interest in board composition, board functioning, and board and organizational effectives is growing in all developed countries and many developing ones (for example, China, Russia). Corporate governance is increasingly being taught in business programs as a result of greater emphasis being placed on business ethics and corporate governance more generally. In addition, academics interested in women in management and workforce diversity more broadly will find this volume important and useful. There is also an increasing emphasis in executive sessions targeted at both women and men interested in serving as corporate directors. In Canada, for example, typically a quarter of the graduates of these offerings are women, a figure much higher than the percentage of women currently holding board seats. It is too soon to tell, however, whether these professional development programs will bear fruit. Women interested in achieving board seats would also benefit from various practical advice offered here. Companies interested in attracting and recruiting women directors would find the best practice information of immense value. In addition, as more countries undertake a variety of initiatives to increase women's representation on corporate boards through legislation, suggestions for supporting women through the creation of mentoring and networking opportunities and through developing lists of board-ready women are described.

This collection is divided into two main parts, followed by a concluding chapter. The first part presents status reports and recent initiatives taking place in 11 different countries. The reader will see both similarities and differences in these countries. The second part highlights central themes generated by recent research that help us understand both the issues and the opportunities facing qualified women and enlightened board chairs and CEOs interested in appointing more women to their boards of directors. As some have suggested, this is not only the 'right thing' but the 'bright thing' to do.

OVERVIEW OF THE CONTENT

The first part, International perspectives, includes ten chapters and offers a summary of the status of women directors and current research findings in each of the countries.

Lois Joy notes slow progress for women directors in the US. Women held 9.6 per cent of *Fortune* 500 board seats in 1995 and 14.6 per cent in 2006; this represented an increase of half a percentage point each year. In spite of this slow rate of growth some companies have maintained a critical mass of women (25 per cent or more) on their boards for more than 10 years. The chapter reports on interviews with women directors from a number of these 'sustained-commitment companies'. Joy concludes with a case study of the Chubb Corporation, where the board is central to the diversity and inclusion efforts of the business.

Ronald Burke and Richard Leblanc review developments in Canada. Interest in women directors is increasing here. Women held 9.9 per cent of directorships in 2001, up from 6.2 per cent three years earlier. But more than half the firms in the *Financial Post* 500 had no women directors. They identify four ongoing challenges women directors face in achieving directorships: director qualifications, director selection, director evaluation and director replacement. Each challenge is discussed with suggestions for countering it. Particular attention is given to the concept of each board developing a competency matrix and assessing its directors against it. This would help the board to recognize that each director need not possess all/most of these competencies to make an effective contribution.

Ruth Sealy, Susan Vinnicombe and Val Singh report on the efforts of the International Centre for Women Leaders at Cranfield University School of Management to both monitor and influence organizational board demographics and composition of the FTSE 100, and more recently the FTSE 250. They have now conducted nine successive benchmarking studies of the FTSE 100. Over this time, they have noted modest gains; women now hold 11 per cent of total FTSE directorships. But the percentages of inside women directors have not changed during this time. However, women directors are being appointed to executive committees in increasing numbers. They review their findings on what it takes for women to be selected as directors and the characteristics of companies who now appoint women directors. They identify a huge pipeline of female talent to the boardroom.

Mairi Maclean and Charles Harvey examine women in the boardrooms in France. The French government does not actively monitor the number of women on corporate boards. The authors found that in 1998 only 4.4 per cent of directors of the top 100 companies in France were female. In addition they found that more women held executive directorships in France than in the UK. A number of these female directors in France owed their position to being family members of owners or founders. The state also played a role in that women directors were more likely to have attended a prestigious university, held senior government jobs or to have been appointed by government.

Rosanne Hawarden and Ralph Stablein explore the status of women directors in New Zealand. New Zealand has significantly more women directors in the public sector (35 per cent) as compared with the corporate business (private) sector (5 per cent) as a result of government affirmative action policies. Canadian data are also consistent with this difference. They suggest that the substantial progress of women directors in state-run businesses may serve as an experiment for countries considering legislated gender quotas. New Zealand has many aspiring directors listed on a number of databases.

Anne Ross-Smith and Jane Bridge consider women directors in Australia. They note that board sizes in Australia, as elsewhere, have been decreasing. Private companies are not ‘required’ to have female directors.

Women held 8.7 per cent of board seats on the top 200 companies in 2007, up from 8.2 per cent in 2002. More women in Australia, as in other countries, hold ‘non-executive’ directorships (outside appointees) than ‘executive’ directorships (inside appointees) as well. Corporate search firms and the government have set up various registers of women interested in serving on boards and this helps to bring qualified women to the attention of organizations.

Marit Hoel describes the story of Norway’s introduction of the quota system as a law in 2003. The law aimed at achieving 40 per cent female representation on the boards of all public limited companies. On 1 December 2007, 37 per cent of board directors were female, the highest percentage of any country in the world. The structure of boards in Norway is, however, different from the US and UK in that some directors have representation by virtue of their large ownership of shares, direct relationship with the owners, or they are elected by the employees.

Thoranna Jónsdóttir presents a status report on women directors in Iceland. Iceland ranks high in terms of gender equality, equal opportunity and percentage of women in the workforce. Research on women directors in Iceland is relatively new. Women held 12 per cent of the board memberships in 2005, but only 8 per cent in 2007. The Icelandic government is actively studying this situation with the intention of increasing these numbers. A greater proportion of women than men hold more than one board seat.

Celia de Anca reviews developments in Spain. Companies in Spain, as elsewhere, must report their governance structure and practices to the national government. Women comprised 6.1 per cent of directors in 2006; about half of Spanish listed companies had at least one women director. A new Equality Law was introduced in 2007 recommending that 40 per cent of board members should be women by 2015 (but not quotas), fueling an intense debate on its merits. A number of initiatives have been developed to increase the number of qualified women to fill this gap.

Finally, Val Singh contrasts the positions of women directors in Jordan and Tunisia. No study to our knowledge had previously examined women on boards in Arab countries. In these countries, the family is particularly important and influential, more support is given to men than to women in their careers and connections to powerful others are vital for success. She provides a rich description of cultural values, governance structures and women’s role in governance in these two interesting but not well understood societies. Women held about 2 per cent of the directorships in Jordan and 10 per cent of directorships in Tunisia. Tunisia compared favorably with several other countries. She concludes with a needed research agenda if we are to better understand governance in the Arab world, and suggestions for supporting women's progress in the workplace and in the boardroom.

The second part of this collection consists of eight chapters, each addressing a theme emerging and supported by research findings important for understanding the past, present and future of research and practice regarding women directors.

Nancy McInerney-Lacombe, Diana Bilimoria and Paul Salipante focus on the contributions women make to the effectiveness of board deliberations. They argue that women directors are particularly adept at raising and keeping difficult issues on the 'front burner' in board discussions. Based on interviews with senior directors, these authors develop a model of factors describing how women directors champion the discussion of difficult issues in boardroom deliberations. Their interviews highlighted the key role of group process in effective board discussions. A board of directors is essentially a small group, yet the roles and dynamics of group processes are only recently being applied to further extant understanding of board effectiveness.

Morten Huse also considers women directors' influence on board process and effectiveness (the 'black box' of board behavior) that includes, among other factors, what women bring to the boardroom, board leadership and structure, and the boardroom culture. This focus on board composition and board group process is consistent with recent work on improving board effectiveness. For too long, the 'black box' has been under-researched. The author describes the Value-creating Board Program as one way to look at actual board behavior, examining the unique and not-so-unique contributions of women directors.

Siri Terjesen, Val Singh and Susan Vinnicombe examine the central question of whether women still lack the 'right stuff'– the human capital – to sit as board directors on the FTSE 100. Are women still unqualified? They compared newly-appointed female and male directors on a number of biographical factors, for example: age, education, board experience, top management experience, professional experience and sector experience, among others. They conclude that there were relatively few differences between the male and female directors, and those differences that did appear were modest. Women directors had the right stuff; it was the attitudes and mindset of male directors that seemed to be the source of resistance.

Addressing why more women are not appointed to corporate boards of directors, Michelle Ryan, Clara Kulich, Alexander Haslam, Mette Hersby and Catherine Atkins suggest that women, more than men, are invited to join boards of poorer performing companies and have an increased risk of failure, which they term 'the glass cliff'. In addition, they suggest that women directors do not obtain the same rewards or punishments for their board services. Women directors were paid less when the organization was performing well and paid more when the organization was performing poorly. Thus women directors were rewarded less and punished less. This work highlights new challenges women may face at the top levels of organizations. But there was some good news in their findings; even 'glass cliff' appointments can have potential opportunities for women directors.

The chapter by Dan Dalton and Catherine Dalton examines the impact of the Sarbanes-Oxley (SOX) legislation in the US on women's positions as inside directors. Serving as an inside director is an important step to becoming a CEO. SOX may have generally limited directorships (for example: fewer directors on boards, fewer inside directorships); however, the authors find that SOX has not limited women's access to insider directorships. Having women in inside director roles is likely to support further increases in women's participation as corporate directors.

Susan Adams, Patricia Flynn and Toni Wolfman consider how the InterOrganization Network (ION) can be seen as a force for change in increasing women's representation on corporate boards. ION is a national organization of executive women's organizations in the US. They describe the development and history of ION, its structure and goals, and central activities. ION conducts research on the status of women, offers board recruitment assistance to organizations, provides training to current and prospective board members, shares best organization and board practices, and highlights the business case for greater board diversity.

Heather Foust-Cummings presents interview results from women directors serving on US corporate boards having relatively large numbers of women and a case study of an organization that has successfully achieved a more diverse board. Organizations can learn a lot from these best practices. Her data highlight how board diversity influences corporate business decisions and how company diversity is heightened by the actions of board members. Women board members act as models for women employees in the companies on whose boards they serve. Company commitment to board diversity is associated with a range of proactive initiatives which are described.

Sumru Erkut, Vicki Kramer and Alison Konrad examine how the number of women corporate directors on a board affects their ability to influence board dynamics. They conducted interviews and focus groups with women directors and search firm professionals who undertook recruiting for corporate boards. They concluded that the number of women on a board influenced the nature of leadership and influence exercised by women. Lone women were often seen as tokens or representatives of 'all' women. The presence of two women on a board validated each other and also influenced how men behaved. Having three or more women made women's presence 'normal'. Women on boards with three or more women directors were more comfortable being vocal and influential in boardroom discussions.

The final chapter concludes by looking at the future directions needed in the research on women on boards.

NOTE

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PART I

International perspectives

1. Women board directors in the United States: an eleven year retrospective

Lois Joy

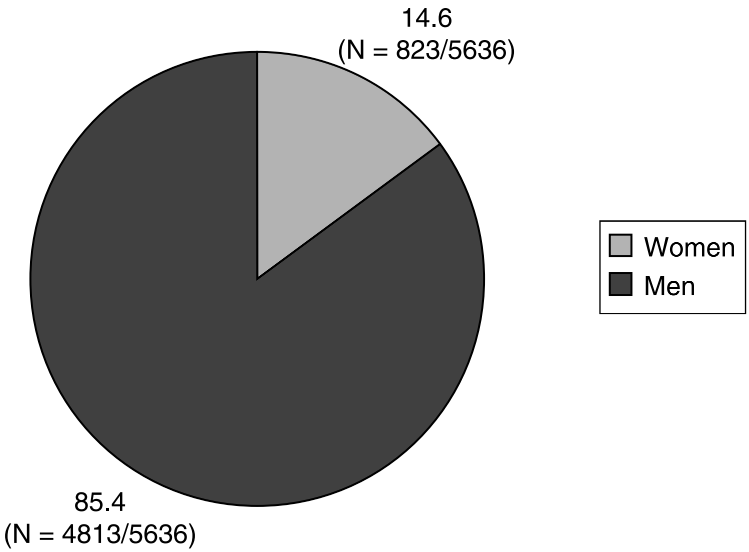
INTRODUCTION

During the past ten years, progress was slow for women onto the boards of the largest 500 US firms. While women held 9.6 per cent of the *Fortune* board seats in 1995, by 2006 women held 14.6 per cent of all board seats. Overall, women's share of the *Fortune* 500 board seats has risen, on average, only one half of a percentage point each year since 1995. At this rate of growth, it would take at least 70 years for women to reach parity with men on *Fortune* 500 boards.

The *Fortune* 500 (F500) is a ranking of the top 500 United States publicly traded corporations as measured by gross revenue and is compiled annually by *Fortune* magazine.[1] The F500 controls a massive amount of total US revenues, \$9 896 748 000 in 2006, and employs over 785 000 people globally. The boards of the F500 oversee the management, governance and strategic plans of these corporations (Lorsch, 1995). Board members also set executive pay, which for F500 CEOs in 2005 averaged \$8.4 million.[2] Given the large share of global wealth controlled by the F500, the directors leading these corporations can exert considerable control over all aspects of US and global consumer, product and labor markets. Directors additionally play key roles in local, national and global policy development. In this chapter, we consider women's access to these powerful board positions and explore why change for women has been so slow. We further discuss why there need to be more women serving on the boards of the largest corporations in the US and how this challenge can be met.

WHERE ARE THE WOMEN? WOMEN ON *FORTUNE* 500 BOARDS

In 2006, women held 14.6 per cent of all *Fortune* 500 board director positions, down 0.1 percentage points from 2005 and up just over one percentage point



Source: Catalyst, Catalyst Census of Women Board Directors of the *Fortune* 500 (2006).

Figure 1.1 Directors, 2006

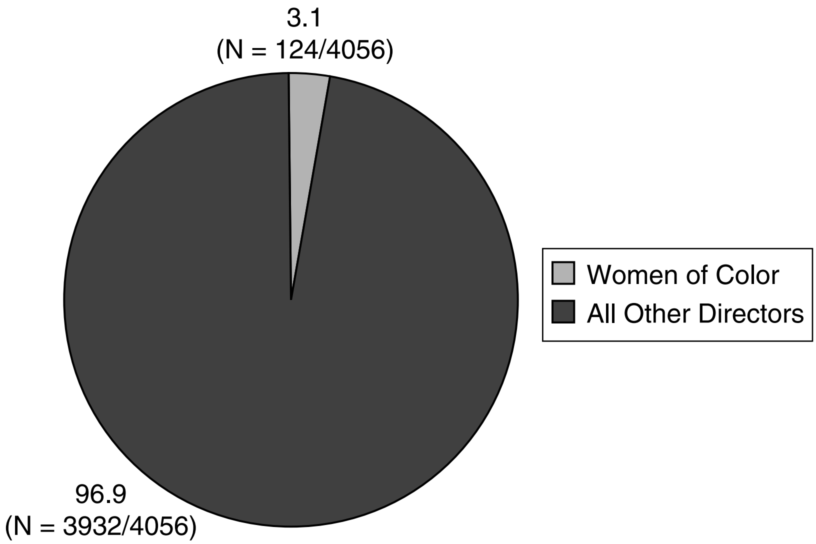
from 2003 (see Figure 1.1). This glacially slow-to-stagnant growth occurred against a backdrop of a 10 per cent decrease in the total number of board seats, from a high of 6274 total board seats in 1995 to a low of 5636 in 2006.[3]

Progress for women of color has been even slower. In 2006, women of color held 3.1 per cent of all board seats compared with 3.4 per cent in 2005 (see Figure 1.2). [4]

In 2006, of the 649 women director seats used in the Catalyst analysis of women of color board directors, African-American women held 102 board seats (15.72 per cent), Latinas held 33 seats (5.08 per cent) and Asian women held 15 seats (2.31 per cent). Native American women and other race/ethnicity women held less than 1 per cent of the board seats. White women held 496 or 76.43 per cent of the board seats held by females (see Figure 1.3).

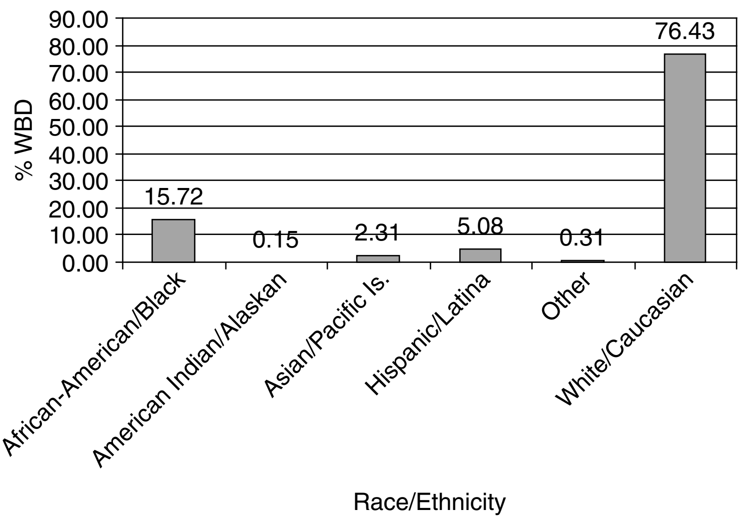
Companies ranked higher in the F500 have greater revenues, typically employ more people, and have the largest boards. In 2006, as in previous years, companies that ranked higher also had a greater percentage of women serving on their boards. While women held 17 per cent of seats on boards of companies in the F1–100 quintile, they held only 12 per cent of the seats at the F401–500 quintiles (see Figure 1.4).

Women directors were more prevalent in some industries compared with others. In 2006, industries with above-average shares of women board



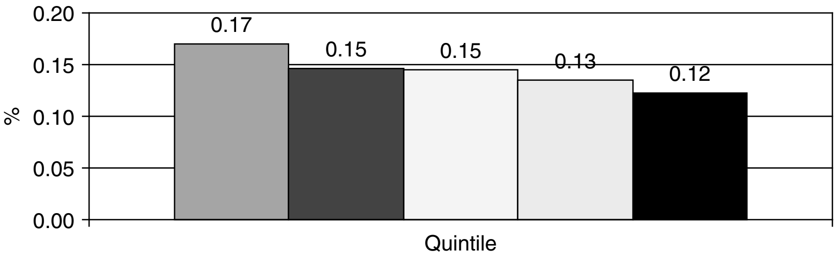
Source: Catalyst, Catalyst Census of Women Board Directors of the *Fortune* 500 (2006).

Figure 1.2 Women of color share of director positions, 2006



Source: Catalyst, Catalyst Census of Women Board Directors of the *Fortune* 500 (2006).

Figure 1.3 Women board directors by race, 2006



Source: Catalyst, Catalyst Census of Women Board Directors of the *Fortune* 500 (2006).

Figure 1.4 Share of women board directors by quintile ranking, 2006

directors included Utilities (15.4 per cent), Retail Trade (18.6 per cent), Finance and Insurance (16 per cent), Real Estate and Leasing (25 per cent), Health Care and Social Assistance (19.7 per cent), and Accommodations and Food Service (15.8 per cent).[5] In 2006, all of these industries also had higher than average shares of women in corporate officer positions, which is typically the pool from which directors are selected. However, not all industries that had greater than average shares of women in corporate officer positions also had greater than average shares of women in director positions. Only Transportation and Healthcare had *both* higher than average shares of women corporate officers and women board directors. This suggests that gender gaps in industry employment and upper management alone do not fully account for women's under-representation on the board.

WOMEN AND BOARD POWER

There has been some concern that the actual number of women board members is much lower than the total number of board seats held by women. This situation would occur if a handful of women directors served on multiple boards. The evidence shows, however, that the majority of women (70 per cent in 2006) served on only one board.[6] Contrary to expectations, the share of women (and men) serving on only one board has not increased since the establishment of the 2002 Sarbanes-Oxley Corporate Governance Act. The expectation was that because the Act increased the responsibilities and time commitments of board members, it would make it more difficult for corporate executives to serve on multiple boards. While the number of women serving on only one board did increase between 2003 and 2005, from 74 per cent to 77 per cent, it fell between 2005 and 2006.

In addition, while in 2006 there were fewer companies with no women directors than in 1995 (96 versus 53), there were also fewer boards where women served solo or with only one other woman. While 238 companies had one or two women directors in 1995, by 2006, 176 companies had one woman director and 182 companies had two women directors. At the other end of the spectrum, 84 companies had three or more women board directors in 2006 compared with only 11 in 1995.

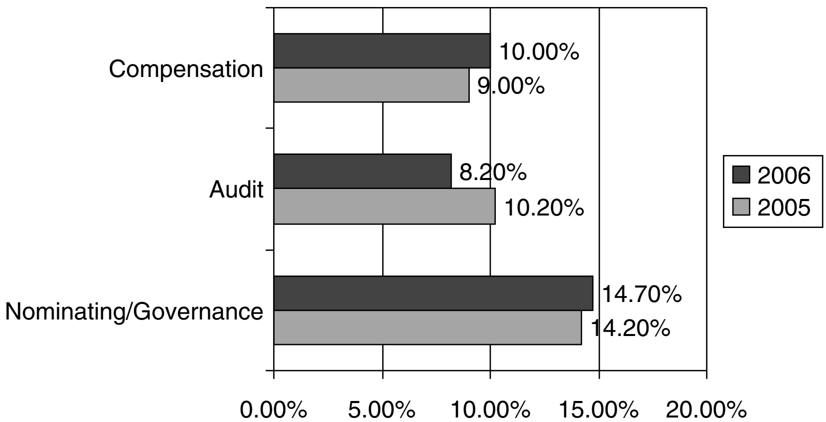
When women are not well represented on the board, their actions can face greater scrutiny and their performance may be more harshly judged (Kanter et al., 1992; Sekaquaptewa and Thompson, 2002; Yoder, 1994). Other research has noted that when women serve in small numbers (less than three), the conditions of openness and inclusion that diversity fosters can be eroded (Kramer et al., 2006). With at least three on the board, women may be better able to exert a positive influence on board communication, effectiveness and governance. Finally, research has shown that by breaking down the multiple barriers that women face, women board directors can positively influence the advancement of women into the highest corporate officer levels of executive management (Bilimoria, 2006; Joy and Lange, 2007).

Measuring the number of women directors in committee chair positions is another way to gauge women's power and influence on boards. The position a director holds on a board substantially affects the power and influence she can exert. Specifically, the audit, compensation, nominating and governance committees conduct some of the most important business of the board. Consequently, chairs of these committees are among the most powerful and influential board leaders. The audit committee monitors corporate assets; the compensation committee conducts the performance review of the CEO and sets executive salaries; the nominating committee recruits and recommends board members; and the governance committee oversees corporate conduct. Chairs of these committees gain authority through agenda-setting, allocating resources, and orchestrating decision-making.

In 2006, women directors held 14.7 per cent of the nominating/governance committee chairs, up from 14.2 per cent in 2005.[7] However, for both the audit and compensation committees, women's share of chair positions fell between 2005 and 2006 and was significantly lower than women's overall share of board positions (see Figure 1.5).

PROGRESS FOR WOMEN ON BOARDS: WHY SO SLOW?[8]

Women's access to *Fortune* 500 board seats has been limited due to the same barriers impeding their progress into top corporate management, including



Source: Catalyst, Catalyst Census of Women Board Directors of the *Fortune* 500 (2006).

Figure 1.5 Women's share of board committee chairs

biased stereotypes, lack of access to informal networks and lack of role models and influential mentors. Indeed, the lack of women CEOs of *Fortune* 500 companies is one key reason why so few women are appointed to these boards.[9] The majority of male directors are either current CEOs or have prior *Fortune* 500 CEO experience. Out of necessity, boards that have successfully recruited women have had to readjust (and rethink) this prior-CEO requirement for board service.

Rather than having prior CEO experience, most women serving on boards have held alternative (but arguably equally important) positions to prepare them for board service, including the Presidency of a major organization or prior Chief Financial Officer, Chief Operating Officer, or Executive Vice-President positions (Branson, 2006). Skills gained in these positions bring expertise that is crucial for successful board governance. Importantly, by broadening the expertise requirements for board service, boards can draw from an increase in the diversity of thought that can enhance a team's performance.

Some of these newer requirements for board service have been codified by the Sarbanes-Oxley Corporate Governance Act of 2002, which required the presence of a financial expert on the board's audit committee and used a rigorous standard to define financial expertise. Demands for director independence and for public disclosure of the director-selection process also have resulted in a more formalized and transparent process board recruitment process. Boards can no longer rely on acquaintances to fill openings. When requirements for board service are written, made public, and codified, board recruitment can be scrutinized for bias against women.

Still, even if the requirements for board service were to continue to expand, the under-representation of women in these alternative positions would still make access to the board difficult for women. Researchers have put forth numerous hypotheses to explain women's slow advancement into top corporate leadership including a lack of mentors and role models, work/life conflict, biased stereotypes of women as leaders, limited access to informal organization and professional networks, lack of access to line positions and high visibility projects, and insufficient manager accountability for diversity outcomes. For more women to be appointed to *Fortune* 500 boards, these barriers to women's advancement into the highest levels of corporate management must be addressed.[10]

Farrell and Hersch (2005) have found that women were less likely to be appointed to a board that already had a woman serving. When a woman left a board, corporations were more willing to appoint a woman, which suggests that board diversity by gender may not be a genuine corporate goal. Ryan and Haslam (2005) further suggested that women but not men were more likely to be appointed to boards when corporations were struggling. They call this the 'glass-cliff' effect to describe the precarious positions that women who advance into leadership can face. While the 'glass cliff' that women face has been documented in different industries and occupations, the reasons for it are less well developed. Ryan and Haslam speculate that women end up on 'glass cliffs' because of either benevolent sexism whereby women are mistakenly assumed to be better than men at navigating difficult management situations or because men, having more options than women, are less likely than women to select precarious advancement positions.

In either event, a 'glass cliff' effect could make it more difficult for women to advance onto boards. If women were more likely than men to serve in difficult management situations, their performance, if evaluated out of context, may appear to be weaker than men's. Lower performance evaluations will further slow women's advancement into positions required for future board service. Once on the board, the 'glass cliff' would make it more difficult for women to be effective.

PROGRESS FOR WOMEN ON BOARDS: WHY NEEDED?

New research on diversity and team performance suggests that diversity of thought, experiences, perspectives and talent, in many circumstances, can trump individual ability and homogeneity in performance (Page, 2007).

Research has documented, for example, a strong positive correlation between the share of board seats held by women and firm financial performance (Catalyst, 2007). For boards, the inclusion of more women can strengthen board communication and governance. According to the Conference Board of Canada, boards with more women were more likely than boards with no women to demonstrate stronger oversight including explicitly identifying criteria for measuring strategy, monitoring the implementation of corporate strategy, and codes of conduct and conflict of interest guidelines. In addition, boards with more women surpassed all-male boards in their attention to audits (Brown et al., 2000).

The consequences of women's low representation on boards can reverberate through the US and global economies. By limiting women's board service, corporations lose access to diverse talent and thought that otherwise could be used to build stronger long-term business strategies, products and management systems. Corporate governance may be weakened when women serve on boards only in token numbers. Finally, given women's large and growing representation in the managerial, professional and skilled workforce, corporations' commitment to economic equity and opportunity will be questioned when women remain consistently under-represented on their governing boards.

NOTES

1. The *Fortune* 500 should not be confused with the S&P 500, which is a stock market index.
2. Median CEO pay rose 1.1 per cent to $8.4 million in 2005, according to a preliminary analysis of the 251 *Fortune* 500 companies that had filed proxies as of 27 March. (Equilar, a compensation data and research provider, conducted the analysis.)
3. With 5629, the lowest number of board directors in the *Fortune* 500 during the last 12 years was in 2005.
4. Because the race/ethnicity of board members was not publicly available, Catalyst asked companies to provide that information and received responses from 266 companies in 2005 and 346 in 2006. We added to this analysis companies who had no women board directors for a total of 348 companies in 2005 and 361 in 2006.
5. In contrast, Mining (7.6 per cent) and Construction (7.8 per cent) were industries with the smallest representation of women on boards.
6. In 2006, 70 per cent of women and men served on one board, 18 per cent served on two boards, and 6 per cent served on three boards.
7. Since the nominating and governance committees are often combined, we report these numbers in aggregate.
8. In 1999, Virginia Valien asked this question for all professional women (Valien, 1999).
9. As of 1 June, 2007, 13 F500 CEOs were women.
10. For examples of successful corporate initiatives to promote women into leadership see Catalyst (2007).

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2. Women on corporate boards of directors: the Canadian perspective

Ronald J. Burke and Richard Leblanc

INTRODUCTION

Interest in women serving on corporate boards of directors and efforts to increase their numbers has been present for almost 30 years (Schwartz, 1980). Canadian research and writing in this area starts with Mitchell (1984). While relatively little Canadian academic research has been carried out during this period (see Burke, 1993; 1994a; 1997a; 1997b; 1997c, for later contributions), interest in boards of directors and corporate governance more generally has peaked in the past five years. This increase has been brought about, in part, by glaring failures in corporate governance (dramatically illustrated by the Chicago trial of Lord Black and the failures at Enron, Anderson and World.Com), the need for more and more talented board members, heightened demands being placed on board members, and suggestions that corporate boards need to become more diverse; that is, more reflective of stockholders, employees and consumers (Burke, 2003).

NOTES ON CANADIAN CORPORATIONS

Canadian corporations are required to register, either federally or provincially, and are bound by the Business Corporations Act at the provincial level or the Canadian Business Corporations Act at the federal level. Public companies are required to have at least three directors, and it is recommended they have a balance of related (inside) and unrelated (outside) directors. Privately held corporations are required to have one or three directors depending on the jurisdiction in which the company is incorporated.

Most Canadian companies have more outside than inside directors. Board sizes range from one to 19 among Canadian *Financial Post* 500 firms, with larger corporations having bigger boards. There is also some evidence that board sizes have decreased slightly over the past decade (Leblanc and Gillies, 2005).

WOMEN IN MANAGEMENT: THE LARGER CONTEXT

Catalyst (2007) released its 2006 Census of Women Corporate Officers and Top Earners in the FP500. They reported the following.

- 5.4 per cent of top earners were women, up from 4.5 per cent in 2004 and 3.9 per cent in 2002.
- Women held 15.1 per cent of all FP500 corporate officer positions, up from 14.4 per cent in 2004, and 14.0 per cent in 2002.
- 65.6 per cent of all FP500 companies had at least one woman corporate officer, up from 61.4 per cent in 2004 and 62.4 per cent in 2002.
- Women held 9.9 per cent of line officer positions, up from 9.4 per cent in 2004, and 9.0 per cent in 2002.
- Women held 7.3 per cent of the highest corporate officer titles, up from 7.0 per cent in 2004, and 6.7 per cent in 2002.
- 39.2 per cent of FP500 companies had multiple women corporate officers, up from 35.6 per cent in 2004 and 33.6 per cent in 2002.
- Women held 16.2 per cent of positions in the 'executive pipeline', up from 14.8 per cent in 2004 and 12.5 per cent in 2002.

These figures are slightly lower than those reported in the US and slightly higher than those reported in other countries (see Davidson and Burke, 2004). The Canadian data show a significant under-representation of women at the top levels of Canadian companies, with small increases occurring over the past five years.

INSIDE THE NUMBERS

Information on the numbers of women directors in Canada has been collected by different groups using different samples. The *Financial Post* (1984) reported that nearly half of 143 corporations had at least one woman director but that only 14 per cent of corporate boards had more than one woman. The *Globe and Mail* (1990) reported results of a Conference Board of Canada survey of 241 corporations showing that 5.8 per cent of directors were women. The *Globe and Mail* (1993) reported that 4.7 per cent of 7070 directors listed in 1990 were women, up from 2.7 per cent in 1985. They found that 299 firms (42 per cent) had no women directors. A 2007 study of 100 of Canada's largest companies conducted by Spencer Stuart reported that women comprised 13.5 per cent of all directors, a 5 per cent increase from 2005. The number of these companies having no women directors fell from 21 per cent to 11 per cent during this time.

A study of 300 major Canadian companies conducted by Patrick O'Callaghan and Korn/Ferry International (2007) however, reported that women comprised between 6 and 8 per cent of board members over the past ten years.

Catalyst (1999) examined women directors on the FP500. They found that women held 6.2 per cent of FP500 board seats; only 36.4 per cent of FP500 firms had women directors; and 57 firms (11.4 per cent) had multiple women directors. Eighty-seven per cent of women directors held a single board seat. Catalyst (2001) reported that women held 9.8 per cent of board seats among FP500 companies, up from 6.2 per cent reported above three years earlier. But 51.4 per cent of FP500 firms still had no women directors. The authors place more faith in the Catalyst numbers since Catalyst uses the same data source in all their reported surveys.

Catalyst (1999) examined numbers of women directors among the FP500, 20 financial institutions (banks, insurance companies) and 20 Crown corporations. Only 182 companies (36.6 per cent) of the FP500 had any female directors; 57 (11.4 per cent) had multiple female directors. Women directors held only 6.2 per cent of the FP500 board seats. Women held more board seats in the other types of organizations (14.2 per cent), bringing the overall figure across the three types of organizations to 7.5 per cent.

CHARACTERISTICS OF CANADIAN WOMEN DIRECTORS

Directors were almost exclusively white males until the 1970s (Leighton and Thain, 1993). A few token females were then appointed. Mitchell (1984) undertook the first Canadian study of women directors (n = 57). Her findings revealed that 64 per cent sat on more than one corporate board; when not-for-profit and government boards were included, 81 per cent sat on two or more boards; more than half were 56 years of age or older; and more than two-thirds had university education. Mitchell concluded that her sample came from upper-middle class backgrounds; 40 per cent had attended private schools, and another 40 per cent had fathers who sat on corporate boards.

Burke (1995) and Burke and Kurucz (1998) reported a very different picture 10 to 15 years later. Burke (1995), in a study of 278 women directors, found that 90 per cent were university graduates, about one quarter had one or more professional designations, the majority were full-time employees of organizations (57 per cent), owned their own businesses

(13 per cent), or served as consultants or independent contractors (21 per cent). About half were 45 years of age or younger. Thus the current crop of women directors was younger, better educated, had more relevant business and professional experience; they enjoyed more varied work and educational experiences and had diverse backgrounds.

SELECTING AND ELECTING DIRECTORS

Respondents in Mitchell's study (1984) identified three main reasons why women believed they were selected as directors. These were that they had a community profile (23 per cent), female gender (21 per cent), had business expertise (14 per cent), provided regional representation (11 per cent), had memberships on other boards (10 per cent), had influential contacts (6 per cent), were corporate officers (4 per cent), shareholders' influence (4 per cent), family connections (3 per cent) and political connections (3 per cent).

More recent data (Burke, 1997b) indicated that board members believed that being a woman was still an important factor in their being selected for board memberships, yet did not see this as a negative issue. But a strong business track record, business contacts, advanced education, and an understanding of business and the possession of specialized knowledge and information (for example: law, finance and marketing) were believed to be significant factors in their selection (Burke and Mattis, 2000; Catalyst, 1997). Thus skills and competence seemed to be more important now than family connections.

These figures suggest that Canada has fewer women directors than the US, and similar levels to other countries (for example, the UK). These numbers are also slowly increasing.

FORCES OF CHANGE

Burke (1994b) examined views of 66 male chief executives who had women on their boards of directors, regarding the perceived benefits of having women as board members. Male CEOs who stated that appointing women to their boards would send the right signals (make important statements) to key constituencies also indicated more issues on which they wanted the perspectives of women directors, and more benefits and greater influence of the women they currently had on their boards.

Burke (1994c) also examined these CEOs' views on the director selection process and found that the most important factor in finding and appointing female directors was business experience, followed by high visibility, previous board experience and making a statement to customers/clients, stockholders and their managerial women. However, they felt it was somewhat difficult to find qualified women. Women's names surfaced from recommendations from other board members or were known personally by the CEO. The current size of the pool of qualified women was less than 250. High-level line experience or being the president of a small business was also highly valued. As directors, women yielded company benefits in terms of relationships with female clients and influenced the development of talented women within their companies as role models. These CEOs attributed the small numbers of female directors to a shortage of qualified women, not knowing where to look for them, and qualified women not making their interest known. Thus males and females see the causes of the shortage of women on boards and the solutions very differently (see Catalyst, 1995, for similar findings).

BUT CHALLENGES STILL REMAIN

Burke and Leblanc (2006), based on a qualitative study of 39 boards and 194 respondents, identified four ongoing challenges facing Canadian women aspiring to serve as corporate directors. These were:

1. Director qualifications: board directorships are still seen as an 'old white males' game' with a preference for men having CEO experience.
   'Directorship is an old man's game.' (director)
   'Directors like to have more people like them, that went to the same university, club and have the same friends.' (director)
   'I'd like a white, male CEO, or former CEO.' (director)
   'It's a WASP [White Anglo-Saxon Protestant] world, still. Look at the Toronto club.' (director)
2. Director selection: selection is still done primarily through the 'old boys' network'. Male directors still prefer others much like themselves.
   'You do your due diligence, but you take a directorship because a very senior member tells or asks you to it. It's the old boy network.' (director)
   'It's a country club – you bring your friends in, not who is most effective. This exists because the board does not truly acknowledge what its role is and the needs and demands of shareholders are not higher. Rare is the case when people are brought into the board based on what they can contribute. It's payback for a favour, throwing a bone, a good name, not competence or value.' (director)
3. Director evaluation: there is little evaluation of the contribution of board members at present.

> 'Very few chairs and boards of directors I know have a job description. And the ones that do are pretty pathetic.' (director)
>
> 'Board assessments are starting to gain acceptance, but it's very early days. Directors are reluctant to pass judgment on their peers.' (regulator)
>
> 'Never have I been subject to an evaluation as a director. A Code of Conduct was recently mailed to me, that I was required to sign, outlining my responsibilities as a director. It was the first time in 35 years.' (director)

4. Director replacement: There is too much reliance on attrition. There is, however, a need to proactively renew board membership based on needed competence. There is not enough emphasis on competence and too much emphasis on entitlement.

> 'We need to reformulate the board, other than through attrition.' (lead director)
>
> 'Board members feel as though they are entitled rather than that they've earned their directorship. And it ends due to age, which is to admit defeat. It's representative rather than competency-based. I've been [on Company ABC's board] for over two decades and we haven't had the right people in the past five years.' (director)

Many boards apparently have been able to find 'independent directors' without markedly changing their recruiting efforts. A great deal still appears to be done by many boards through the chair or chief executive officer canvassing incumbent directors about whom they know in the community or within the industry, who is well known and who can qualify as an 'independent' director. Indeed, it appears that 'reputation among peers' is used in many cases as proxy for director independence, or at least how independent a particular nominee will be perceived to be by the regulators and the public.

Thus, there does not appear to be much increase in the number of women on boards (Catalyst, 1993). Opinions are very mixed, ranging from the belief that 'every board desperately needs more women' to the position of one CEO that '[having a woman on the board] is a requirement that I have to meet so I meet it'. While there is evidence that sexism and male chauvinism is not dead in the boardroom – 'she likes skiing and sailing so she'll be a good board member' – by far the bigger concern is the availability of competent women directors and the high degree of recycling of women who are currently serving as directors. One senior male director remarked, in one of the author's corporate governance classes at the university, that 'only twenty women in the country are board-ready'. One woman director pointed out: 'Once you're on a few, you get on others. You meet more people and if you are good you'll be invited on others.'

UPPING THE NUMBERS

Canadian Regulation of Director Nomination and Assessment

The current Canadian Policy incorporates, *inter alia*, three major changes from previous corporate governance guidelines (Ontario Securities Commission, 2005). They are as follows:

(i) Nomination of directors

One section of the Policy (section 3.12) states in part that:

> Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:
> (a) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.
> (b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.
> In carrying out each of these functions, the board should consider the advice and input of the nominating committee.

Another section, 3.14, also pertaining to the Nomination of Directors, states further that:

> In making its recommendations, the nominating committee should consider:
> (a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;
> (b) the competencies and skills that the board considers each existing director to possess; and
> (c) the competencies and skills each new nominee will bring to the boardroom.

(ii) Position descriptions

One section of the Policy (section 3.5) states in part that:

> The board should develop clear position descriptions for the chair of the board and the chair of each board committee.

(iii) Regular board assessments

One section of the Policy (section 3.18) states in part that:

> The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:

(a) in the case of the board or a board committee, its mandate or charter, and (b) in the case of an individual director, the applicable position description(s) as well as the competencies and skills each individual director is expected to bring to the board.

The Competency Matrix, Director Peer Review and Development of Innovative Tools and Approaches

What the Policy means for Canadian listed companies is that the ramifications of this Policy carry important implications for the recruitment and assessment practices of directors of listed company boards in Canada, including obviously women directors. There are emerging 'best practices' that are being recognized by a large consortium of institutional shareholders, the Canadian Coalition for Good Governance (2006), within company boards that are innovative in their approach to implementing the above Policy in the area of director selection. Two companies recognized by this consortium in the area of director selection, for instance, examined and advised by one of the authors, were cited for their competency skills matrix for directors, among other factors. Second, companies were recognized for innovative practices in the area of director assessment, including 'peer reviews', whereby directors assess one another on their effectiveness.

The effect of this recognition means that large institutional shareholders are beginning to focus their efforts on the rigor and transparency with which directors are recruited and assessed. Novel tools and approaches, for example, confidential peer and self-assessment questionnaires; 'evergreen' lists of potential directors; competency and skills matrixes for each director; 360 degree assessments (whereby a review by management is included in the director evaluation program) will continue to emerge as Canadian listed companies begin to comply with the above Policy, and disclose to shareholders that rigorous, transparent and viable director recruitment and evaluation programs are in place.

The assessment of individual competencies and skills of directors is difficult to accomplish without some sort of individual director self or peer review, per section 18 of the Policy, which calls for an assessment to consider 'the competencies and skills each individual director is expected to bring to the board'.

In order to implement a Competency Matrix, as set out in Table 2.1, in complying with section 3.12 of the Policy, a board would wish to reflect on the competencies and skills that, in its business judgment, it needed, given the company, industry, business model, strategy and management team. Then these competencies and skills would be listed along the vertical axis

Table 2.1 Director competency matrix for the financial services industry

Competency	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Director 8	Director 9	Director 10	Director 11	Director 12	Director 13
Financial Literacy													
Financial Expert													
Regulatory													
Technology													
Real Estate													
International													
Legal (privacy)													
Operating													
Risk Management													
Compliance, Controls													
Marketing, Consumer													
Strategic													
E-Commerce/ Internet													
Compensation													
Human Resources													
Business Judgment													
Special (e.g., derivatives)													

of a Competency Matrix Analysis. Next, a board should list individual directors along the horizontal axis and begin to assess which directors possess which competencies and skills.

The process of undertaking this review should be inclusive and constructive, yet rigorous. No one director need possess all or even many or most of these competencies and skills. For example, a scientist on the board of a pharmaceutical company may be very competent in R&D, but may be less skilled in interpreting financial statements, which his or her colleagues would have covered. What is important is that, as a board, it has all the competencies and skills, collectively, amongst board members, given the company, industry and the management strategy approved by the board. Part of the assessment should include behaviors and how directors contribute to group decision-making. Then a board's competency and skills 'gap' is used to drive the selection of prospective directors.

As a consequence, effective board chairs and nominating committees may begin to counsel directors whose competencies and skills are no longer relevant and explore the talent pool more deeply and across organizations, in efforts to recruit the best possible directors with the competencies and skills that the board desires.

Increasing Focus on Competencies

Recent research evidence has highlighted that board processes and board member competencies are key elements in board effectiveness. Simultaneously, corporate boards are becoming more interested in evaluating the contributions and behaviors of board members. Both of these factors are likely to make positive contributions to increasing women's representation on corporate boards.

Director Education Programs

Several Canadian organizations, typically associated with university schools of business, have developed director education programs over the past few years. These are offered in major Canadian cities. Classes typically range in size from 20 to 30 or more individuals, most being managers or professionals holding full-time positions. The gender mix of these director education programs varies from 25 per cent to 60 per cent women, figures significantly higher than the current percentage of women corporate directors. It is too soon, however, to judge the effectiveness of these programs in upping the numbers of women directors.

Mentoring Programs for Potential Women Directors

A new Canadian organization, Women on Board, has created a mentoring program that pairs promising women executives with successful senior-level business leaders with the goal of helping more qualified women achieve corporate directorships. This program was spurred by a similar one started in the UK. Mentors would provide references, make introductions, and offer advice on targeting board searches.

THE CURRENT CANADIAN SCENE

The Bad News

- slow progress of women to executive ranks
- slow increase in women on corporate boards
- no government monitoring and intervention
- no interest in quotas

The Good News

- a need for more qualified directors
- heightened interest in governance
- glaring failures in governance
- some 'soft' ratings of the best and worst Canadian boards of directors
- some educational offerings for directors, with lots of women graduates
- an increasing pool of 'board-ready' women.

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3. The pipeline to the board finally opens: women's progress on FTSE 100 boards in the UK

Ruth Sealy, Susan Vinnicombe and Val Singh

INTRODUCTION

Since 1999 the International Centre for Women Leaders at Cranfield School of Management has been monitoring the organizational board demographics and composition of the top FTSE 100 companies in the UK. Through nine successive annual reports, the Female FTSE Report has benchmarked the FTSE 100 boards and in more recent years looked at the FTSE 250 (that is: F101–350) and Executive Committee demographics for FTSE 100 and 250, tracking the progress of senior women in these large corporations. The reports have seen a slow but steady progression on most of the indices and 2007 saw some high-water marks in women's advancement onto these boards.

THE POSITION OF WOMEN ON FTSE 100 BOARDS

There are now 100 women occupying 123 directorships on FTSE 100 boards, making 11 per cent of total FTSE 100 directorships. In 2007, women constituted 20 per cent of all new board positions – the highest level ever monitored. Thirty women were appointed, of whom five had previously not held FTSE 100 directorships. The number of female non-executive directorships (NED) is at its highest level ever, at 110, up from just 60 in 2000. However, the one figure that has not substantially altered since 2000 is the number of female executive directors, which in 2007 was 3.6 per cent, just 13 women out of 362 seats (see Table 3.1). These figures need to be viewed in context of the Higgs Review (2003) in which recommendations were made regarding a better balance between executive and non-executive directorships. The number of executive directorships and total directorships are at their lowest for seven years, hence competition for executive seats is keener

Table 3.1 Female FTSE index 2000–2007

Female FTSE 100	2007	2006	2005	2004	2003	2002	2001	2000
Female held directorships	123 (11.0%)	117 (10.3%)	121 (10.5%)	110 (9.7%)	101 (8.6%)	84 (7.2%)	75 (6.4%)	69 (5.8%)
Female executive directorships	13 (3.6%)	15 (3.8%)	14 (3.4%)	17 (4.1%)	17 (3.7%)	15 (3.0%)	10 (10.0%)	11 (2.0%)
Female NEDs	110 (14.5%)	102 (13.7%)	107 (14.5%)	93 (13.06%)	84 (11.8%)	69 (10.0%)	65 (9.6%)	60 (9.1%)
Women holding FTSE directorships	100	97	99	96	88	75	68	60
Companies with female executive directors	11	13	11	13	13	12	8	10
Companies with at least one female director	76	77	78	69	68	61	57	58
Companies with multiple female director	35	29	30	29	22	17	15	12
Companies with no female directors	24	23	22	31	32	39	43	42

Source: Sealy et al. (2007).

than ever. Many companies now have only two executive seats on the corporate board. In contrast, the number of non-executive directorships is at its highest level and it is here that women have made significant inroads.

In the FTSE 250, 113 companies have female directors, including 19 female executive directors. Overall, women hold just 7.2 per cent of FTSE 250 board positions, belying the myth that it is easier for women to become a director of a smaller firm. One reason may be that FTSE 250 companies have smaller boards, with an average of three fewer directors. A second reason may be that they may feel less under public scrutiny to have gender diversity on their boards. For a number of years the Female FTSE Report has shown significant differences between companies with and without female directors – market capitalization is significantly higher, as is board size and the number of NEDs for companies with women directors. A recent study by Brammer et al. (2007, p. 393) looking at board composition of 463 FTSE-listed companies also showed that gender diversity on corporate boards is a function of having a larger board and more NEDs, whereas interestingly having a more ethnically diverse board is not.

THE FEMALE TALENT PIPELINE

Whilst companies in masculine-type industries often report it is hard to find female directors, there are a number of such companies that have appointed women (see Table 3.2), including at the very top executive level, and some have more than just one woman (for example: Anglo American, a mining company has a female CEO plus a female NED; Shell, in the oil and gas sector, has one female executive director plus two female NEDs). The 2005 Female FTSE Report (Singh and Vinnicombe, 2005) included a special study on female talent management and concluded that the key factors which affected the pace of change are:

1. Continuous communication from individual top leaders of the strategic need to build the female talent pipeline, and of performance expectations.
2. Robust management disciplines, including goal-setting and accountability for improvement, being applied to the problem, as in the case of any other critical business priority.
3. Diversity being fully integrated into the talent agenda and processes.
4. Creation of an all-inclusive culture (starting with education and awareness of business leaders and HR business partners), so that the talents and differences that women bring to business are recognized and valued in the talent process.

Table 3.2 A sectoral comparison of FTSE 100 companies with women directors

Sector	Sector ranked by % female directorate	% of women in the directorate across the sector
Transport	1st	27%
Software	2nd	22%
Investment	3rd	20%
Food, Drug & General Retailers	4th	17%
Banks	5th	14%
Pharmaceuticals, Health, Personal Care & Household	5th	14%
Tobacco	7th	13%
Telecoms	7th	13%
Media & Entertainment	7th	13%
Beverages	10th	12%

Source: Sealy et al. (2007).

CHARACTERISTICS OF THE WOMEN DIRECTORS

As in previous years, the 2007 Female FTSE Report (Sealy et al., 2007) found that female directors were significantly younger than their male peers, with an average age of 53.3, compared to 56.1 for male directors. The women also had significantly shorter tenure. (Age averages are based on 1107 directors for whom the information was available.) See Table 3.3.

The 2007 Report also showed a significant increase in the number of female directors of non-European descent. However, there are still only eight women (8 per cent), and all are non-executives. With 46 directorships held by individuals (male or female) coming from non-European ethnic backgrounds, the overall proportion of ethnic minority directors in the FTSE 100 is 4.1 per cent, up from 3.4 per cent in 2006. The largest minority group of non-European descent have Indian sub-continental backgrounds, followed by African directors, but only one British black director, a male, holds a FTSE 100 position.

Examining the nationality of directors where data were available (88 per cent of the 1119 reported), this study found that 70 per cent of male directors compared to 64 per cent of female directors have UK nationality, with a further 11 per cent of males and 11 per cent of females having

Table 3.3 Age and tenure

2007	Age			Tenure		
	All	Execs	NEDs	All	Execs	NEDs
All	56.26	50.9	58.79	4.83	5.64	4.43
Men	56.62	51.0	59.6	5.05	5.74	4.69
Women	53.34	48.46	53.93	2.97	3.07	2.96

Source: Sealy et al. (2007).

Table 3.4 Appointment years of FTSE 100 directors in post in 2000–2007, by gender

Female FTSE 100	2007	2006	2005	2004	2003	2002	2001
New female appointments	30	23	30	24	20	13	15
New male appointments	122	158	149	117	129	111	113
Total new appointments	152	181	179	141	149	124	128
Female % of new appointments	20%	13%	17%	17%	13%	11%	12%

Source: Sealy et al. (2007).

European citizenship. North Americans hold 10 per cent of the male directorships but a massive 21 per cent of the female directorships. Two of the 22 North American women are African American (9.1 per cent). It would appear that women also by virtue of their internationality are increasing the diversity of the boards.

NEW APPOINTMENTS

The Female FTSE Report also monitors the year for appointment of directors, to discover the proportion by gender of new appointees, since the Higgs Review emphasized the need for more diversity in the pool of talent for director positions. The proportion of females in new appointments increased substantially in 2007, with 20 per cent of new FTSE 100 director appointments going to women – the highest level recorded in our benchmarking (see Table 3.4). The number of women holding female directorships increased by three in 2007 to the landmark total of 100, of whom five had not previously held a FTSE 100 directorship. Five of the top 100 companies appointed the first female directors to their main boards. All were non-executive appointments. Four companies appointed females to the board again, having reverted to an all-male board the previous year, and four appointed two women, which is often significant in terms of starting to make a real difference to the working culture and practices of the board (see later in this chapter).

Also interesting is the number of multiple directorships that individuals hold. In 2007, similar proportions of men and women directors hold one or two seats on the board. However, five women (5 per cent) hold three FTSE 100 directorships. This compares with only seven men (<1 per cent). Given the additional challenges women face to get a directorship, having multiple directorships should be recognized as a significant achievement and shows a growing trend for some women towards a career of a portfolio of directorships.

WOMEN ON THE EXECUTIVE COMMITTEES

In 2006, as well as benchmarking for progress of women directors onto top corporate boards, the Cranfield Female FTSE researchers also felt that more needed to be known about women who are members of the group executive teams of the FTSE 100 companies. These women are a resource pool for future main board directorships. These committees include the executive directors and are chaired by the chief executive. A variety of names are used to describe the committee, the most common being the Executive Committee.

In 2007, data were collected for 93 of the FTSE 100 companies, and just in comparison to the previous year, a sizeable increase was noted in the percentage of female executive committee members. Sixty companies now have women (executive directors and/or listed senior executives) in the top executive team. Women now make up 16 per cent of the senior executives – an encouraging 40 per cent increase on 2006.

Not only is there a substantial increase in the number of women on Executive Committees, there is a broadening of roles, which is encouraging, suggesting more and varied routes to the board. In 2006, the roles played by these women were particularly associated with two career paths: the company secretary (legal) route to the boardroom and the group human resources director route. Whilst the human resources and company secretary roles continue to dominate, there is an increasing variety of other roles for women on these committees, including divisional/regional CEOs/MDs/directors; directors of communications or external/corporate affairs; marketing, sales or operations directors; divisional/regional finance directors, directors of strategy or business development and the relatively new positions of director of governance and risk. This sizeable increase in the proportion of female senior executives brings a considerable addition to the talent pool. It will be interesting to monitor how long it takes for these women to emerge from the pipeline and make a difference to the female executive director figures.

THE APPOINTMENT PROCESS

In the UK, the Higgs Review (2003) and subsequent Tyson Report (2003) recommended more open appointment processes for board members, and a more diverse slate of directors, particularly including more women and directors from ethnic minorities. Higgs reported that less than 5 per cent of board members had formal interviews, with almost half gaining the posts through personal contacts.

In the 2006 Female FTSE Report, Singh and Vinnicombe (2006) concluded that the critical success factors in accessing a non-executive directorship on a major FTSE 100 board were being excellent in a professional sector, having commercial experience in a large company, being knowledgeable in corporate governance and having personal connections with Chairmen and Chief Executives through day-to-day working. The reason why there are so many female non executive directors from banking, law and management consultancy is that they are sponsored by chairmen and chief executives who work with them on a daily basis. Burt (1998) refers to women's legitimacy/credibility problems. He showed that women were not as successful in career progression terms when they relied on building their own social capital, but when they 'borrowed' the social capital of key organizational sponsors they advanced more rapidly. On the role of search consultants, they found that whilst those women already with an NED position were often touted for other similar positions, search consultants were reluctant to sponsor women prior to them having their first non-executive directorship. 'When I first left the bank I did the rounds of all the head-hunters with my CV and followed up with them from time-to-time, but that came to nothing. Now I get calls from head-hunters every week – word of mouth just goes round.' (Female FTSE 100 Director)

The nomination committee plays an important role in the selection of new directors and in the regular reviewing of skills, knowledge and experience of the existing board, as recommended by the Higgs Review for good corporate governance practice. Female members of FTSE 100 nomination committees were asked whether diversity was included in the review of the balance of the board, and twelve responded. Only eight committees specifically considered gender, seven considered international diversity and six considered ethnic diversity. All reported that their nomination committee provided guidance to search consultants on openness to diversity, and eight women reported that their committees were acting to promote diversity in selection. But only six were proactively seeking sources of diverse candidates, and only five were 'diversity-proofing' the director specification. Only five directors reported that diversity was insisted upon for the shortlist, and only two reported the post-decision review of rejected diverse candidates by the nomination committee.

In 2006, 20 companies had at least two women on the board and nine had three or four women directors. The FTSE 100 women directors were asked whether the presence of more than one woman on the board made any difference. A senior director commented: 'It balances behaviours and widens off-agenda discussions to cover more than football and golf!' Of the 12 who responded, ten women said it made a difference, whilst two felt it made no impact at all. One director said, 'I enjoy working with other female directors, often because they have more highly developed emotional intelligence.' Seven women said it made a big difference in terms of less stereotyping, whilst a further three said it made a difference. Ten women said it made a difference in the breadth of perspectives discussed, with a comment that this was particularly the case regarding corporate social responsibility and corporate communications. Six women agreed that having more women made for a more friendly atmosphere in the boardroom, making it seem less 'abnormal', but it had no impact at all on their ability to make their contribution to the board.

In a study by Sealy (2008), a number of women told of the experience of feeling polarized by their gender and expressed the opinion that multiple women have more voice.

> In a group of 10, if you have at least three people that are the same, then you actually have a platform to speak from and be heard . . . for most of us, literally we're the only woman in a group of 40. . . . So if you agitate you're being an emotional female, if you're angry, you're being a bitch, if you cry, you're being weak. But if there were three or four of you kind of, then you actually get heard. (female MD)

The common myth is that women suitably qualified for FTSE 100 directorships are hard to find. However, the 2007 FTSE Report identifies nearly 400 women on FTSE 100 Executive Committees and FTSE 250 boards and Executive Committees – women who should be prime candidates for FTSE 100 directorships. Add to this pool the top executive women in the public sector, voluntary sector, non-quoted companies, significant entrepreneurs and private equity companies and there are probably around 1000 potential female candidates for FTSE 100 non-executive directorships.

GENDERED BOARDROOM CULTURES

A recent UK study of gendered boardroom cultures in the Science, Engineering and Technology sectors (Singh, 2008) included an investigation into women's perceptions and experiences of being appointed to a board position. Thirty director-level women were interviewed and over 200 surveyed about their career aspirations. Interestingly, a number were actively seeking board appointments and were proactively seeking promotion through networking, taking senior community roles, getting senior mentors, and so on. Others were interested in progressing to board level after parenting responsibilities had been reduced. In addition, there was a degree of caution regarding when women themselves would feel ready. A number of women stated that they would only seek advancement to the board once they felt totally confident they could enact the role, whereas they felt many men would put themselves forward at a much earlier stage.

Having women directors already on the board was a major contributory factor to women's attitudes towards their own careers. Fully 80 per cent of senior women strongly agreed that having senior female role models made them feel more optimistic, and 70 per cent said the lack of senior women at the top with families indicated that it was difficult to combine a successful career and family in the organization.

As part of a separate study investigating female managing directors/ executive directors across six global investment banks (Sealy, 2008), 34 women were asked about their future career aspirations. Perhaps surprisingly, only a minority actually stated they aspired to a board position. Being confident in and inspired by a future role were more important to these women than the status or power that a role inferred. For others, career plans were focused on creating or maintaining 'balance', and the disbelief that this would be possible in a role more senior than that which they currently occupied. Also echoing Singh (2008), some mentioned that the lack of women in roles above them was a significant deterrent and led to confusion as to whether it was the role or the gendered context of the role that was unattractive.

CONCLUSION

In general, the number of women directors on FTSE 100 boards has improved over the past eight years. There now appears to be a growing polarization between the 24 companies who are still entirely male-led and the growing group of 35 FTSE 100 companies with multiple women on their boards. The Higgs Review and the Tyson Report have contributed to the debate on good corporate governance, and Cranfield's annual census has put a spotlight on the problem. But these drivers are not providing significant momentum. It is interesting that the Spanish government has agreed that eight years is a sufficiently long period to provide companies with the capability of moving from 3.8 per cent of women on their top corporate boards to 40 per cent. Over the past eight years, the UK's percentage of women on top corporate boards has risen from 6.1 per cent in 1999 to 11 per cent in 2007, with the number of executive directors at 13 in 1999 remaining the same eight years later. Slow progress indeed!

Whilst not advocating quota levels, the UK must move to a more proactive position. There is a huge pool of female talent. The challenge, as one senior female director called it, is the inefficient 'distribution system'. Search consultancies seem reluctant to sponsor women (or men?) who have not previously held a FTSE non-executive directorship. Many chairmen do not know these women but are anxious to find new talented women for their boards. We face a stalemate situation unless the stakeholders in the recruitment of non-executive directors are prepared to rethink their assumptions and find innovative ways to connect these talented women to future NED and executive vacancies. We look forward to watching the change-makers step forward to take up the challenge.

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4. Women on corporate boards of directors: the French perspective

Mairi Maclean and Charles Harvey

INTRODUCTION

The corporate power elite as presented by Wright Mills (1959) some fifty years ago was drawn from a narrow pool of individuals sharing common experiences, career patterns, backgrounds and mindsets, tending to be male, white and fifty-something (Zweigenhaft and Domhoff, 1998). In contemporary France, the stereotype of the 50-year-old male executive continues to apply. This is in spite of increasingly strident calls for this imbalance to be rectified (Cadbury, 2002; Point and Singh, 2004; Zeïtoun, 2003), and the coming to prominence of several leading female role models – such as Anne Lauvergeon, 'Atomic Anne' as she is known, head of the French nuclear group, Areva, or indeed Ségolène Royal, candidate and runner-up in the 2007 French presidential elections.

This chapter examines to what extent women have made inroads into the boardrooms of France, considering the most common routes to entry, the difficulties women may face in gaining entry and climbing the ladder, and whether any signs of change may be discerned. The chapter stems from a cross-nationally comparative research project, *Business Elites and Corporate Governance in France and the UK* (Maclean et al., 2006). The project covers the period 1998–2003, and consists of four related subprojects: a study of the institutional histories of the top 100 companies in 1998 in France and the UK respectively; a prosopographical study of the education, qualifications, careers, roles and responsibilities of 2272 directors of the top 100 French and UK companies (of whom 1234 were affiliated primarily to French companies, and 54 of these were women); an in-depth study of the social backgrounds and accomplishments of the top 100 most powerful directors in France and the UK respectively, the 'super-elite' (of whom two were French women);[1] and finally, a study of the social reality of business elites based upon a set of semi-structured interviews with past and present business leaders and governance experts in France and the UK. An interest in women directors and the representation of women on corporate boards grew naturally out of the project, partly because the entry routes for French and British women were often strikingly different, but equally because women directors were often conspicuous by their paucity.

BOARDS AND GOVERNANCE IN FRANCE

Most corporate boards in France, 72 per cent of the top 100 companies in 2003 (Maclean et al., 2006), are unitary, with a large *conseil d'administration*, and run by a very small executive committee. This normally consists of the Président Directeur-Général (PDG), whose powers are extensive, the chief financial officer (CFO) and a third executive, often a Vice President. Some companies (28 per cent of the top 100 in 2003) opt for the German-inspired two-tier model of management and supervisory board (the *conseil de surveillance* and *directoire*). In unitary boards, the roles of Chairman and Chief Executive Officer (CEO) are usually combined in the role of PDG, though since the Nouvelles Régulations Economiques (NRE) of May 2001, the roles of PDG may be separated, a recommendation of the second Viénot Report on corporate governance (Association Française des Entreprises Privées/Mouvement des Entreprises de France, 1999). With the NRE and the 2003 *loi de sécurité financière* on financial market regulation, which led to the establishment of the new Autorité des Marchés Financiers (AMF), governance principles have become enshrined in French civil law. Executive board members are often home grown, especially in family firms, family ownership remaining important in France – leading companies such as l'Oréal (Bettencourt family), Michelin, Sodexho (Bellon family) and LVMH (Arnault family), amongst others, possessing dominant family shareholdings, in stark contrast to the UK.

Board members regularly hold multiple directorships, limited to five by the NRE (or four for a managing director or member of a supervisory board), often with reciprocal mandates within affiliated companies, with a consequent lack of 'independent' non-executive directors (NEDs). The Bouton Report (Mouvement des Entreprises de France/Association Française des Entreprises Privées, 2002, p. 9) on improving corporate governance in French listed companies defined an independent director as entertaining 'no relation at all with the company, its group or management, which might compromise the exercise of his or her judgment'. It recommended that the proportion of independent directors on the main board be extended to one half in companies where capital is dispersed, and to two-thirds in the remainder. In France, however, directors are often appointed to boards specifically to represent a family, institution or interest group, and for this reason cannot be classified as genuinely 'independent'. Senator

Philippe Marini, author of the 1996 Marini Report, doubts whether non-executive directors in France will ever be truly independent, given the quintessential importance of the ties that bind them to one another.[2] Cross-shareholdings, often held under the umbrella of a leading firm, are viewed as a source of stability and security, defending against unwelcome takeovers.

The concept of the shareholder is subordinate to that of the stakeholder; though there have been some signs of change in recent years (Clift, 2007; Morin, 2000). Stakeholders include managers, employees, owners, communities, customers and the State. The State plays a pivotal role as guardian of the national interest, pursuing French business objectives in international forums (Maclean, 2002), and intervening where necessary to block takeovers or mergers seen as being against the national interest.

WOMEN IN WORK IN FRANCE

Madame Nicole-Barbe Cliquot (1777–1866), née Ponsardin, is often hailed as the first French businesswoman of modern times, famous for taking on the running of her late husband's small champagne house in 1805, aged 27, and turning this into a successful business. Her achievements include sending secret shipments of champagne to Russia in 1814, in direct defiance of Napoleon's blockade (Vinnicombe and Bank, 2003).[3] Veuve Cliquot is today part of LVMH.

Despite the passing of the Génisson law in 2000, known as the political parity law, though the word 'parity' is conspicuously lacking from the legislation itself, gender equality remains an issue in France. While the law had some impact at lower levels of the French political system, women remain poorly represented further up the hierarchy (Fletcher, 2005). In the run-up to the 2007 French presidential elections, the issue of gender equality loomed large, with right-wing candidate Nicolas Sarkozy promising to promote equal numbers of women and men to his Cabinet if elected. His principal opponent on the Left, Ségolène Royal, provided a mixed role model. France has never had a female President, and only one female Prime Minister to date, Edith Cresson (1991–1992). (Under the *ancien régime*, the Salic law had decreed, notably, that women could not inherit the throne.) Cresson was charged, however, with appearing too feminine, likened in the press to Madame de Pompadour (Reynolds, 1998). Ségolène Royal adopted a different approach: always smiling, dressed permanently in white, she projected the image of Marianne, the female personification of the spirit of the French Revolution, the 'mother' of France. According to Hunt (1992, cited in Reynolds, 1998, p. 185), 'the French [have] a kind of political consciousness that [is] structured by narratives of family relations'. As Reynolds observes, the French Republican ideal of fraternity, in which a 'band of brothers' resist a tyrannical father or step-mother, gives rise to a 'symbolic order', in which women may struggle to gain acceptance, other than in traditional roles. This worked for Royal up to a point, her highest rating in the polls occurring when she touched a man in a wheelchair on television.

Elected in May 2007, French President Nicolas Sarkozy, while failing to keep his electoral promise, has nevertheless done much to promote women in politics, allocating seven out of 16 Cabinet posts to women when forming his government in June 2007. These include Christine Lagarde, the former head of US international law firm, Baker & McKenzie, appointed France's first female Finance Minister; Fadela Amara, a militant Muslim feminist who co-founded the immigrant women's rights association Ni Putes Ni Soumises ('neither whores nor doormats'), as Minister of Urban Affairs; and Rachida Dati, the daughter of Moroccan-Algerian workers, as Justice Minister (*The Times*, 20 June 2007).

In terms of domestic labour, by the year 2000 French women still did three times as much domestic work as French men, this having declined by just 4 minutes since 1986. Nelson and Burke (2000) estimate that women in dual career families work an additional month of 24-hour days every year compared to their male partners, doing 'second shift' work of childcare and housework, which is, of course, unpaid (Gregory and Windebank, 2000).

WOMEN IN THE BOARDROOM: A FRENCH PERSPECTIVE

By 2003, a mere 26 women occupied 30 directorships (out of 590) on the boards of France's top 40 listed companies, the CAC-40 (*Cotation assistée en continu*), equal to just 5.08 per cent of directorships (Zeïtoun, 2003, p. 16). In 2004, the EPWN European Board Women Monitor, surveying the board membership of Europe's top 200 companies, confirmed that women held just 6 per cent of seats on top French corporate boards, ahead of Belgium, Spain and Denmark, but lagging behind the Scandinavian nations. In the French case, the number of women directors was boosted artificially by union appointees (who may attend board meetings, but only as silent observers, not permitted to speak), accounting for ten out of 41 women directors, almost one quarter. The vanguard of leading companies, moreover, may not be representative of large companies in general, in that they tend to be more advanced in their corporate policies (EPWN, 2004). Our own comparative study of the top 100 companies in France and the UK found that in 1998 just 4.4 per cent of French directors, excluding union appointees, were female (Maclean et al., 2006). By 2008, however, according to the EPWN, the percentage of women board members on top French corporate boards had risen to 7.6 per cent, an improvement on previous years but still below average in Europe (EPWN, 2008).

In addition, our study found a significantly higher proportion of women in executive roles in France than in Britain. French female directors also tended to be younger than their UK counterparts, with a mean age of 43 compared to a mean age of 46 (Maclean et al., 2006). How are these differences to be accounted for? What is particularly striking about women in the boardroom in France is that female directors regularly owe their position to ownership, to being family members. As family shareholding representatives, they may be appointed at a relatively young age. As many as 20 out of 54 French women directors in top 100 companies (37 per cent) owed their positions on the board to family membership as representatives of family investment companies (as against none in the UK). They serve, in effect, as non-executive directors engaged in wealth management, though they are far from being independent directors in the sense intended by Cadbury (2002; Committee on the Financial Aspects of Corporate Governance, 1992) or Higgs (2003). Liliane Bettencourt, for example, daughter of Eugène Schueller, the chemist who founded cosmetic giant L'Oréal, holds a controlling stake in the company of 27.5 per cent of equity; she is believed to be the third richest woman in the world by virtue of her shareholding. Though now in her eighties, she still attends board meetings, often accompanied by her daughter, Françoise Bettencourt Meyers, also a director of the company (Maclean et al., 2007). Similarly, Sodexho Alliance, hailed as a 'champion' of women directors by the EPWN (2004), alongside Publicis, women accounting for 27 per cent of board members in both cases, owes its position partly to the presence on the board of female family members. These include Astrid Bellon, just 26 when becoming a board member, Nathalie Szabo and Sophie Clamens, the three daughters of Pierre Bellon, the driving force and major shareholder of the business. Similarly, Publicis also has members of the founding family, the Bleustein-Blanchet family, serving as directors, in particular Elisabeth Badinter, née Bleustein-Blanchet, wife of Robert Badinter, also a board member, and a close friend of the late President François Mitterrand. Both companies, however, have other female directors drawn from beyond the ranks of family.

The State plays a critical role here too, both women in the French power elite owing their advancement to the State. Anne Lauvergeon, whose origins are lower-middle class, attended a provincial *lycée* in Orléans, but graduated subsequently from the prestigious Ecole des Mines and Ecole Normale Supérieure. She served at the Elysée Palace under President Mitterrand as Advisor for Economic International Affairs from 1991, joining Alcatel Télécom as Senior Executive Vice President in 1997, and being appointed PDG of Cogema in 1999 by the then Socialist Prime Minister, Lionel Jospin. She is a member of the Corps des Mines, one of a number of *grands corps* which constitute the pinnacle of France's civil service elite, and has risen to be PDG of Areva. Said to dislike 'that one emphasises her femininity – she is first and foremost a boss',[4] Lauvergeon was named in the magazine *Fortune* in 2003 as one of the 50 most powerful women in international business. Anne Le Lorier, meanwhile, has served as an official government representative on the boards of Aérospatiale, France Télécom and Renault. She too is a member of an influential, state-sponsored *grands corps*, the Inspection des Finances. The third most powerful female director in France is Caroline Mille, Senior Vice President at the engineering giant Alcatel, who rose to prominence as Director of Human Resources and Communication at the company. This overlap between the worlds of business and politics is one of the striking differences between the French and British business systems, indicative of a continuing role for the State in the promotion and nomination of key individuals to the boards of large French state-owned or formerly state-owned companies. Five out of 54 women directors (9.3 per cent) in the top 100 French companies worked for the State in some capacity; though significantly more had a background in public administration.

For those women who had made it into the boardroom without the benefit of family ownership or the tutelage of the State, the formative career experience of 12 of the 54 women directors (22.2 per cent) was in General and Operations Management, while the third most common route to the top was Human Resources and Communications, accounting for 10 women directors (18.5 per cent). Just three women directors had a background in Engineering and Science (which one might have expected to feature more prominently in a French context), three in Marketing, two in Law, and one each in Finance and Accounting and Academia respectively (Maclean et al., 2006). The vast majority of these women attended an elite educational establishment, elite institutions accounting for 93.1 per cent of all known attendances of the group. Only 17.2 per cent had just one degree, the vast majority (72.4 per cent) holding a higher degree, having completed five years of higher education, with a small number (three) having achieved a doctorate. All of the women directors were of French nationality, with two exceptions, Concetta Lanciaux, an Italian former academic who holds a doctorate from Carnegie Mellon University, a director at LVMH, whose background is in human resource management, and Swiss-born Monique Antiglio, a family board representative at Labinal.

The French government has played little role in monitoring the representation of women on French corporate boards. Prior to the NRE and the

AMF, advances in corporate governance were largely the product of private-sector initiatives, designed to inspire investor confidence. Women directors have not been passive in furthering the cause of corporate governance reform. One of their number, Hélène Ploix, previously on the boards of Lafarge and Boots, has led the charge in promoting corporate governance reform in France, arguing for greater openness and accountability, less obviously an 'old boys' network' (see Ploix, 2003).

FUTURE TRENDS AND SUGGESTIONS FOR FURTHER RESEARCH

Our suggestions for future research focus on the twin issues of organizational culture and role models. This chapter finds that, despite societal changes, organizational culture is key (cf. Gammie et al., 2007). We argue that the relatively small number of women directors of top 100 companies in France is indicative of institutional continuity, of the power of cultural reproduction in the sense intended by Bourdieu (1990; 2001; Hartmann, 2000). The predominantly masculine micro-cultures typical of boardrooms in France are sustained through a variety of mechanisms that together constitute the phenomenon of cultural reproduction. From this perspective, culture is simultaneously resident in and forged by institutional systems and processes, work and cultural practices, norms and values, and personal dispositions and routines. The boardroom is itself a 'habitus', defined by Bourdieu (1990, p. 53) as 'structured structures predisposed to function as structuring structures, that is, as principles which generate and organize practices and representations'. It is also a place of conformity, requiring a common mindset and pattern of behaviours to form and execute policies. Women who have succeeded in gaining entry to the most coveted boardrooms of France, have not done so as 'token women' – they are, on the contrary, highly able and talented – but rather as *products of the system*, family members, or products of the state-sponsored *grandes écoles and grands corps*. Successful women directors are often prodigious networkers, in the manner of successful male directors. One such female director, Patricia Barbizet Dussart, served on no fewer than six top boards in 2002: those of Air France, Artemis, Bouygues, FNAC, Pinault-Printemps-Redoute and TF1.

Kanter (1977) suggests that this institutional emphasis on homogeneity of background and conformity in behaviour springs from the need to reduce uncertainty in large organizations, ease of communication and social certainty being favoured over the difficulties inherent in coping with difference. The logic of homologies, as explained by Bourdieu (1986), is clearly at work here, as dominated fractions, in this case businesswomen, compete with the dominant class of established male directors for social space in pursuit of legitimacy and integration in the boardroom.

Some of the 'structuring structures' do, however, show some signs of change. In particular the elite French engineering and business schools, the latter with a growing reputation, are supplying an increasing number of female graduates to the labour market. These include Christel Bories, a graduate of the Ecole des Hautes Etudes Commerciales (HEC), a member of the executive committee of aluminium and packaging giant Pechiney since 1999, who has served since 2003 as Director of Packaging and Purchasing at Pechiney (now part of Alcan). It may be some time, however, before considerably more women can achieve a place in the boardroom without having to follow the patterns of behaviour set by successful male directors, outside as well as inside the boardroom. One current leading French woman director – previously a top director at Lyonnaise des Eaux, though no longer working in France, but Belgium – is Christine Morin-Postel, PDG of Société Générale de Belgique, whose successful emulation of male executive behaviour is implied by her various nicknames: the 'Iron Lady', 'Joan of Arc', and, in her current post, 'La Générale'.

That said, the trend for more women to be appointed to the boardrooms of France is likely to accelerate in the future, perhaps more quickly than we might expect, given an increasing supply of highly qualified female graduates from elite business and engineering schools, and a determined effort by a growing number of French companies to promote more women.

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NOTES

1. Membership of the power elite depends on being a Chief Executive Officer of a top 100 firm, or on serving on multiple top 100 boards.
2. Personal interview, French Senate, 14 January 2004, Paris.
3. See http://www.veuve-champagne.com.
4. Cited in 'Anne Lauvergeon, l'énergie du nucléaire', *Challenges*, 21 January 2004, p. 215 (www.challenges-eco.com).

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5. New Zealand women directors: many aspire but few succeed

Rosanne Hawarden and Ralph E. Stablein

INTRODUCTION AND BACKGROUND

Kate Sheppard features on the New Zealand ten dollar bill. She symbolizes the leadership role that New Zealand women have had and are playing in the development of a modern, global, deregulated economy. Kate Sheppard was the leader of the women's suffragette movement in New Zealand, which resulted in this country being the first to grant women the vote in 1893. Following the 2005 general election, women now make up 32 per cent of the current Parliament. Women hold or have recently held four of the five most senior constitutional positions in New Zealand: Governor-General, Prime Minister, Chief Justice and Speaker of the House of Representatives (McGregor and Fountaine, 2006). Beginning in 1972, New Zealand led the world in ruthlessly deregulating its economy and exposing almost all sectors to international competition. Despite its small size with only 4.02 million people (Statistics New Zealand, 2006), the pioneering spirit which characterizes New Zealand has led to independent and innovative action both politically and economically. In this chapter we consider how the drive to gender equality has impacted on women on boards of directors. We outline a situation of unusual gender imbalance that is unique in global terms. Analysis of its genesis may illuminate the pressing problem of how to achieve more equitable gender balances on global boards of directors.

New Zealand's small corporate sector is a microcosm of Western business thought and practice. In 2004, there were some 160 000 for-profit corporate enterprises operating in New Zealand, including those owned by central (state-owned enterprises) and local government (local authority trading enterprises). These enterprises had over 1.1 million employees (Goh, 2005). New Zealand is predominantly a nation of small businesses. In February 2006, 96.4 per cent of enterprises employed 19 or fewer people (Ministry of Economic Development, 2007). An even smaller corporate sector consists of 1600 companies with more than 100 employees (Ministry of Economic Development, 2007). Many of these larger firms are foreign-owned.

Approximately 200 of these companies are listed on the New Zealand Stock Exchange (www.nzx.com).

Commencing in the early 1980s, the current legislative framework embodies a number of Acts that define and prohibit discrimination, including gender discrimination, in the workplace. The principal Acts are the Human Rights Act of 1993 and the Employment Relations Act of 2000 (Equal Employment Opportunities Trust, 2007). This legislation is partially implemented through the Human Rights Commission with the appointment of an Equal Employment Opportunity Commissioner, Dr Judy McGregor, and supporting Unit, the Equal Employment Opportunity Unit (EEOU). This unit has conducted two censuses into the role of women in the New Zealand economy. These census reports now underpin targets, policy making and officially monitor changes.

New Zealand mirrors the rest of the Western world with few women directors. In 1985, the Zonta study of all 221 listed companies involving 1057 directorships found 13 women holding 15 directorships or 1.4 per cent (Status of Women Committee, 1986). A small increase in the numbers of women directors occurred in the 1990s when the Pajo et al. (1997) study analysed 166 corporate companies with a total of 1282 directors and found 4.4 per cent or 56 were women directors. The 2004 EEOU census of the top 100 companies by market capitalization reports that 5.04 per cent of directorships were held by women and 72 firms had no women directors. The most recent census, McGregor and Fountaine (2006), found that women held only 7.13 per cent of board directorships, that is, 46 women out of the total 645 directors. In addition, 63 of the top 100 companies have no women, a small improvement on the previous census.

NEW ZEALAND STATE SECTOR BOARDS APPROACH GENDER PARITY

In contrast, Crown companies in the state sector are approaching gender parity, with women constituting 35.43 per cent of their boards. This interesting 'bipolar' situation is the result of an informal policy of government affirmative action that has achieved admirable success in the state sector. Crown companies include 17 state-owned enterprises (SOEs), which are hybrid organization forms. Largely infrastructure industries, they are profit orientated and run on business lines with one shareholder, that is, the State, which exerts indirect political pressure via the board of directors. McGregor and Fountaine (2006) reported that of 109 directors of SOEs, only 39 or 36 per cent were women. As at February 2008, there has been a 10 per cent growth in the SOE boards with the appointment of 12 additional directors, only one of which is female. This has reduced the percentage of women directors to 33 per cent, a worrying downward trend.

To all intents and purposes SOEs are corporate boards whose directors are drawn from the commercial sector. They must be included in any discussion on corporate board appointments in New Zealand as they are benchmark, commercially-oriented, large organizations.

A strong commitment to meeting its Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) responsibilities has driven this policy implementation. The most recent CEDAW report (Ministry of Women's Affairs, 2006) includes a stocktake of government statutory boards by the EEO Unit. This report found that women currently make up 41 per cent of statutory board members with the goal to reach parity by 2010. The Government's strategic approach to improving diversity at board level is also reflected in the Action Plan for New Zealand Women (Ministry of Women's Affairs, 2004) and in Cabinet papers (Department of the Prime Minister and Cabinet, 2002). These achievements are in stark contrast to the lack of action in the corporate sector. This situation of increasing gender equity on state sector boards with contrasting low levels of female representation on private and listed corporate boards is unique in world terms. This approach can be viewed as an interim and less drastic step for countries considering legislated gender quotas, if New Zealand can demonstrate that it leads to corporate sector board equity. If this cannot be achieved or does not eventuate, the failure to move to balanced boards may itself be illuminating. A caveat, given this skew in women's representation on state sector boards: averaging across the private and public sectors from New Zealand can misrepresent the NZ situation (McGregor and Fountaine, 2006). Such statistics should be treated with caution when cited in tables comparing board representation by country.

THE PRIVATE SECTOR CONTINUES TO PREFER MALE DIRECTORS

Despite the success of women in the public arena, liberal, tolerant and diversity focused political climate, advanced equal opportunity philosophies, first world technology with associated business practices, New Zealand is not a pioneer in promoting women to boards of directors in the corporate sector. In this sector, 'glacial progress' towards gender equity (McGregor and Fountaine, 2006) persists despite increasing participation by women in the workforce at lower levels (Murray, 2006). Women are gradually moving into senior management but negligible numbers are being appointed as Chief Executive Officers (CEOs). Women have moved in significant numbers into law, accounting and medicine but the effects of this have not yet trickled upwards and there is some doubt as to whether this will happen naturally. The pipeline to the board table appears to some to be correspondingly limited (Rotherham, 2007). The lack of suitably experienced and qualified women has been frequently touted locally and internationally as a major reason for the few women at board level (Singh and Vinnicombe, 2004; Van der Walt and Ingley, 2003). The ease with which women of calibre were found to populate the state sector boards has starkly highlighted the fatuous nature of this argument.

The small and close-knit nature of the New Zealand business community and pool of directors has been well documented over the years (Firth, 1987; Fogelberg and Laurent, 1973; Jesson, 1987; Stablein et al., 2004). A grouping of experienced directors who sit on multiple boards together is noticeable and constitute an easily identifiable 'old boys' network', with a sprinkling of women directors, the so-called 'Queen Bees' (Dalton, 2007). These women tend not to be proactive in recommending other women for board appointments or mentoring aspiring women. The prevailing attitude is that their success was achieved through their own merit and others should be capable of similar success without extra assistance. An element of denial of discrimination pervades this group despite the statistics indicating otherwise (Rotherham, 2007).

THE INSTITUTE OF DIRECTORS' INITIATIVES TO PROMOTE GENDER INEQUITY

New Zealand's 'old boys' network' may be most clearly observed in the composition of the Accreditation Board of the New Zealand Institute of Directors (IOD), which was set up in 2006 as a means to differentiate the directors of large corporates from the many directors in the SME sector. This move to accredit directors was partially a response to the high-profile corporate failures in the USA and UK and a perceived global movement to tighten corporate governance. The IOD also believed that they should follow a perceived worldwide trend in other similar director institutes to rank, rate or set educational requirements for their director members.

The founding Accreditation Board consisted of 18 members, 15 men and three women, who sit on high-profile New Zealand boards (see Table 5.1). Gender parity was not seen as an important criterion in the selection of this board. The board members were selected by 'shoulder tapping', that is, there was no open process of application and selection. McGregor and Fountaine (2006) noted that the Institute of Directors was not proactive in

Table 5.1 Accreditation Board, accredited directors, provisionally accredited directors with NZX 2005 top 100 companies, NZX 2005 all companies, Crown companies

	Total Directors	Male	Female	%Male	%Female	No. of Companies
Accreditation Board (31 May 2007)	18	15	3	83.3	16.7	Unknown
Accredited directors (30 October 2007)*	100	86	14	86.0	14.0	Unknown
Provisionally accredited directors (30 October 2007)	38	27	11	71.0	29.0	Unknown
NZSX 2005 directors as at January 2005 (Stablein et al., 2005)	968	896	66	92.6	6.8	197
NZSX 2005 directors (Census Top 100 by market capitalization) (McGregor and Fountaine, 2006)	645	599	46	92.9	7.1	100
Crown companies (McGregor and Fountaine, 2006)	223	144	79	64.6	35.4	36

Note: * Accredited directors include the 18 Accreditation Board members.

encouraging women directors. Despite the appointment of a woman CEO in 2005, this stance has not changed.

As at 30 October 2007, 100 directors had been accredited, of which 14 per cent were women. Only 38 had been provisionally accredited, 29 per cent of them women. This low uptake at the provisional accreditation level reflects the lower status of the title. The name is of considerable concern as it implies a transitional or partially qualified state. This is incorrect as accreditation is based on organization size or 'substance'. Many provisionally accredited directors will never become accredited because they are directors of smaller firms that are central to the New Zealand economy. The higher ratio of women to men in the provisional accreditation statistics reflects the male preference for high 'status' appellations and so the provisional label is avoided (Maier and Mueller, 2006) while aspiring women directors espouse it in an attempt to improve their visibility.

The Institute of Directors' plan is to limit its Board Appointment Service (BAS) to accredited and provisionally accredited directors, thus reinforcing the access of an elite few to board vacancies. The IOD believes that the BAS is a minor service and is not a priority for them although the CEO acknowledges that most members join the IOD in the hope of getting a board appointment. The IOD struggles to collect the modest fees charged and generally believes that it is more trouble than it's worth. Around 1000 members are registered on the BAS database, which at any one time may have approximately twenty appointments under way which could each take approximately six to nine months to complete.

NEW ZEALAND AWASH WITH DATABASES OF ASPIRING DIRECTORS

New Zealand is again unusual in that many aspiring directors are listed on a plethora of databases maintained by a variety of organizations in the state and private sectors. This reflects the prevailing situation with a few experienced directors, often with multiple board appointments along with a huge pool of talented, tertiary qualified aspiring directors competing for a few board vacancies. It is a situation where supply exceeds demand. Consequently, recruitment and selection processes for directors are often casual to non-existent, with 'shoulder-tapping', or peer referral, being the norm. This is in contrast to the rigorous processes in place for the appointment of CEOs (Harris, 2003).

Director vacancies in New Zealand are also filled by approximately seven executive search companies as part of other executive appointment assignments. These companies maintain their own databases of aspiring directors.

Board appointments are not lucrative as the commission chargeable is based on the annual fees, which in the NZ context are modest. These low fees reflect the situation of oversupply of potential directors and low salary baselines for directors (when compared to overseas levels). Economic imperatives favour professional search companies promoting the ‘safe’ option and being risk-averse when faced with ‘diversity’ candidates who may have potential but little board experience.

The state sector maintains a plethora of overlapping databases. The Ministry of Women’s Affairs, www.mwa.govt.nz, maintains a nominations service and keeps a database of potential women directors. As at mid-December 2005, the Nominations Service held information on over 2439 women available for appointment to decision-making bodies (Ministry of Women’s Affairs, 2006).

Te Puni Kokiri, the Department of Maori Affairs, has a database and board nomination service (www.tpk.govt.nz). The Ministry of Pacific Island Affairs (www.minpac.govt.nz) and the Office of Ethnic Affairs, Department of Internal Affairs (www.ethnicaffairs.govt.nz) do likewise. The Disabilities Directorate, Ministry of Social Development (www.odi.govt.nz), is investigating setting up a board nominations service and database. These government organizations can only recommend individuals when consulted and all acknowledge that there is an over-abundance of candidates for the few vacancies. Many candidates do not have direct board experience and the Catch-22 situation of needing board experience to get a board appointment is openly acknowledged.

Ultimately the appointment of board members in the state sector is the responsibility of the Crown Companies Monitoring Advisory Unit (CCMAU). This agency maintains one of the largest databases of directors and aspiring directors. The CCMAU have stated that parity on boards could be easily achieved. The realities of political patronage mean that this is unlikely as long as appointments are not entirely merit-based and in the final analysis require political endorsement (CCMAU, 2006). One interesting but unintended consequence is that the State Sector has become an informal training ground for women and/or Maori corporate directors, despite some backlash demanding that only experienced directors be appointed.

ATTEMPTED INTERVENTIONS

In New Zealand there is sufficient data and tracking to understand the dynamics of board composition. The focus is no longer on measuring progress but has turned to stimuli for change. Historical analysis suggests that previous attempts to force the appointment of women to New Zealand corporate boards in the private sector through shareholder intervention or the activism of interested women, has not been successful or enduring (Shilton et al., 1996). The establishment of databases and nomination procedures has increased women's appointments in the public sector substantially. However, there is no visible impact in the private sector.

Apart from suggestions for more databases, the other current initiative is a web-based matching service called www.finddirectors.com. This Internet initiative is designed to fill the missing marketplace for directors and although not specifically focused around women, is attractive to aspiring women directors. Preference for shoulder tapping as a recruitment tactic and a plethora of databases has meant that aspiring directors have no means for contacting recruiting companies. Launched in May 2007, this website aims to do just that and cuts out the executive recruiter as the middle man. As at 30 October 2007, 300 directors had registered with eight board vacancies listed in the geographic locale where the developers, Maier and Mueller, reside. A search of the website at the same date and restricted to gender, produced 115 women and 118 men. This supports the trend of aspiring women directors embracing opportunities, however limited, to improve their visibility. We predict that this initiative, although praiseworthy, will fail, as it is relying on viral marketing with no identifiable individual or organization promoting the concept.

CONCLUSION

In New Zealand, getting that first substantive board appointment is critical for men and women directors alike. The low level of women on private sector boards means that the odds are heavily stacked against women achieving this crucial first appointment without some other compelling advantage. Aspiring directors, particularly women with ambition, are in the invidious position of having to accept high-risk appointments and set themselves up for failure. Once entry to the elite group of experienced corporate directors is achieved, such directors have the luxury of refusing board appointments and can cherry pick the more high-profile and less risky appointments.

For many New Zealand directors this is a sunset career with more emphasis being placed on the prestige of the board and a desire to 'do some good' (Maier and Mueller, 2006). Concerns over increasing personal liability for directors and the need for indemnity insurance reflect the view that directing in New Zealand is high risk and not for the faint hearted. Succession and training of the next generation of directors are not prominent national concerns. There seems to be no will in New Zealand at present to initiate mentoring schemes or to find some means of providing that crucial first appointment.

A pessimist would predict that the exigencies of power, privilege and wealth in private hands will entrench existing male elites, and gender parity will need the stronger medicine of legislated quotas as is happening in other countries. An optimist would hope that the increasing pool of experienced state sector female board directors would trickle through to the boards of the private sector. Movement towards gender parity could be expected if some of the 'structural' problems are solved. This encompasses the limited marketplace to showcase new talent, improved selection processes that bypass the limiting effects of shoulder tapping and an acceptable form of professional training that incorporates an experiential aspect similar to the legal and accounting professions. To achieve this, an active and vocal group, both in academia and in the commercial and state sectors, is needed to drive the process forward (Adams and Flynn, 2005). The lesson from New Zealand is that gender equity at all levels is hard won, has to be cherished and promoted vigilantly and needs the underpinning political will with its supporting social philosophies.

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6. 'Glacial at best': women's progress on corporate boards in Australia

Anne Ross-Smith and Jane Bridge

INTRODUCTION

> The Sydney Opera House Opera Theatre with a seating capacity of 1500 holds approximately the same number of seats in ASX 200 boardrooms. Female directors wouldn't even fill the first five rows. (McPhee, 2006)

In the quote above from a speech delivered at the 2006 launch of the Equal Opportunity for Women in the Workplace Agency (EOWA) 'Australian census of women and leadership', Director Anna McPhee referred to the pace of women's advancement into corporate leadership positions as 'glacial'. Glacial is defined as 'moving or advancing extremely slowly' (Encarta, 2007). The EOWA (2006) census revealed an increase in the percentage of board positions held by women in the Australian Stock Exchange (ASX) top 200 from 8.2 per cent in 2002 when the first census was undertaken, to 8.7 per cent in 2006. This increase of a mere 0.5 per cent in four years shows that the analogy is clearly apt.

In this chapter we review the status of women's representation on corporate boards in Australia. The focus of our analysis is on the top 200 boards of publicly listed companies – the ASX 200. We start by explaining the structure of corporate Australia and providing some background data on women in the Australian workforce and in management. We discuss the past and present position of women board directors including their differential representation in executive and non-executive director roles. We then discuss the implications of the relatively static numbers of women in the Chief Executive Officer (CEO) and senior executive pipeline so crucial for board appointments. Finally, we look at the future direction for women on corporate boards in Australia.

THE STRUCTURE OF AUSTRALIAN BUSINESS

Australia has one of the most developed capital markets in the world. There are over 2000 companies listed on the ASX, many of which are world leaders in their industry. At the end of 2006, the ASX's total market capitalization ranked it as the eighth largest in the world (www.asx.com.au). Eleven Australian companies are listed in the 'FT Global 500' (*Financial Times*, March 2007). The market capitalization of ASX companies ranges from $AUD123.13 billion (BHP Billiton) to $AUD713 000 (Great Pacific Capital, GPC) (www.huntleys.com.au).

Growth in the private equity industry in recent years has led to some previously listed companies returning to the hands of private ownership. Other companies which previously were listed have chosen to de-list to avoid the extra corporate governance regulation imposed upon them by the ASX, shareholders and other stakeholders.

In Australia board size tends to be decreasing whilst board member workload and accountability is increasing. Despite this, the supply of potential directors still exceeds demand. Accepted practice recommends a majority of independent non-executive directors recruited from outside the company but board membership also includes at least one executive director, usually the CEO. It is also recommended that the board chair be an independent non-executive director. The typical profile of a board of directors in Australia is eight to nine directors, headed by an independent male 'chairperson' and including usually no more than one female director. A typical director is likely to be aged between 51 and 70 years of age, male, and an independent non-executive director (Kang et al., 2007).

Following several high profile corporate collapses in the early 2000s, the ASX Corporate Governance Council released the 'Principles of good corporate governance and best practice recommendations'. This set of guidelines for listed companies is to inform their governance practices and to introduce a 'comply or explain' regime to be disclosed in annual reports (ASX, 2007). Although developed for the listed company environment, the guidelines have been adopted by other sectors of the business community including government bodies and larger not-for-profit or charity organizations. Whilst the guidelines do not make a specific recommendation about the demographics of board composition, Principle 2 recommends that a board should have 'an effective composition, size and commitment to adequately discharge its responsibilities and duties' (ASX, 2007, p. 11), whilst other principles generally stress the need for greater accountability and increased transparency. Thus there is no formal requirement in Australia for either a listed or a private company to structure a board according to a particular demographic profile. This contrasts with the government sector where there have been policies in place for the past 30 years to include diversity at board level that is representative or reflective in some way of the broader community. Nevertheless as shareholder activism increases and investors become more concerned about board composition and activities, there has been a push for the active selection of appropriately qualified women to boards of directors to reflect the consumer base, improve the range of experience and in recognition of valid contributions. Some of the larger and more successful listed companies in Australia have made a feature of their enlightened appointments. Others continue to argue that the lack of female appointments is a supply problem or that board appointments should be strictly merit-based. Like most other countries with similar systems of corporate governance, director selection processes still 'tend to restrict entry into the corporate elite to demographically similar individuals who share certain elite social and educational credentials' (Westphal and Stern, 2006, p. 170). Although the ASX guidelines recommend that boards have a nomination committee, the selection process for appointments remains somewhat intransparent.

WOMEN'S EMPLOYMENT IN AUSTRALIA

Women currently represent 44.8 per cent of the Australian labour force (EOWA, 2006). As Davis and Harris (1996, p. x) note from a legislative perspective, Australia has 'put in place an impressive network of rights covering women at work'. The impact of this legislative framework and the policies and practices emanating from it, such as equal employment opportunity, anti-discrimination law, the merit principle and more flexible working arrangements, have had differential impacts on women across employment sectors and differing levels of the organizational hierarchy. Women in the public sector have achieved a greater level of success in senior management than their counterparts in the private sector, occupying for instance 35 per cent of all senior executive positions in the Federal public service (Australian Office for Women, 2007). This is largely explained by particular legislation that prescribes hiring and promotion policies based on merit rather than seniority, gender or other personal characteristics. By comparison women hold only 12 per cent of senior executive roles in the private sector (EOWA, 2006). This is a reflection of the high level of the occupational segregation along gender lines that still exists in the Australian workforce (Todd and Eveline, 2004).

With relatively few women in senior executive roles, organizational cultures in the corporate sector in Australia not surprisingly have been typically regarded as masculine in their orientation often reflect the values of 'Australian mateship', a term that by definition excludes women and other minority groups (Murrie, 1998). Sinclair (1998, p. 51) found that the core values that underpin conceptions of leadership in Australia are heroism, physical and emotional toughness and self-reliance. There is a particular intertwining of the ideologies of leadership and masculinity which serves to maintain 'the status quo, the privilege of an elite', and perpetuates 'assumed assessments of who looks like leadership material'. Expectations for women aspiring to senior level management and leadership roles in the corporate sector still include traditional masculine norms of full-time work, long hours and few, if any, career breaks. As we discuss in more detail later in this chapter, for those aspiring to a seat at the boardroom table, getting to the point of being considered is often the most difficult hurdle.

WOMEN'S REPRESENTATION ON CORPORATE BOARDS IN AUSTRALIA 1992–2007

Published data on women's representation on corporate boards goes back to 1992, when the ASX reported that, of the 1100 listed companies at the time, 7 women were listed as chairs and 73 women listed as board directors (Still, 1993). Surveys undertaken by Korn Ferry in 1994, 1996 and 1997 show that the representation of women on boards in Australia for each of these years was 4 per cent (Boardroom Partners, 2003; Burgess and Tharenou, 2000).

A 1999 survey by the Australian Council of Businesswomen, which covered the then top 300 Australian companies according to market capitalization, revealed that women occupied 11 per cent of board positions. This survey included government bodies, membership organizations, public and private companies. When government bodies were excluded from this group, the percentage of women dropped to 6.8 per cent of the remaining publicly listed and private companies (Corporate Women Directors International, 1999). Despite the different sources of data, these statistics clearly reveal that the number of women on corporate boards, whilst low, did increase during the late 1990s.

Since 2002 the Australian Government agency EOWA has had in place a sophisticated mechanism for systematically tracking the representation of women on corporate boards. The methodology is based on a census developed by Catalyst, now used to benchmark women's representation on boards across a range of countries and from year to year (www.catalyst.org). The first EOWA census in 2002 found that 8.2 per cent of board positions on the ASX 200 were held by women. This increased to 8.4 per cent in 2003, 8.6 per cent in 2004 and 8.7 per cent in 2006.

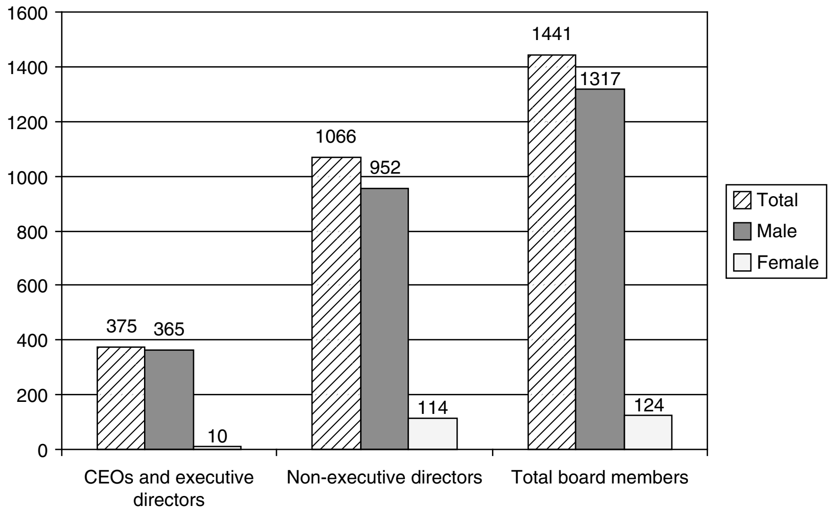
Again these figures reveal modest increases in recent years. Nonetheless Australia ranks behind Canada (12.0 per cent), the USA (14.6 per cent), South Africa (11.5 per cent) and the UK (10.5 per cent), in terms of the percentage of women on corporate boards. Only New Zealand, with 7.1 per cent, is ranked behind Australia (EOWA, 2006).

As mentioned earlier, Australia has a system of corporate governance that differentiates between executive and non-executive directors: 'Executive directors are senior company executives who have a place on the board because of their position within the company' (Burgess and Tharenou, 2002, p. 41). Non-executive directors are appointed from outside the company usually at the invitation of the board chair or via a nomination committee. Such appointments are usually based on 'specialist expertise, industry contacts or prior experience' (Burgess and Tharenou, 2002, p. 41). Increasing the representation of women executive directors is a direct function of the progression of women within an organization into the senior managerial roles. A more complete picture of women's present status on boards in this country can be derived from analysing executive and non-executive categories separately.

Although proportionally still low by comparison to men, the percentage of women non-executive directors has almost doubled over five years. In 2002, 5 per cent of non-executive director positions were held by women. This increased to 7 per cent in 2003, 11 per cent in 2005 and dropped marginally backwards to 10 per cent in 2006 (Boardroom Partners, 2007).

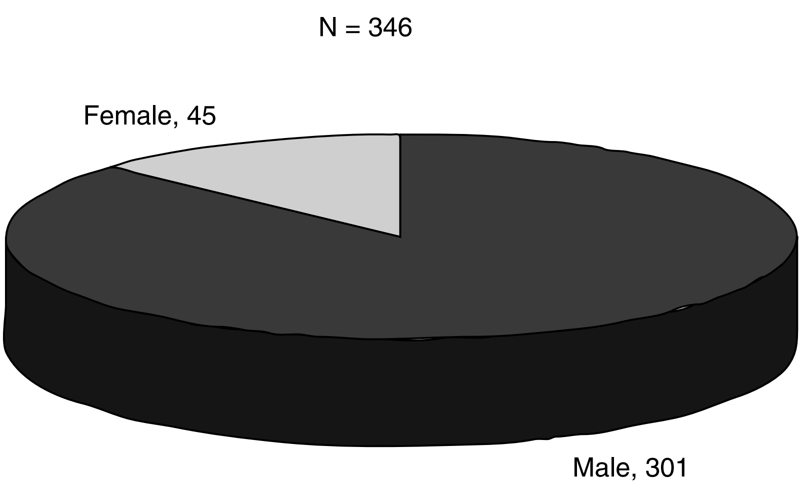
A different picture emerges in regard to executive director appointments. One of the standard arguments for addressing women's poor representation on corporate boards is that numbers will *naturally* increase when there are more women in the pipeline of individuals qualified for board appointments. The pipeline for an appointment to executive director is usually CEO. While the most recent EOWA (2006) data shows that only 3 per cent (n=6) of CEOs in ASX 200 companies were women, Boardroom Partners' research (2007) shows this number is now as low as 1.5 per cent (n=3). Similarly the percentage of women in executive manager roles, that is women reporting to the CEO, increased by less than 1 per cent from 11.4 per cent in 2004 to 12 per cent in 2006. Thus the pipeline of women who are in a position to achieve an executive director appointment is still negligible. As Figure 6.1 shows, women currently constitute only 3 per cent (n=10) of executive directors compared with 11 per cent (n=114) of non-executive directors (Boardroom Partners, 2007).

A deeper analysis of board membership (Figures 6.2 and 6.3) which tracked the career paths of all of the non-executive directors on the Top 50



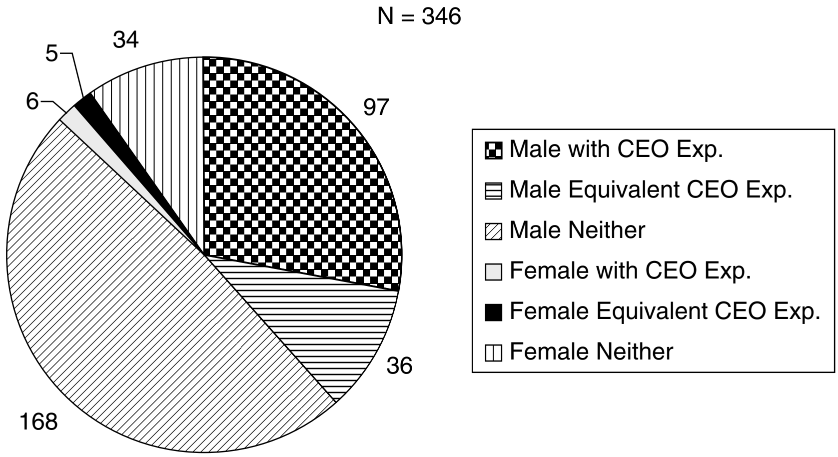
Source: Boardroom Partners (2007).

Figure 6.1 Board membership: ASX top 200 companies by gender



Source: Boardroom Partners (2007).

Figure 6.2 Non-executive directors by gender: ASX top 50 companies



Source: Boardroom Partners (2007).

Figure 6.3 Non-executive directors: ASX top 50 companies

listed company boards is suggestive of reasons for women's comparative success in achieving non-executive directorships (Boardroom Partners, 2007). This group of companies tends to lead the way for other boards and takes up 'best practice' ideas earlier than others. The number of women on boards in this quartile of the ASX 200 is higher than the other three quartiles and so patterns in this group were explored as illustrative of the 'best' that might be achieved (EOWA, 2006).

There are some notable differences between male and female career paths to non-executive directorships in these top 50 companies. In 2007, of 346 non-executive directors 103 (30 per cent) had been CEOs of Australian companies. A further 41 (12 per cent) had been in positions equivalent to CEO such as managing partner of a consulting firm or the head of an industry body or government department. 202 (58 per cent) had neither of these experiences and were appointed on the basis of other skills and experience.

Therefore the majority of non-executive directors (male or female) on boards do not have CEO experience or equivalent. When analysed by gender, the data show that women (76 per cent) are much more likely than men (56 per cent) to be appointed as a non-executive director without CEO or CEO equivalent experience. Men (32 per cent), on the other hand are more likely to have progressed to the boardroom from the CEO's office than women (13 per cent). Men and women with CEO equivalent experience appear on boards at about the same level (12 per cent and 11 per cent).

WHERE TO NEXT?

Corporate governance guidelines in Australia, which favour the appointment of a majority of independent directors, go some way to explaining the comparative success of women in achieving non-executive appointments. Burgess and Tharenou (2000) also found the appointment of women to these roles to be based on their social and human capital and on opportunity. More specifically it was related to individual skill, knowledge and expertise gained from education, advancement in management and age. Interestingly, women on Australian corporate boards tend to be younger than their male counterparts; their average age is 53 compared to 61 for males (Boardroom Partners, 2007).

Organizational factors that assisted women in gaining a board appointment include being employed in large organizations or the public sector, working in managerial hierarchies that are less male dominated, having lengthy and close relationships with other women board members and being the *token* female on male dominated boards.

Burton (1997) identified several explanations for women's lack of representation on Australian boards which we restate here because they are equally applicable today. Firstly she suggests that the lack of women is not an issue in the mind of board chairs (usually male). In other words, gender is not perceived to be a basis for board membership. Secondly whilst there is increasing pressure on boards to appoint women, there is a belief that qualified women are not available. Thirdly there is a degree of uncertainty about women's agendas and a perception that women represent *women* and not the *general* interest. The other two factors she identifies are director selection processes and discrimination and prejudice.

A study by Boardroom Partners (2003) found that despite coming from a broad range of industries, the majority of women on Australian boards came from a background in law, accountancy or economics. Their industry experience was likely to be in banking, investment banking, law or accounting or management consulting. Most women who are appointed to the bigger listed company boards in Australia are clear that a profile and track record are vital to success. Many have prior knowledge or experience with boards through work as consultants or professional advisors.

It is well established that having access to the right networks (who you know) is the most critical factor for both males and females in achieving a board appointment (Westphal and Milton, 2000) as is already holding one or more board memberships (Sheridan, 2001).

In contrast to the UK and USA, once appointed to a board in Australia women do not face additional barriers to progression and can expect to participate in the real work of the board and not left 'hanging out to dry'

(Boardroom Partners, 2007). This is supported by Burgess and Fallon (2003) whose longitudinal study of women directors in this country found that successful female board directors increase their number of board appointments over time, gain more board chair positions and gain positions on boards of larger companies. In Australia a greater percentage of women relative to men hold more than one board seat. EOWA (2006) data reveals the average female held 1.5 directorships, whilst the average male held 1.3 directorships. Clearly for women, however, the pool is much smaller, with a total of only 85 women sitting on ASX 200 boards. A similar survey by the Australian Council of Super Investors found that of the 57 women on the ASX 100 company boards, 35, or 61.7 per cent, held more than one board seat on a listed company. This compared to 40.9 per cent of males (Gettler, 2006). These figures would seem to suggest that networking opportunities that accrue from the all-important *contacts* that come with a board appointment, in combination with the relative scarcity of women, means that once a woman is appointed to a board, her chances of acquiring a second board appointment improve. Similarly Burgess and Tharenou (2000) found strong interpersonal ties between women non-executive directors and information sharing about forthcoming board vacancies among this small network to be factors that assist women getting to the boardroom table.

In an effort to broaden the pool of women qualified for board appointments and to move away from the traditional reliance on networks and interlocking directorates towards merit-based appointments, the Commonwealth Government and each of the State governments in Australia have set up registers for women who are interested in being considered for government boards. 'Women on Boards, Australia' offers a similar service for women who are seeking board appointments to register their own details. Over the years there have been in existence registers, such as these, which have had varied success, and governments have struggled with issues of quality control and management. However, all have been successful in putting the issue of women on boards firmly onto the political agenda and the annual publication of data across the country has established an expectation of continued attention and progress in the area. Averages from the State, Territory and Federal governments are now all in the order of 30 per cent which is commendable, yet deeper analysis shows clustering in the traditionally *female* portfolio areas with less representation in areas such as Defence and Transport.

Major corporate search firms including Egon Zender and Heidrick and Struggles as well as specialist consultancies, board search and advisory companies, such as Boardroom Partners and Board Advice, offer board recruitment services to the corporate sector. The professional association for directors (AICD) offers a paid search service from their electronic database of available members.

Co-author Jane Bridge, Director of Boardroom Partners, has found that in the board placements she makes, the success factor most critical for a woman seeking a board appointment is a strong track record at executive level combined with *personal credibility* in the marketplace. This is easily evidenced by holding an existing board appointment or more often through recommendation or endorsement by trusted advisors to the company.

CONCLUSION

The data presented in this chapter tell us that despite some growth in non-executive director appointments in Australia in recent years, the percentage of women on corporate boards continues to be disappointingly small. Of equal concern is that the reasons for women's poor representation on boards are the same as those identified over ten years ago. This is despite the fact 'that board diversity and independence are significant corporate governance issues facing the modern corporation' (Kang et al., 2007, p. 204). So what are the future prospects for women aspiring to a board seat in corporate Australia?

We have shown that women are more likely to be appointed to a corporate board without CEO or equivalent experience; are more successful at achieving non-executive director appointments than executive director appointments; are younger on average; hold more board directorships than their male counterparts, and once appointed, they do not face additional barriers to progression. Further research which elaborates this profile would, in our view, strengthen the business case for appointing suitably qualified women to boards. Such research might include detailed tracking of multiple board appointments, age profiles, career paths and networks of current women directors.

The coming years will see an increasing emphasis on performance reviews for boards of publicly listed companies in Australia. This will shed light on the dynamics in the boardroom that influence the effectiveness of the board and the quality of decision-making. It could be expected that such reviews will determine if aspects of good performance are directly linked to board member diversity. Research in other countries on the impact that women have on board performance is both equivocal and emergent (van der Walt and Ingley, 2003; Huse and Solberg, 2006). It is difficult, however, to argue the case for increasing women's representation on boards without a clear articulation of how they can best contribute to board effectiveness.

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7. The quota story: five years of change in Norway

Marit Hoel

INTRODUCTION

Oslo 2002, the day before the 8 March celebration: two ministers have called 150 business leaders, journalists and a small group of researchers to an early morning seminar. After months of heated discussions in the media on how best to remedy the lack of women in business leadership, the announcement is being made. At the beginning of the meeting the Minister for Trade and Industry confirms that the Centre-coalition government is prepared to propose a quota law where public limited companies are required to elect an overall figure of 40 per cent women to serve on company boards. However, companies will be given three years to comply on a voluntary basis, and thus avoid the law being put into effect. A heated discussion follows the announcement: with very few exceptions, business leaders and employer organizations oppose the proposal and warn of consequences. These are reduced competency, lack of authority and trust in the international markets. Some of the discussants even warn of severe economic consequences for the overall national economy and financial health of the country.[1] The seminar turns out to be the starting point for the swiftest change ever witnessed in corporate governance in Norway. In this chapter we will highlight the background, the most important features of the development, and the final outcome in terms of gender balanced corporate boards.

BACKGROUND

The Nordic countries have been regarded as very successful in their efforts to include a large number of women in the labour market and also in promoting women in politics and public offices. In 1986 Prime Minister Gro Harlem Brundtland set a record by appointing 40 per cent women ministers in her government. From then on, there has been continuing pressure to appoint women in government, public offices and administration.

For more than 30 years, women have entered higher education in large numbers and now women constitute a majority of public sector employees. However, succeeding governments have had an ambition to change the traditionally gender segregated educational system, and launched a number of campaigns to encourage women to choose male-dominated education areas and occupations. While the results of these actions have failed to deliver the desired outcomes, attention has gradually shifted towards the lack of women in visible power positions in the corporate world. Career studies have highlighted women's interrupted careers, wage differences and women's almost total absence in the upper echelons of corporate hierarchies.

Throughout the 1990s, discussions on how to remedy this situation continued, and some of the political parties and women's organizations introduced the idea of quotas for female directors in the publicly-owned companies. Eventually, they also suggested that if companies continued to recruit only men to serve on corporate boards, there should be some form of quota regulation on all corporate boards.

THE PROCESS OF THE QUOTA LAW REGULATION

In 1999 the Minister for Children and Family Affairs from the Centre-coalition government issued a consultation paper to amend the Equal Status Act of 1978. Among the proposals was a minimum requirement with regard to both sexes being represented on boards of public and private companies. The paper was considered by a wide range of bodies. The deadline for submission of responses was 1 February 2000. The proposal for pro-rata gender representation on boards proved to be controversial.

The Confederation of Norwegian Business and Industry and the Commercial Employers Organization in particular argued that whilst it was acceptable for public enterprises to lead the way in pursuing equal status objectives, organizations in the private sector should deal with such issues through negotiations and voluntary campaigns. Also, organizations and business leaders argued that legal actions would infringe the rights of private ownership. In contrast, trade unions welcomed the proposal. Both the Norwegian Confederation of Trade Unions and the Confederation of Vocational Unions wanted to see the provisions extended to private as well as public enterprises.

In the spring of 2001, the new Labour government, and the Minister for Children and Family Affairs, Karita Bekkemellem, submitted three models for board representation for consultations. This time the proposal included changes in the Norwegian Company Law (*Aksjeloven*). The moderate suggestion indicated that only the public sector should meet the requirement of 40 per cent women on boards. The second model included representation of both sexes in public limited companies. A third model, not recommended by the ministry, was based on a proposition from the Confederation of Norwegian Business and Industry. This model suggested that companies should nominate candidates for board positions, but implied that there would be no legal regulation of board representation.

However, the consultation among a large number of organizations gave mixed results: when the government first signalled its intentions to put forward such a proposal, it was met with both criticism and praise. A majority supported the general idea of some form of regulation, but very few gave specific preferences for one of the models. Business and employers' organizations voiced considerable criticism. No specific proposal was put forward before the election in 2001.

In the Autumn of 2001, the new minister for Children and Family Affairs in the Centre-right coalition government, Laila Dåvøy, immediately resumed work on developing a specific proposition for quota regulation. This time the Minister consulted with other ministries, among them the Ministry for Trade and Industry and the Ministry for Justice. In early 2002, the Minister for Trade and Industry, Ansgar Gabrielsen, from the Conservative Party, suggested in a press interview that companies had to recruit women on to boards in order to avoid regulation. There was still some resistance to this suggestion within the government and the statement came as a surprise to some of the members of the cabinet.[2]

In a press conference called on 7 March 2002, the Minister for Trade and Industry and the Minister for Children and Family Affairs went public with their intention to introduce a legally-based quota scheme, unless businesses themselves made sure that a sufficient number of women were recruited on company boards in public limited companies. The new law proposal of 2002/2003 was to apply to all state-owned companies, inter-municipal enterprises and public limited companies (PLCs). The latter was by far the largest group, and consisted of mainly larger private companies open to investments from external investors (but included many more companies than those listed on the stock exchange). Quota rules were not proposed for private limited companies, because it was argued that they mainly consisted of small family enterprises where owners were personally represented on the board.

On 13 June 2003, the government issued a proposal for new legislation relating to gender quotas on company boards. The legislative proposal was aimed at achieving an overall target of 40 per cent female representation on the boards of all public limited companies. The proposed law would apply to companies only if they failed to achieve voluntarily the acceptable level of female board representation by 2005. In November 2003 the proposed law was passed by the Norwegian Parliament.

THE DETAILS OF THE NEW PROPOSAL

The boards of larger Norwegian companies include representatives chosen by the company owners themselves. Some board members have representation by virtue of their large ownership shares or direct (employee) relationship with such owners. Others have no significant ownership interests, but are elected to the board on grounds of their qualifications. In larger companies, up to one third of representatives are elected by the employees. The boards of Norwegian companies are usually not involved in the day-to-day running of companies, but nevertheless have significant responsibilities in relation to their development and operation.

The main features of the government's June 2003 proposal were as follows: With regard to board members elected by company owners:

- on boards with two to three members, both sexes are to be represented;
- on boards with four to five members, each sex is to be represented by at least two members;
- on boards with six to eight members, each sex is to be represented by at least three members; and
- on boards with nine members, each sex is to be represented by at least four members, and on boards with more than nine members, at least 40 per cent representation of each sex is required.

Special rules for how employee representatives on boards are to be elected were also introduced:

- In cases where two or more employee representatives are to be elected, there must be representation of both sexes. This rule does not apply in companies where one sex constitutes less than 20 of the total number of employees at the time of the election.

As a result of these specific requirements in the law, a number of companies will need to comply with the requirement for up to 40 per cent women on their boards (a minimum of 25 per cent), and a number of companies (those with four, six and eight shareholder representatives) must elect 50 per cent.

IMPLEMENTATION OF THE LAW

The government and parliament ideally wanted affirmative action with regard to increased female board representation to take place on a voluntary basis. Thus the proposal stipulated that the part of the proposal relating to private enterprises (public limited companies) would come into effect only if the goal was not achieved voluntarily by 2005. An evaluation was to be carried out by 1 July 2005. If the proposed law was made applicable to this group, the companies would be given a two-year period to comply with the new rules. Thus this group of companies would have to satisfy the requirements with regards to a gender board quota some time during 2007.

For publicly-owned enterprises the new rules would come into force from 1 January 2004, and would be implemented without reservations. The new rules would not be incorporated into the Equal Status Act, but into the relevant Acts relating to the types of enterprises concerned (The Norwegian Companies Act). Hence, the sanctions pertaining to the law, following regulations already stated in The Company Act, for non-compliance with regulations, meant the closing down of companies who fail to comply.

DEVELOPMENT OF GENDER REPRESENTATION ON CORPORATE BOARDS: 2002–2007

At the outset of the legislative process, March 2002, the total number of women board directors in public limited companies had reached 6.8 per cent. Out of the 611 public limited companies for which figures were available, 470 did not have female board members.

Figures from the Norwegian economic publication, *Økonomisk Rapport*, indicated that among stock exchange-listed companies (160 in 2002) the proportion of women on company boards increased from 5.9 per cent in 1999 to 7.5 per cent in 2002. However, among these companies, as many as 70 per cent did not have any female board members at all. With a three-year scope of voluntary recruitment, a number of initiatives were launched, mainly by employer organizations, in order to avoid the regulation.

Both NHO and The Norwegian Financial Services Organization (FNH) developed guides offering practical advice for companies about how to increase female representation on boards. Databases containing details of qualified women were developed.

HISTORICAL DATA FROM THE CENTER FOR CORPORATE DIVERSITY

In 2001 the Center for Corporate Diversity (CCD) started to publish analyses of the representation of women among the board of directors and executive directors in the 250 largest companies in Norway and in the stock exchange listed companies.[3] In 2002 it published numbers for women board directors on the Oslo Børs (OSE) for the years 2000/2002. From 2004 onwards, the CCD was commissioned by The Ministry for Trade and Industry to analyse the public limited companies under the quota law. The report included numbers for ASA-registered companies on the OSE. In November 2007 the historical statistics were produced for presentation in a seminar at The Oslo Stock Exchange. In December, statistics were produced on commission from The Ministry for Children and Equality Affairs and the Ministry for Trade and Industry. Table 7.1 presents the number of women board directors on the Oslo Stock Exchange between 2000 and 2007.

The development in the years before the law was passed was slow; from 6.4 per cent in 2000 to 7.5 per cent in 2002. After the law passed through Parliament in 2003, the number of women on boards developed rapidly and in 2004 the proportion of females more than doubled from the 2002 level. In 2004 and 2007 the development in the Scandinavian region was compared. Table 7.2 shows the proportion of women board directors in listed companies on the Copenhagen, Oslo and Stockholm stock exchanges.

The slow annual progression of women directors onto corporate boards in Denmark and Sweden coincided with similar developments in a number of Western countries.[4] The sharp rise in the number of women in Norway is clearly related to the decision in Parliament in November 2003. Table 7.3 shows the development of board representation in public limited companies, (ASA-companies), from 2001 to 2006.

Table 7.1 Percentage of female directors in companies listed on OSE, 2000–2007

	2000	2002	2004	2005	2007
Percentage of women on board	6.4 %	7.5 %	15.9 %	24.1 %	37 %

Table 7.2 Proportion of female directors in listed companies by stock exchange

	Copenhagen	Oslo	Stockholm
2004	8.5 %	15.9 %	16.1 %
2007	10.0 %	37.0 %	19.2 %

Table 7.3 Women board directors on PLC boards, 2001–2006

	2001	2003	2004	2005	2006
Proportion of women directors	6.4 %	8.6 %	11.8 %	17.0 %	21.4 %

Table 7.4 Women board directors from January to December 2007

	1 January 2007	1 July 2007	1 December 2007
Proportion of women directors	24.6 %	29.6 %	34.7 %

Table 7.5 Companies in compliance with the Quota law 2005–2007

	2005	2006	1 January 2007	1 July 2007	1 December 2007
Percentage of companies in compliance	17.0 %	29.6 %	38.2 %	60.0 %	77.3 %

Table 7.4 tracks the changes during the last year of the transition period up to 1 December 2007.

The number of companies listed on the stock exchange at the outset of the law was 611, but by 1 December 2007, this had reduced to 487. At this date, 60 companies had no women directors on their boards, down from 121 in March 2007. Importantly, there are only six public limited companies with no women board directors on the Oslo Stock Exchange. Table 7.5 shows the number of companies in compliance with the law from 2005 until December 2007.

Throughout 2007, 79 companies decided to reregister from PLC status (ASA) into private limited companies (AS). An additional number of companies will probably leave the ASA-list in the first two months of 2008.

A number of women are now following a professional board director career. Seventy-five women occupy 200–250 of the 868 female-held board seats in the ASA list. This has been an upward trend since 2005.

CONCLUDING REMARKS

The introduction of quotas on corporate boards probably proved to be more controversial than expected by various governments and ministries in

Norway. There was internal opposition in the Cabinet, especially from ministers from the Conservative Party, although the Cabinet acted unanimously.

However, the international attention and reactions to this first attempt to improve women's representation in the corporate world mandatorily came as no surprise: The first Cabinet with a 40 per cent representation of women (the Harlem Brundtland government) brought a number of international correspondents to Oslo, for cover stories and interviews.

The result by the end of 2007 is stunning, compared to international developments. The heated arguments have calmed down, in light of the increased efforts to recruit more women, especially as all major companies have reached the target. Analysis of the qualifications women have brought to the boardroom table show that they have significantly higher levels of education than the average board member, they are slightly younger, and the majority have distinguished themselves through professional careers.[5]

Opponents to the law still argue the principle that owners should have the right to appoint board members of their choice. However, the arguments on women's shortcomings (such as lack of experience and reduced competency) and the economic setback gradually disappeared from public debate as prominent investors and industrial leaders declared that women's entry into their boardrooms proved to be a success story.

As with a number of historical changes, once implemented by the majority, there is no point of return.

NOTES

1. With very few exceptions almost all of the women executive directors present protested against the law proposal, in line with employers' organizations and male industrial leaders.
2. Especially among conservative ministers there was resistance to putting the law proposal forward. As recently as November 2007, a prominent Minister for Research and Higher Education at that time stated that she still has a negative attitude towards the idea of quotas.
3. The first conference on women board directors was organized by CCD in spring 2000, with participation from the government, international organizations and corporate leaders. The conference gained a lot of public attention.
4. Analysis presented by Singh and Vinnicombe (UK), Catalyst (US) and BWASA (South Africa) show a slow progression on the number of WBDs, numbers ranging from 9 to 15 per cent.
5. A quick analysis of the women executive leaders who have been recruited to serve on PLC boards shows no preference for women who have publicly stated their negative attitudes towards the law, rather the contrary: of the women with multiple board seats there is a small majority of women who have expressed a positive attitude.

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8. Women on corporate boards of directors: the Icelandic perspective

Thoranna Jónsdóttir

INTRODUCTION

By international standards Iceland ranks high in terms of gender equality and equal opportunity. In 1980 Icelanders elected the world's first female president. A few years later the female party was established, and in the 1983 parliament elections the number of female parliament members increased from the stagnant 5 per cent to 15 per cent (Statistics Iceland, 2007a). Iceland frequently ranks high on gender equality indexes. When it comes to powerful positions in the business arena, the situation is surprisingly different.

The Icelandic business world could be considered to have been somewhat isolated up until the last decades of the twentieth century. The recent changes can be attributed mainly to the establishment of the Icelandic Stock Exchange (ICEX) and removal of currency trade restrictions in 1992, and membership of the European Economic Area (EEA) in 1994. Furthermore, financially strong pension funds and the privatization of the banking system provided increased capital for foreign investment which has increased dramatically in the past decade (Tómasdóttir and Olafsson, 2007). The Icelandic stock exchange became part of the Nordic Exchange (OMX) in late 2006. In June 2007 just over 20 Icelandic companies were listed on the OMX (Nordic Exchange, 2007).

Icelandic companies can be considered to have two tier boards; a supervisory board composed of non-executive directors and usually an executive board composed of the chief executive and other executive directors of the company. It is the supervisory board, however, that holds the legal responsibility towards shareholders, according to the Icelandic Corporate Act, with its main tasks being to guard shareholders' interest by providing supervision and appointing and dismissing the chief executive, and other executives when applicable. The most common practice is to have the chief executive attend and participate in all board meetings but very rarely is he/she a formal member of the board and therefore does not hold formal voting rights. Legally the chief executive and other executives are allowed to hold formal seats on the board but should collectively not hold the majority of seats (Icelandic Corporate Act, 2/1995), but as a general practice, company executives rarely sit on the supervisory board. It should also be mentioned that Icelandic corporate law prohibits the dual role of Chairman/CEO. It is, however, not uncommon for the chairman to be employed on a part-time basis or even full-time by the company although it is rather the exception than normal procedure. Supervisory boards of Icelandic companies are relatively small, ranging from three to eleven members, with five members being the most common size.

THE PROGRESS OF WOMEN IN THE ICELANDIC CORPORATE WORLD

Female participation in the Icelandic labour force is relatively high and has been high for decades. In 2005 it was 77.8 per cent (Statistics Iceland, 2005). The educational level of Icelandic women can also be considered high; in 2004 the proportion of females was 64.5 per cent of all university graduates, and women have outnumbered men in university enrolment since 1984, although typically male faculties like business, science and engineering have enrolled higher numbers of males for longer. Women, however, had outnumbered men in business studies by the year 2000 and represented 57 per cent of all business graduates in the academic year 2004–2005 (Statistics Iceland, 2007b). In addition, governmental infrastructure can be considered relatively supportive of women's participation in the workforce as day care services are reasonably good compared to other countries and rights to parental leave are equal for both mothers and fathers; of the nine months' parental leave each parent is obliged to take at least three months of the leave.

Very little historical data exists regarding women in management, in senior executive positions and on boards. It seems as if the subject did not receive much interest until around 2003, when the business sections of the local newspapers published articles drawing attention to the low number of women on boards of listed companies; 5.3 per cent in November 2003 (Morgunbladid, 2003) and 2.3 per cent in April 2004 (Morgunbladid, 2004). The statistical bureau (Statistics Iceland, 2004a, 2004b) reported that the level of women heading businesses in 2004 was close to 20 per cent of companies with less than 10 employees and around 6.5 per cent of companies with more than 50 employees. Similarly the number of women chairing boards was around 23 per cent for companies of less than 10 employees and around 6.5 per cent for companies with more than 50 employees

(Statistics Iceland, 2005). The proportion of female senior officials and managers rose from 26 per cent in 1997 to 33 per cent in 2004 (Statistics Iceland, 1997, 2005).

The first formal figures to be reported for Iceland were in the Nordic 500 census, published in 2004 (Hoel, 2004). Eight large companies represented Iceland, and the level of women on those boards was reported to be just above 11 per cent.

Once the issue had been voiced the discussion gained momentum, largely led by women's activist movements. For instance The Icelandic Association of Women Entrepreneurs hosted a well attended seminar on the issue early in 2007, and the associations of female accountants, female attorneys, female engineers and female physicians drew attention to the low levels of female representation on boards of pension funds, by sending out a press release and letters to chairmen of pension funds early in 2005 (Morgunbladid, 2005).

The former Minister of Industry and Commerce who served office between 2003 and 2006 paid very active attention to the representation of women on boards, and in Autumn 2004 she appointed a committee to make suggestions for activities to increase the level of women on boards. Early in 2005 the Minister sent a letter to the chairmen of Iceland's 100 largest companies encouraging them to make an effort to increase the number of women on their boards. The committee submitted its suggestions for changing the situation in a report published in late 2005 (Jónsdóttir, 2005). One of the main suggestions made was to establish a function to institutionalize and provide a front for the continuing discussion and in particular to regularly report the statistics of the level of women on boards and at senior management levels (Jónsdóttir, 2005). Subsequently the Centre for Employment and Gender Equality Research at the University at Bifröst was appointed to conduct a biannual census of the level of women on supervisory and executive boards, supported by the Ministry of Industry and Commerce, the Federation of Trade, The Icelandic Association of Women Entrepreneurs and the Centre for Gender Equality.

The committee's suggestions also made appeals to the business world at large, encouraging corporations to put women on the agenda since it would result in better use of all the human talent available, as well as appealing to males in the corporate world to look at the progress of women as their concern as opposed to the sole concern of females, which to date seems to have been the case (Jónsdóttir, 2005). Although there have been no official objections to this appeal, the general view of corporations and the ones controlling them seems to be (fortunately with a few exceptions) that as senior appointments are all a matter of ability and interest, women will naturally progress to these positions once proper ability and interest are in order.

When summarizing the discussion of promoting women to boards of Icelandic companies, it is not possible to do the topic justice without mentioning the debate around legislating minimum requirements of female representation on boards, as Norway has implemented. Legislating quotas has been part of the discussion in Iceland, but generally not as a relevant or feasible option. The general view has been that forcing the change would result in the perception that the quota rather than merit would be the reason for any woman entering the boardroom. In addition, people are concerned that forced change would also create the problem of women being seen as tokens rather than contributors on the board. Furthermore, it has been considered more effective to demonstrate the benefits of increasing the level of women by presenting the business case for more female directors to the business world (Jónsdóttir, 2005). The main advocacy came from the third summit of women's networking, hosted by Bifröst Business School in June 2006 (Bifröst Business School, 2006). The idea, however, has not gained momentum and it is highly unlikely that legislation will be accepted by the business community in the near future.

CURRENT STATUS OF WOMEN ON BOARDS

The Centre for Employment and Gender Equality Research at Bifröst University has to date issued two reports on the level of women on boards and in the executive suite of the largest Icelandic companies. Since fewer than 30 companies are listed on the stock exchange, the census reports on Iceland's 100 largest companies by revenue.

The first report was issued in 2006 announcing the status of women on boards and in executive positions in August 2005 (Rannsóknarsetur vinnuréttar og jafnréttismála, 2006). The second report was issued in May 2007 and reported on the status in late April 2007. It came as somewhat of a surprise to find the representation of women on boards declining in this short period. In 2005 women represented 12 per cent of board members, but in 2007 the figure had decreased to 8 per cent. In 2005 55 per cent of the boards were all-male, but in 2007, 71 of the 100 largest companies had no female board member. In 2005 five women served as chairmen of the boards of the 100 largest companies, but only three women out of 100 were chairman in 2007. Furthermore women were found to hold 8 per cent of board seats of listed companies in 2007 (Rannsóknarsetur vinnuréttar og jafnréttismála, 2007). As for the number of female executives, results were much more positive; in 2005 10 per cent of members of executive boards were female, rising to 14 per cent in 2007 (Rannsóknarsetur vinnuréttar og jafnréttismála, 2007).

Considering the fact that only two reports have been published, it is difficult to claim that a trend has been spotted, so taking a pessimistic view of the findings is at best premature. Comparing the 2007 figures with the unofficial 2003 figures does give the impression of some progress, but surely longer term development trends, say 10–15 years, need to be examined to make any significant inferences. Considering the fact that the level of women on boards and in senior management was a non-issue up until four years ago, low levels and slow progress should not be surprising.

IN SEARCH OF EXPLANATIONS FOR LOW NUMBERS

The committee appointed by the Minister of Commerce conducted research based on focus groups and interviews with high-profile individuals from the business community. Three focus groups were conducted; one composed of high-ranking males from the business world, another with high-ranking female executives and the third composed of both high-ranking business men and women. From this data, five main types of explanation for scarcity of women on boards emerged: increasing the level is not seen as important; women are not qualified; women are not interested; women lack social capital; and the typical board recruitment process is more likely to result in recruiting a male (Jónsdóttir, 2005). The fact that women are not capital owners, a common explanation, did also emerge, but was not as predominant as the other five.

The first explanation, female scarcity being a non-issue, was particularly evident amongst male interviewees, since many of them did not think the scarcity of women on boards deserved any particular attention. Their view was either that time would eventually even out the situation, that businesses seemed to be doing fine without women, or that since women were increasingly acquiring education and experience on a 'male like level', gender would be of no particular importance since men and women were becoming more similar.

Lack of qualifications was extensively elaborated on by both male and female interviewees. In the view of male interviewees qualifications were key factors for advancing to boardroom positions. That being the case, the perceptions seem to be that women in general lack qualifications. It is, however, difficult to demonstrate whether women in fact do fall short of appropriate qualifications. As already indicated, women have outnumbered men as university graduates for quite some time now, so claiming lack of academic qualifications definitely falls short. Assessing women's professional experience is more complicated. It can, however, be inferred that, in general, the nature of women's experience is somewhat different from that of males, and seems in general to be less valued by the business society.

An issue of equal attention was women's perceived lack of interest or even ambitions to rise to the highest levels in the business environment. The fact that women bear higher levels of household and childcare responsibilities was attributed to this perceived lack of interest. A view shared by both males and females was that women seemed to lack ambition to move forward. The explanations for this lack of ambition were different, however, for males and females. While males explained women's lack of ambition by the fact that women were by nature more risk averse or were in general interested in other things, the females talked about the negative effect of the additional burden of being different from the norm when one is a female director or executive. These findings are very much in line with findings of earlier research of male and female views on women in senior management (for example Kanter, 1977; Marshall, 1995). A recent study on Icelandic MBA graduates indicated that the level of ambition was slightly higher for males than females (Margeirsdottir and Gunnarsdottir, 2006). This, however, could not be attributed to childcare responsibilities, as is frequently done, since in the same study no difference was found between ambitions of female MBAs with or without children.

Women's lack of social capital, access to networks and affiliations was the fourth theme of explanations. Women were in general considered less visible than men, and less likely to be known by those in powerful positions in the business society. Furthermore the fact that women are not participating in powerful networks results in lower lack of affiliation and lower levels of acquired trust, which in turn lessens their chances of being appointed to boardroom positions (Jónsdóttir, 2005).

Finally the nature of the recruitment process was identified as a hurdle for women. A recent study of the board recruitment process in Iceland examined the nature of board recruitment and what particular qualities eligible board members should posess. The findings revealed first of all that the recruitment process is in general highly informal. The use of placement or search firms to identify eligible board members is largely unheard of, and very seldom are qualification criteria spelled out in detail. Formal and informal networks, prior business relationships, connections to large shareholders and so on seem to be the prevailing methods for board selection (Jónsdóttir, 2006).

Relationship, affiliation and trust in board appointments seemed to play a key role indicating that 'appointing *who you know* rather than *what you need*' is a common procedure and likely to prevail. Nevertheless there were indications of the growing importance of the workings of the board, and a trend towards looking for highly skilled and qualified individuals could be detected (Jónsdóttir, 2006). These findings give an interesting twist to the claim that women lack qualifications to become board members, for it seems that until recently knowledge and skills did not matter all that much. Women have, however, been gaining on men in terms of education and business experience and can scarcely be found to fall so short of qualifications (although they might have in the past) that it should entirely rule them out as eligible board members.

What is left then is the high importance of relationships and trust. There are indications that the hurdle can particularly be detected in women's lack of social capital; that is to be known or accepted by the community of board recruiters (Jónsdóttir, 2006). In particular they seem to lack relational social capital (Nahapiet and Ghoshal, 1998) which reflects in particular the level of relational trust possessed by a particular individual. The issue then is not so much that those in positions to appoint to boards do not trust women per se. It is rather that since women are generally not part of the business elites' social and power networks, they are not known to the appointers at the same level as the men that form these networks or who are somehow affiliated with them; hence women's trustworthiness is an unknown factor. It can also be a reflection of homosocial reproduction as identified by Kanter, as the tendency to recruit individuals of high social similarity increases when uncertainty is high. 'As uncertainty up the ranks . . . puts premium on trust and homogeneity' (Kanter, 1977, p. 53).

OUTLOOK FOR THE FUTURE

In a country that prides itself on providing equal opportunity to all citizens, the low numbers of women in powerful corporate positions is stunning. Even more so is the fact that low levels of women on corporate boards have until very recently gone unnoticed.

Whether increased discussion, activism and government interventions will succeed in evening out the numbers is really too early to tell. There is a notion, particularly among business women, that the current situation is neither sensible nor 'right', and this notion is slowly spreading to other segments of the business world.

Expecting drastic changes through discussion and activism alone is, however, too optimistic. The changes will most probably take place, one female board member at a time, one female executive at a time, one company at a time. As long as there is progress, there will be changes. But initiatives have to be wanted, welcomed, fostered and nurtured. This will happen; by one visionary chairman, CEO or major owner at a time wanting and willing to take the workings of the board and the company to a wider perspective, willing even to take risks and shift paradigms.

Fortunately there are examples of companies willing to change the 'rules of the game', although still very few. Once these visionary chairmen, CEOs and corporations reach a critical mass, we will have reason for being optimistic.

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9. Women on corporate boards of directors in Spanish listed companies

Celia de Anca

INTRODUCTION

> Given that in these communities women are not prepared for any kind of human virtue, they are often like plants in that they constitute a burden for men, which is one of the reasons for poverty in these societies. . . . At the same time women's lack of training means they cannot contribute to any other necessary activities bar a few exceptions such as spinning and weaving, which are usually undertaken only when money is needed in order to subsist. (Averroes, 1986, p. 59)

As early as the twelfth century in the Spanish city of Cordoba, the philosopher Averroes[1] argued for a full inclusion of women in the economic fabric to aid the advancement of society. He and many others after him contributed to the transcendental improvements with regard to women's inclusion in economic environments that make modern Spain a fair and equal society. However, despite these improvements, women's economic integration in the twenty-first century remains a topic of discussion in terms of the ratio of women to men in the higher echelons of business, which is still seriously imbalanced.

In recent years a number of initiatives promoted by the public and private sectors have been launched to counteract this imbalance, most of which centre on removing external barriers to the promotion of women. Meanwhile, however, major internal hurdles continue to make women's advancement difficult and can only be resolved by a change in culture and perspective.

CORPORATE GOVERNANCE IN SPAIN

One hundred and ninety six companies are listed in the Spanish Continuous Market, 35 per cent of them domiciled outside Spain, mainly in Latin America (Bolsa de Madrid, 2007).

The Ibex35 is a capitalization-weighted index comprising the 35 most liquid Spanish stocks traded in the Spanish Continuous Market. It is the official reference index for the four Spanish stock markets of the Spanish Stock Market Interconnection System. The index is revised every six months.

Board Practice and Standards

Spanish listed companies are required to present a report of good governance, including their board structure, standards and practices to the Securities Markets Commission (CNMV) (Comisión Nacional del Mercado de Valores, 2007).

Board regulation in Spain[2] comprises both mandatory and voluntary practices. Some areas, in particular those related to transparency and board responsibilities, comprise specific rules and regulations for full compliance. However, when dealing with aspects related to board practice and standards, Spanish corporations, in accordance with article 116 of the Securities Market Law, follow the 'comply or explain principle', whereby listed companies must either comply with the code of practice or justify any failure to comply.

The Code recommends some practices concerning the functional structure, size and board composition including gender diversity. The following good governance recommendations are of special relevance for this study.

- The code does not recommend separating the positions of chairman and chief executive, but does require leadership choice to be justified.
- The board of directors should ideally comprise no fewer than five and no more than 15 members.
- External directors (non-executive directors), both proprietary (those representing shareholders' interests) and independent, should hold a large majority of board places.
- Independent directors should represent at least one third of all board members.
- Gender diversity has been introduced in the new code in Recommendation No. 15 whereby

> when women directors are few or non existent, the board should state the reason for this situation and the measures taken to correct it; in particular, the Nominations Committee should take steps to ensure that
> – The process of filling board vacancies has no implicit bias against women candidates.
> – The company makes a conscious effort to include women with the target profile among the candidates for board places. (Unified Good Governance Code, 2006, p. 18)

The code also specifies more specialized procedures for the selection of new board members. In this respect it is important to emphasize the increasingly relevant role of the Nominations Committee in Spanish corporate boards. In 2005 an average 42 per cent of board members were appointed by this committee in comparison with 34 per cent in 2004 (Fundación de Estudios Financieros, 2006, p. 46).

According to the Spanish Securities Markets Commission, there have been significant improvements in corporate governance in listed Spanish companies. However, despite improvements, the CNMV underlines the need to strengthen board transparency, in particular the selection processes, and specifically for independent board members (Comisión Nacional del Mercado de Valores, 2007, p. 70).

A similar positive trend can be found by analysing the trends in Spanish boards carried out by Spencer Stuart (Spencer Stuart, 2006). If we compare the 2006 report with that of the first index in 1997, we can find a significant improvement in the percentage of independent members among the total number of board members, which rose from 21 per cent in 1997 to 35 per cent in 2006.

WOMEN IN SPANISH CORPORATE LIFE

The Spanish business environment has improved significantly in terms of women's integration over the last five years. Nevertheless, figures still show a marked lack of women among senior management in Spanish companies.

Women comprised 40.85 per cent of the Spanish workforce in 2006, which was a significant improvement on 36.87 per cent in 2000. However, a closer look at the data to examine the positions held reveals little improvement for female directors, who comprised 31.07 per cent of directors in 2000, and 31.76 per cent in 2006 (INE, 2007) (see Table 9.1).

Although the pace is generally slow, some areas exhibit a more positive trend. For instance, women are gaining considerable power in the public administration sector, in legislative power and in managing small enterprises.

WOMEN ON SPANISH CORPORATE BOARDS

In 2006 the 127 Spanish listed companies included in this study[3] were governed by a total of 1391 board directors, 6.1 per cent of whom were women. This translates into 86 female directors, which is an improvement on previous figures of only 50 women board members in 2005 and 53 in 2004. Of

Table 9.1 Women executives in Spain

	% women 2000	% women 2006
Total working population	36.87	40.85
Corporate directors and directors of public administration	31.07	31.76
a) Women legislators and directors in the public sector	25.58	45.04
b) Corporate directors (corporations with more than 10 workers)	15.45	22.29
Management (Corporations less than 10 workers)	23.80	27.14
Management (Corporations without workers)	47.59	45.06

Source: Survey on Spain's active population INE 1998–2007 (1st term).

Table 9.2 Corporations with women directors

	Number
Corporations with at least one women director	60
Corporations with 2 women directors	5
Corporations with 3 women directors	4
Corporations with more than 3 women directors	4

Source: Author.

Spanish listed companies, 47.3 per cent had at least one woman director but only 10 per cent had at least two or more, as highlighted in Table 9.2.

Of the 127 listed companies included in this study, the 35 comprising the Ibex35 showed lower figures than non-Ibex35 listed companies. Women directors comprised 5.1 per cent in the 35 companies included in the Ibex35 by the end of 2006 (26 women out of a total of 504 board members) and 45.7 per cent of companies in the Ibex35 still had no women on their boards. Non-Ibex companies have a higher proportion of women, with 6.7 per cent (60 women directors out of 887 board positions).

The reason for the larger percentages of women directors in listed companies that are non-members of Ibex is probably that the vast majority of them represent family shareholders' interests, and there is normally a stronger family presence in small corporations.

Table 9.3 Women directors by sector

Sector	Total board members	Women	%
Oil & gas	149	6	4.0
Industry basic materials	369	19	5.1
Consumer goods	238	16	6.7
Consumer services	221	19	8.5
Financial and IT services	356	24	6.7
Telecom	58	2	3.4

Source: Author.

In 2006, the composition of women directors was: 61.6 per cent proprietary, 24.4 per cent independent and 13.9 per cent executive directors. A large number of women executive directors also represented shareholder interests, meaning that for the most part, women directors in Spanish listed companies represent the interest of shareholders, many of whom are family members.

If we go to a larger sample this trend will be confirmed, as shown in a 2003 study of the 1085 largest Spanish corporations, which resulted in a figure of 6.61 per cent women directors on their boards (Mateos de Cabo et al., 2006, p. 1). The study drew up a ranking for women's equality, and in this ranking none of the ten best positioned companies were listed in the Spanish stock exchange and nine out of ten were family-owned businesses.

In terms of sectors, Table 9.3 reveals that women are more prevalent in consumer services, financial services, IT and consumer goods companies. Companies in the telecom industry and oil and gas show lower figures for women directors.

As for board positions, in 2006 there were only two women CEOs, Ana Patricia Botin-Sanz de Sautuola y O'Shea at Banco Español de Crédito and Helena Revoredo Delvecchio at Prosegur. Nine women held vice-CEO positions (only two more than in 2005) and three women directors held the position of board secretary. If we disregard additional seats held by women serving on more than one board, the number of women directors drops from 86 to 72.

CAUSES OF INEQUALITY AND MEASURES TAKEN TO COMBAT IT

There is a general consensus in studies carried out in recent years that work/life balance is probably one of the main hindrances in women's progression toward higher corporate positions, followed by a lack of awareness and social stereotypes (Cruzado and Velasco, 2005; Singh and Vinnicombe, 2006; Gómez Ansón, 2005).

As a result, a number of public and private campaigns have been launched in Spain to tackle these specific issues and to eliminate inequality. These initiatives can be divided into two categories: legislation-based action and private action designed to stimulate social change in the country.

The Spanish government has launched a series of measures to foster higher women-to-men ratios in business life, including legislation, incentives and support for private initiatives and public awareness. One of the most controversial legislative moves has been the Constitutional Act 3/2007 of 22 March for Effective Equality between Women and Men, known as 'The Equality Law'.

The law includes the requirement for companies with more than 250 employees to develop gender equality plans as well as specific measures to counteract work/life imbalance. One of the most controversial aspects of the equality law is the section that refers to women on corporate boards. According to Article 75, 'Companies obliged to present unabridged financial statements of income will endeavour to include a sufficient number of women on their boards of directors to reach a balanced presence of women and men within eight years of the entry into effect of this act' (The Equality Law, 2007, p. 483). (Balanced presence being defined by law as 40/60 of each sex.) Article 75 recommends rather than obliges. However, it is clear that companies wanting to work with public administration in procurement, contracts or public aid would have more chances of obtaining governmental support if they follow the recommendations designed to help them reach the Corporate Equality Mark stipulated in article 50, Chapter IV Title IV of the same act.

The Equality Law has led to intense debate in the Spanish business environment disclosing polarized points of view that are either clearly in favour or against the law, in particular with regard to Article 75 on the inclusion of women on corporate boards. Three months following the law's approval, Adecco conducted a survey of 350 female executives in Spanish companies which revealed some interesting results; 93.75 per cent believed that female employees are not treated equally in the corporate world, whilst 77.5 per cent of the surveyed women felt that the equality law is positive in general terms, and in particular for achieving work/life balance. Conversely 49.34 per cent of the women participating in the survey thought that Article 75 will cause more harm than good, as women reaching the boardroom will be perceived as fulfilling a quota and thus their individual merit will be questioned (Matute and Paul, 2007).

On this last point regarding female executive inclusion at board level, the Secretary of State and promoter of the law, Soledad Murillo,[4] argues that it is about a *balanced representation of women* and not about establishing quotas. Quotas are established to protect minorities, and since women in Spain represent the majority of the population, their treatment should follow the basic rule of democracy which is enshrined in the principle of representation. Soledad Murillo argues that the law is intended to foster the impartiality principle. The prevailing criteria for new appointments to the board of directors should be talent, capacity and personal capabilities, and in no way should sex constitute an obstacle as it does presently.

In addition to the equality law and other government initiatives, private measures and public campaigns have also been developed over the past years aimed at fostering greater awareness of women's issues. Those initiatives focused initially on work/life balance policies, but increasingly the focus has shifted toward women in the workplace in a broader sense. Awards, rankings and yearly events form part of these initiatives, many of them led by media groups with the support of business schools in the form of academic counsel, and sponsorship by public and regional governments.

Among these initiatives we can highlight the *Expansion y Empleo* award for Human Resources Innovation (E&E, 2006) and the Flexible Corporation Award organized by CVA with the support of business schools and national and regional governments (CVA, 2006).

SUPPLY CHAIN FOR EXECUTIVE AND NON-EXECUTIVE DIRECTORS

In eight years, following the law's recommendations, more than 400 women will need to join the boards of Spanish listed companies. Although this figure may appear high, it does not look unrealistic if we consider the high levels of rotation among board members in Spanish listed companies, as stated by Ana Maria Llopis.[5] In an interesting analysis (Llopis, 2006), she states that for the past four years, 53 per cent of directors rotated in Spanish listed companies, which means that 848 new directors were appointed of an average total board positions of 1600.

A closer analysis of Ibex35 illustrates the high rotation of directors in Spanish listed companies, as shown in Table 9.4.

Therefore the results of this analysis illustrate that over four years in Ibex35 companies, 284 directors were new members; therefore to reach the number of 400 new appointees in eight years is not in itself too high a target, given the general trends of Spanish boards.

Table 9.4 Total of new directors in Ibex35 companies

Year	Total number of directors	New directors
2002	452	77 (4 women)
2003	530	83 (6 women)
2004	525	64 (8 women)
2005	508	60 (4 women)

Source: Author.

Many people question if there are enough women who are ready, capable and visible enough in the Spanish business environment to fill the proposed number of women members on the boards of Spanish listed companies. Moreover, where are businesses going to find women executives to appoint to boards, given the reduced numbers in women in the supply chain, when following some studies, only 5 per cent of the top executive positions are currently held by women in Spanish listed companies? (Gómez Ansón, 2005).

Hence in order to increase the visibility of women executives for boards, and senior management positions in Spanish companies, a series of initiatives have been launched. Among these a directory of potential candidates has been brought out in September 2006 by the Organization of Spanish Executive Women (FEDEPE) and the Fundación de Estudios Financieros (FEF) (Fundación de Estudios Financieros, 2007). Other initiatives launched in recent months include cross-mentoring programmes for top management positions, specific women's training programmes for board membership and regular mentoring and research of the situation vis-à-vis women in top corporate positions.

It is particularly interesting to highlight initiatives developed a few years ago by the Association of Directors to foster diversity in the boardroom. These initiatives have a practical focus with emphasis placed on training in collaboration with various associations such as the International Women's Forum (IWF).

WOMEN'S PERSONAL BARRIERS

Recent initiatives have helped to eliminate some of the external barriers that women face in reaching the top. However, women also face internal barriers that hinder their career progression and hence their visibility and their readiness. Several studies based on individual perceptions have been carried out in recent years with interesting results (Kaufmann, 2007; de Anca and Aragón, 2007; Cappelli and Hamori, 2005).

In 2005 a study carried out by Círculo de Progreso under the academic advice of members of IE Business School's faculty set out to provide a rigorous vision of the processes and conditioning factors that could provide an answer to the basic question: Why are there so few women in the higher decision-making positions in Spain? The study adopted a personal approach to the value individuals place on women's careers in Spain and how they define their careers (Círculo de Progreso, 2005).

One hundred and fifty women were interviewed, in eight different fields: academia, public administration, the arts, management, entrepreneurship, politics, civil society and freelance professional. The eight different career paths were divided into professional levels defined by a specific professional maturity index designed for the purpose of the study. Information acquired through interviews was then evaluated by semantic analysis techniques. As a result, 65 indicators were defined in four different areas around the main central question of explaining the lack of women in top positions in Spain. The results were somewhat surprising. The traditional hindrances, such as equal access to higher education or work opportunities were not perceived as an obstacle. The main barrier to professional advancement was generally considered to be a result of personal decisions rather than availability of options.

The study also concluded that these working women did not, on average, perceive much gender discrimination. This low level of gender perception was, however, the result of highly polarized vision among women in Spain. A specific position held by a minor group perceived major gender discrimination, while a large group of women perceived scant gender discrimination. There was also a polarized vision of measures against inequality. A minority of women (40 per cent) were clearly in favour of positive discrimination measures supported by legislation, while 60 per cent were clearly against it.

The answer to the question of why there are so few women at the top was, for many, merely a question of personal factors rather than social or sector-based factors. Hence one of the main conclusions of the study was that women in Spain see women's own personal value system as a catalyser or inhibitor of women's careers. Personal values and circumstances are often perceived as the main inhibitor to female advancement. In this respect one of Spain's most respected female executives maintains that self-esteem is the key attribute required to reach the board of a corporation, after which training and networking are fundamental instruments to help women achieve their goals (Gomez Acebo, 2006, p. 16).

FUTURE TRENDS

Over the last five years, the Spanish corporate environment has seen intensive efforts by public and private organizations to improve women's access to corporate life and corporate leadership positions. Numbers are still low, however, and the pace of change is slow.

The Equality Law has had an impact in the Spanish corporate world. Although it is still too early to measure results, the number of women in corporate boards will surely increase over the next few years. Nevertheless, there remains the more serious challenge of achieving a natural flow of women into corporate boards in the medium term.

On the demand side, there is a need to redefine the selection procedures to ensure the 'impartiality' of new appointees. As Ana Maria Llopis suggests, a clear definition of profiles in a well defined grid of needs at board level will naturally lead to a natural selection of a balanced representation of women directors.

On the supply side, work/life balance measures, as well as other public and private measures including mentoring programmes, specific board training, women candidate directories and social awareness will without doubt improve the general environment for women wanting to reach the boardroom.

There remains, however, a far greater challenge and one that must be addressed if the trend of women leaving corporate life is to be reversed. It concerns changing women's personal values and personal attitudes. An awareness among women of their options and the impact of decisions at an early stage in their careers is of paramount importance for the drive to help women make a conscious choice in their life paths, regardless of where these paths will lead them.

NOTES

1. Averroes: Abūl-Walīd Muhammad ibn Ahmad ibn Muhammad ibn Rushd, Córdoba, Al Andalus (born Cordoba 1126, died Marrakech, Morocco, 1198).
2. Codes in Spain included The Olivenza Report: Code for Governance for Boards of Directors of listed companies (February 1998), followed by the Aldama Report in January 2003 and finally the Unified Code of Good Governance, approved in May 2006 will have to be adopted by companies by year end 2007 and will replace the former codes of 1998 and 2003.
3. For the purpose of this section we will analyse the data of the 127 listed companies, domiciled in Spain, that have presented the 2006 Good Governance Report at the Spanish Securities Markets Commission, CNMV, www.cnmv.es.
4. Soledad Murillo, the Secretary of State for equality policies (interview July 2006), http://www.mtas.es/sec_igual/bio/s_murillo.htm.

5. Ana Maria Llopis Rivas, Member of the Working Group for Spanish Good Corporate Governance Directives; Non-Executive Director of British American Tobacco; Member of the Supervisory Board of ABN-AMRO (interview July 2006).

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10. Contrasting positions of women directors in Jordan and Tunisia

Val Singh

INTRODUCTION

Little is known about the extent to which women have entered the decision-making and governing tiers of the Arab business world. This chapter reports the first initiatives to establish benchmarking of top companies with female directors in Jordan and Tunisia. The chapter is structured as follows: a brief literature review is followed by separate reports on the position in Jordan and Tunisia. The findings are intriguing, as they are so different in these two Arab countries. The discussion puts these results into an international context. In the conclusions section, suggestions are made for further research followed by recommendations for practice.

WOMEN'S MANAGEMENT CAREERS IN ARAB COUNTRIES

Arab social structures are different from those in Western societies. The family tends to be the main unit in society rather than the individual. In a study focusing on Jordanian women, Miles (2002) reported that social and cultural barriers persisted despite the increasing proportion of Jordanian women at work. Young women reported that their families gave more career support to sons than daughters, and that they frequently had to give up their jobs to help their families. In dual career couples, domestic work was considered solely the woman's concern. Managing a career entailed a difficult negotiation process with the family, because of concerns about travel, accommodation and harassment. Women with degrees were frequently frustrated in their attempts to gain jobs at appropriate levels. They often found it easier to build careers as volunteers because their unpaid status did not threaten the family hierarchy.

Opportunities for women in countries such as Jordan and Tunisia are increasing as globalization continues. However, in many Arab countries, gender equality is supported in education but not yet in employment. In a study of cultural dimensions of gender and management across the Middle East, including Jordan, Metcalfe (2006) says that the importance of the family and the need for *wasta* (connections) to powerful hierarchies make it difficult for women to achieve senior positions without strong family connections. The cultural need for equilibrium at work means that there is reluctance to tackle gender relations, whilst the patriarchal management responsibility for protection of employees (including modesty of females) can be limiting for women who want to progress into management. Women in Metcalfe's study rated barriers to progress as the business culture (77 per cent), lack of role models (73 per cent), family commitments (63 per cent), stereotyping (61 per cent), limited training opportunities (57 per cent) and elder care (37 per cent).

JORDAN

Jordan: Gender Equality Measures

Jordan is in 86th place of 177 countries according to the Human Development Index (HDI). Values for Jordan indicate that women hold 8 per cent of seats in Parliament, and the ratio of female to male earned income is 0.3. The Jordan Human Development Report (UNDP, 2004) reports that compared to its Arab neighbours, Jordan scores relatively well on gender development indicators. Total female employment participation for Jordan was 28 per cent in 2003 (World Bank, 2003). However, lack of gender equity is a major economic development concern, and Jordan's leaders are actively seeking to address this. The challenges seem to be continued disparity between rich and poor, urban and rural women in terms of education and opportunities, and continued socialization of children into gender-stereotypical roles, with women dependent upon male relatives. The Report recommends monitoring of gender equity through gender audits to ensure that policies are reflected in practice. A survey of men and women in decision-making roles in Jordan in 2003 provided a list of the key women involved in a variety of organizations, from government to business, industry and social organizations (Arab Decision, 2006). The 62 women represented 3.6 per cent of the 1704 people on the decision-makers list. Some of those women are directors of major companies in 2006.

Jordanian Governance Structures

Public listed companies have single tier boards and are required to have an odd number of directors (between three and 13) (World Bank, 2005). Board members have to be shareholders, and are elected by secret ballot of company shareholders for a four-year term. They then elect a chairman from within their group, who may also be the CEO or general manager, as is so often the case. Removal of directors is very difficult. There has to be an audit committee, with three non-executive directors, but there are rarely any other committees. The listed sector is dominated by banks and insurance, and there are many powerful family holdings centred round a bank (World Bank, 2005). Governance processes have been under review recently, but calls for more professional directors do not seem to include women. A report by Fouad (2005), GM of the Union of Arab Banks, commented that there was a heavy concentration of ownership in Jordan, and that boards are dominated by controlling shareholders representing the interests of powerful family groups. There is a lack of independent directors and a high degree of interlocking directorships, as well as inadequate disclosure.

The governance system has structural biases against the appointment of female directors, and this is reflected in the language of the governance reports cited, where directors are referred to using masculine pronouns. The requirement that directors have to have a certain shareholding means that only wealthy women have the opportunity for election. The lack of board committees (other than audit) means that executive women are less likely to interact and be visible to board members. The lack of independent directors means that professional women (and men too) who would otherwise be well qualified for board membership do not get into the talent pool, because only the well-connected and the shareholders satisfy the criteria.

Current Status of Women on Jordanian Boards

The Jordanian companies and their boards

Only seven (14 per cent) of the top 50 listed companies in Jordan have female directors on their corporate boards. The Arab International for Education and Investment distinguishes itself with three female directors (23 per cent), two of whom are daughters of the controlling/founding family. The bank is followed by Beit Al-Mal Saving & Investment for Housing (14 per cent). The Societé Générale de Banque Jordanie (9 per cent) is noteworthy for being the only company in this list with a female executive director (Mrs Tannous, General Manager). The Union Bank (9 per cent) appears alongside its daughter company, Union Land

Development (11 per cent). Other companies are the Arab Bank (9 per cent), which unusually discloses full director biographies on its website, and National Portfolio Securities (9 per cent).

Whilst the average board size of the top 50 Jordanian firms is just under ten members, the boards of companies with women directors averaged ten members, and ranged from seven to 13 directors on the board. There is no evidence therefore of women being appointed as additional directors.

When the top 50 companies were ranked by size of their market capital in March 2006, there was a correlation ($p = 0.032$) between size of market capital and the presence of women directors. The correlation is similar, although weaker, to findings in countries such as the UK (Singh and Vinnicombe, 2006). The size of the firms' workforce is an indicator of the extent of possible jobs for women as well as men. Whilst the top 50 firm average workforce was 870 people, it was higher (1118) for companies with women directors and only 826 for those with all-male boards.

Jordanian sectoral comparison

Only two sectors had women directors, banking and services, and the service sector firms were investment related. In the banking sector, women comprised 3 per cent of directors, whilst in the service sector, women held 4 per cent of the 148 seats. Women held no seats in the industrial or other sectors. A quarter of top banks and a third of the service sector firms in the top 50 companies had a woman on the board in 2006.

Jordanian women directors

Eight women directors hold nine Jordanian Top 50 directorships, forming 1.9 per cent of the total directorships in the top 50 firms. Only one female, Mrs Tannous, holds an executive directorship; she is general manager of a bank. All the other women are in non-executive roles. Women executive directors therefore make up 4.2 per cent of all executive directors, whilst women non-executive directors comprise 1.8 per cent of non-executive directors. Seven of the women hold only one directorship in the Jordanian Top 50, whilst one woman has two such positions. Two of the women are Lebanese, whilst the rest are Jordanian.

The average age of the female directors was just under age 50. The youngest were aged only 31 and 33, one was in her forties, and the oldest was 59. This compares with the average across all the top 50 company directors of 56.5 years, so the female directors were over six years younger than their male peers. Examination of the whole set of male and female directors reveals that 11 directors (3 per cent) were aged 80 or more, 45 (14 per cent) were aged in their seventies, and 90 (28 per cent) were aged in their sixties, indicating an aging directorate. This may offer women some opportunities in the near future. The youngest director was only 28, and 34 (11 per cent) were aged under 40.

Only two women directors were not connected to the controlling or founding family. One woman director was head of the family owning the firm, two were wives, two were daughters and one was the sister. The women directors were all well educated, with bachelor degrees.

Discussion of Jordanian Results

As would be predicted from an understanding of the cultural issues raised by Metcalfe (2006), the women who become directors tend to come from powerful families, indicating the importance of education and *wasta* (connections). Business families are educating and developing their wives, daughters and sisters to play an important role in the future of the business by appointing them to director positions. It appears to be more difficult when not connected to the powerful families. The women directors were almost all directors in the banking and development fields. Only one female director had an executive position, but this was as general manager of an important bank, not so different from the UK's Female FTSE results where only three women held chief executive positions in 2006 (Singh and Vinnicombe, 2006).

More transparency about the structure of corporate boards would help in the identification of the pool of talent from which other companies could select non-executive directors. Such transparency has been encouraged by the Amman Stock Exchange, but the business world remains one where the assumptions are that business leaders are male. The Amman Stock Exchange has photographs of its activities on its website, but women are nowhere to be seen, and there are many references to 'businessmen' which is exclusionary language for aspiring women directors. It sends a message that reinforces prejudices and stereotypes about the ideal director, rather than encouraging a forward-looking modern business climate where women as well as men can be leaders.

TUNISIA

Tunisia: Gender Equality Measures

Tunisia was in 87th place of 177 countries with a value of 0.744 according to the Human Development Index (HDI). The related Gender Development Index (GDI) measures gender inequalities in the HDI as well as capturing inequalities in achievement. The GDI value of 0.743 ranks

Tunisia at 73rd out of 140 countries. Tunisian women hold 19.3 per cent of seats in Parliament, putting Tunisia in 52nd place. Women received the right to vote in 1959, the first woman was elected to Parliament in 1959, and 7 per cent of government ministers were female in 2005. The ratio of female to male earned income is 0.28, putting Tunisia in 133rd place, with estimated annual female earned income of US$3840.

Tunisia Online (2004) reports that women made up 23 per cent of the Chamber of Deputies and 22 per cent of local council members. Women held 34 per cent of magistrate posts and 31 per cent of lawyer posts. In politics, two women were ministers, and five were secretaries of state. Ten thousand women headed companies in 2004, up from 2000 in 2000. Almost 75 per cent of pharmacists and 42 per cent of medical staff were female. In 2004, 40 per cent of university professors were women, and girls made up 57 per cent of university graduates. The Economic & Social Commission for Western Asia (2006) reports that 22 per cent of Tunisian civil service executive posts are held by women, up from only 14 per cent in 1999. This represents considerable progress. In an editorial in Equal Opportunities Review (2006), it is reported that in terms of women's representation in top management jobs in the public sector, Tunisia outperforms Britain.

Modern Tunisia and Female Equality

The principles of equity and equality between men and women have become a strong feature of modern Tunisia (Lancaster, 2006). President Ben Ali (Ali, 1999), sums up the philosophy: 'Women's gains must be strengthened, their potential fully tapped, otherwise we will have failed in our attempt to achieve overall effective change.' Tunisian women have achieved an impressive and enviable position in the region and unique in the Arab world (Lancaster, 2006) in terms of progress in the last decade on the positioning and integration of women in education, politics and business. The drivers for change in Tunisia come from the political leadership, recognizing the need for women also to be educated and to play full roles as equal citizens of Tunisia. Women's organizations were set up by the government to facilitate the accession of women into business and management.

Tunisian Governance Structures

In 2000, a two tier governance structure for corporate boards was introduced, although boards can remain single tier (Imen, 2007). Le Conseil d'Administration is the supervisory board, which should have between three and 12 members, who are not allowed to sit on more than eight boards. L'Equipe Dirigeante is the executive board which is elected for six years with possible re-election, leading to slow executive turnover, due to influence of powerful family owners. Imen comments that family ownership of listed firms is a strong facet of governance in Tunisia.

Current Status of Women on Tunisian Boards

Tunisian top 30 companies with female directors: supervisory boards

Groupe Bismuth, the hygiene/cosmetics firm, heads the list of companies with female supervisory directors, with a gender balanced board of six. Only four companies (13 per cent of the 30 companies), Groupe Bismuth (50 per cent female), Société Tunisienne des Industries Pneumatiques (11 per cent), Union Internationale de Banques (9 per cent) and Banque de l'Habitat (8 per cent) have female members on their supervisory boards. The Union Internationale de Banques, has a female chair/managing director, Mme Alya Abdallah. A fifth company, Magasin Générale, has a female member representing the interests of a bank.

Supervisory board size of companies with female directors ranged from six to 12 members. The average supervisory board comprised a president/ chairman and seven further members. However, the size ranged from four to 14 members, including representatives of stakeholders, particularly banks. The sole female president/chairman comprised 3.3 per cent of such positions, whilst women held 1.2 per cent of the 245 supervisory board directorships in total.

Tunisian top 30 companies with female directors: executive boards

Eleven (37 per cent) of the top 30 listed companies had at least one female executive director. The Banque du Sud had three women (43 per cent of board members), whilst four companies, Tunisair (22 per cent), Best Re (22 per cent), Groupe Bismuth (20 per cent) and Banque Nationale Agricole (20 per cent) each had two women executive directors. One company, Union Internationale de Banques (20 per cent), had a female MD/Chairman, and Groupe Bismuth had a female Assistant MD. Other companies include Electro-Star, with a female finance director (20 per cent), Orascom Telecom Tunisie, with a female HR director (14 per cent), Almes, with a female marketing director (14 per cent), Banque Internationale Arabe De Tunisie, with a female director of loans (11 per cent), and Amen Bank, with a female director of inspection (8 per cent). With an average of eight members, companies with female executive directors had larger top executive boards, on average three more members than firms with all-male executive boards.

Tunisian company characteristics

The 11 Tunisian companies with women executive directors had higher market capitalization and larger workforces than those without women directors, although this difference was not significant. These results are similar to the trend in the UK that companies with higher market capital and larger workforces are more likely to have female directors. It appeared to be the younger CEOs and chairmen that appoint women directors. With an average age of 55.8 years, CEOs of companies with women directors were nearly two years younger, whilst chairmen were nearly three years younger at 58.6 than those in companies with all-male boards.

Tunisian sectoral comparison

There were three financial companies in the top four positions. The sector with most women in executive director roles was the body care sector, where two of the nine directors were female (22 per cent). This was followed by banking, where eight (16 per cent) of the 50 directors were female. Almost half of all Tunisian women directors (47 per cent) in the top 30 firms were found in that sector, and similarly, in insurance, 15 per cent of the 13 directors were female. The air transport and telecoms sectors had 10 per cent of directors who were female, compared to 6 per cent in the food and industry sectors. Of the 19 companies with all-male directors, most were located in sectors that traditionally do not attract women (chemicals, building materials, food production, distribution, automobiles and industrial products).

Tunisian Women Directors

Female supervisory board members

Only one woman heads a top 30 company. Mme Alya Abdallah is both chairman and MD at the Union Internationale de Banques. Mme Abdallah is connected to the political world via her marriage to another powerful executive, Mr Abelwahab Abdallah, spokesman and advisor to President Zine el Abedine. Four women are on supervisory boards as full members, including Mme Abdallah. Mme Souhir Taktak sits on the Banque de l'Habitat representing the State. A fifth woman, Mme Taoufika Ben Ammar, sits on the supervisory board of Magasin Générale, representing the Banque Nationale Agricole.

Tunisian female executive directors

There are 17 women executive directors of the Tunisian Top 30 companies, forming 10 per cent of the 167 total executive directorships in the top 30 firms. The average age of the female executive directors was just under age 45 (ranging from 34 to 57 years), on average the same age as their male peers. Examination of the whole set of male and female directors reveals that 22 per cent were under age 40, the average was just over 45, and ranged from 29 to 65. Only 23 per cent of directors were aged over 50, indicating a relatively young directorate. This may mean that there are few opportunities for women in the near future unless board size is increased to accommodate more women as they gain the necessary experience and capabilities for directorships. However there are restrictions on board size by law.

All but two of the women directors are Tunisian. One is Algerian and another is Moroccan, both from Arab countries in the region. Of the male directors, 18 are not Tunisian, with the ten French directors forming the largest group, followed by Egyptian and Canadian directors linked through language.

One woman is both the chairman and managing director, whilst another is assistant managing director, and one is finance director. These are particularly important positions in the executive team. Two women are human resources directors, and another is director of training. These could be considered more traditionally female roles. Two women are directors of marketing, and two others are directors in the related field of sales and promotion. Marketing is another area that generally attracts women to pursue their careers. Four women hold director of inspection positions in the banks and assurance firms. Only one female director is the secretary general of her company, again a career path that is popular with women lawyers in other countries taking up the legal counsel and company secretary role.

Discussion of Tunisian Results

This study has identified that women are already playing a significant role as executive directors, with over a third of the top 30 Tunisian companies having female executive board members. As well as performing their executive roles in their particular functions, the women directors provide the important daily role models for younger women in their organizations. In such companies, as the women perform their director roles, leadership will be seen as typical for both genders to aspire to and achieve. The fact that women are in managing and executive director roles is inspiring.

However, as only four companies had women members on their supervisory boards, it seems that a bigger barrier exists for women to access non-executive positions. A pool of future talent for full membership will be enhanced by the women who initially sit on top boards as representatives of the State or of financial institutions and other shareholders. The women directors were almost all undertaking their careers in the banking and assurance fields. Banking extends its influence into all other sectors, and in the Tunisian system of having bank representatives on supervisory boards, there may be opportunities for current executive directors to become supervisory board members later.

INTERNATIONAL COMPARISONS

Some Tunisian results are very interesting and show considerable progress for women's executive careers. Looking at the company data first, results are similar for Tunisia (13 per cent) and Jordan (14 per cent) for the percentage of top firms with non-executive directors. Yet 37 per cent of top Tunisian firms have female executive directors, compared to only one top Jordanian firm (2 per cent), and in a wider comparison, only 13 per cent of FTSE 100 companies in 2006, although 77 per cent of FTSE 100 companies have at least one woman director (mainly non-executive directors, NEDs).

Turning to the proportions of women holding non-executive directorships, Jordanian women hold 1.9 per cent of NED positions in the top 50 firms, in banking and development only, slightly more than Tunisian women with 1.2 per cent of NED (supervisory) directorships. This compares with 14 per cent in the UK's FTSE 100 firms.

The most interesting finding is that compared to Jordanian women holding 4 per cent of executive seats represented by one woman, the 17 Tunisian women executives hold 10 per cent of available executive directorships across a range of sectors – remarkable also in contrast to the UK's figure of less than 4 per cent. Only one Tunisian corporate board has a female chairman, who is also managing director. This is in the finance sector, as is the only Jordanian female general manager, and the only female-chaired company in the UK's FTSE 100. Two Top 30 Tunisian corporate boards have female managing directors. To put this in an international context, until 2006, there was only one female chief executive of a FTSE 100 firm.

It is interesting to set the Jordanian and Tunisian results in context with other European findings. It is evident from the EU database on female representation on the top 50 corporate boards (combined executive and non-executive directors) in European countries (European Commission, 2006) that the proportion of women directors in Jordan (2 per cent) is similar to that in Italy and Malta. Other similarities between Jordan, Italy and Malta include the more frequent family-owned structures of even the larger companies, in contrast to the UK where few family-controlled firms are in the FTSE 100.

The Tunisian figures of companies with females on the board are 13 per cent for executive directorships and 1.2 per cent for supervisory (non-executive) directorships on boards of the top 30 companies. If the members of the two bodies are integrated, women make up 5.3 per cent of the total directorships. This allows a tentative positioning of Tunisia as only marginally below France (6 per cent), and at the same level of female representation on top corporate boards as Spain, Portugal, Iceland, Ireland and Austria.

The business case is a key driver for change, but the drivers may be different depending on the national culture, the present position of women in corporate life and the political will for change. In Tunisia, women are succeeding as executive directors in a broader range of sectors, holding 10 per cent of director positions. The Tunisian President Ben Ali commented recently (Lancaster, 2006) that:

> Women have managed, thanks to the opportunities we have offered and to the measures and initiatives we have taken, to penetrate all fields of education and areas of professional specialisation, to hold the highest positions and responsibilities, and to prove with their intelligence and ambition that they are a competent partner to men in all fields of development, and that they are an integral part of the brilliant image of modern Tunisia and the dynamism and progress of its people. . . . Our society's integrity and progress are tightly linked to women's integrity and progress.

SUGGESTIONS FOR FURTHER RESEARCH

Building on these two studies, research should be undertaken in Jordan and Tunisia into:

a. The key barriers and facilitators to women directors' careers, from the perspective of women executive directors.
b. Young women managers' career aspirations and strategies for success.
c. How Arab women navigate the gendered culture of their organizations.
d. The most appropriate interventions at corporate level, their implementation, and results.
e. The facilitators and barriers for women to access supervisory/board appointments.

The success of Tunisia in achieving relatively high representation of women (10 per cent) on executive boards merits further examination by international academics in collaboration with national researchers.

CONCLUSIONS

This chapter has highlighted the first results of a census of top company boards in two different Arab countries, identifying contrasting results. Tunisian women are achieving executive board positions outstripping countries such as the UK, but not making such progress onto supervisory boards. With the exception of one general manager, Jordanian women are not evident as executive directors, but a few, those with family connections (*wasta*), are gaining non-executive positions in banking and development.

More needs to be done to tackle the lack of opportunities for talented women to contribute in corporate boardrooms in Arab countries. Benchmarking studies should be undertaken annually, and chairmen, chief executives and women directors should be invited to work with the responsible policy-makers to develop a gender-equitable pool of talent for leadership. A supply chain approach is needed to provide an adequate pool and flow of talent for future board-level appointments, using talent management programmes and women-only leadership training as well as general leadership programmes.

Given the nature and composition of supervisory boards, Government and major shareholders such as banks should be encouraged to identify women executive directors in other firms and public sector organizations who would be suitable as state and bank representatives on supervisory boards. Such experience would prepare the women for full supervisory board membership within three to five years.

It is important that solutions are found that respect the Islamic culture and traditions yet allow women to play a more equal role in all aspects of society. Not all women will want to become directors, nor are they all likely to have the right aptitudes and competences for such positions. But it is essential for a modernizing society to utilize the whole of its talent pool in its business, not just half of it.

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PART II

Research themes

11. Championing the discussion of tough issues: how women corporate directors contribute to board deliberations

Nancy McInerney-Lacombe, Diana Bilimoria and Paul F. Salipante

INTRODUCTION

A continuing issue in the corporate governance literature pertains to the difficulties in evaluating the benefits of a diverse board, specifically the value added by women corporate directors. To address a critical element in the business case for women in corporate governance, Bilimoria and Wheeler (2000) called for research on women directors' contributions to effective boardroom behaviors, particularly with regard to how they can use their influence and skills to generate productive boardroom discourse, engage other directors in full discussion of the relevant issues, and facilitate effective boardroom decision-making. In this chapter, we address an important aspect of how women directors contribute in such ways to effective boardroom deliberations: how they raise and champion difficult or divisive issues of the kind that otherwise may not be dealt with directly.

Kramer et al. (2006) revealed an interesting phenomenon in their recent study exploring the effects of women directors on corporate boards. In a number of cases, CEO respondents (male and female) reported that women directors, more than men, were prepared to push the 'tough issues' at the board, that is, those issues which others were not prepared to tackle. Examples of such tough issues in the boardroom may include the critique of management proposals, removal of a CEO, compensation for top managers, or the re-allocation of a major product/market portfolio. But it is not clear from the extant literature why, how and when women champion such tough issues in boardroom deliberations; no theoretical model exists to explain the nature, dynamics and outcomes of their championing tough issues in the small group setting at the governance apex of corporations.

This understanding of women's unique contribution to effective boardroom functioning is particularly important as women's progress to date in obtaining board seats has been slow. By establishing the value added by women directors to effective boardroom deliberations and decision-making, the business case for the inclusion of more women in corporate governance may be enhanced.

In the present chapter, we postulate that women directors are particularly prepared to and skilled at bringing up and keeping serious issues at the front of directors' attention, enabling them to make a significant contribution in addressing board deliberation deficiencies. Our model contributes to corporate governance research because corporate boards of directors are often criticized for being compliant or silent on critical issues (Van den Berghe and Levrau, 2004 citing Bryne, 2002; Drucker, 1974; Lorsch and MacIver, 1989). This lack of action can result in ineffective decision-making and, in some cases, the demise of the firm (O'Connor, 2003). The board's inability to monitor management properly is decried because of the agency problem (Jensen and Meckling, 1976) wherein management-centric directors, operating from self-interest, make decisions that fail to meet shareholder interests. But, an additional factor may be operating, namely that boards fail to utilize truly deliberative processes in examining issues. In particular, boards may be composed of wise individuals who collectively fail to make wise decisions (Carver, 1997) and who give inadequate attention to truly consequential issues (Taylor et al., 1996).

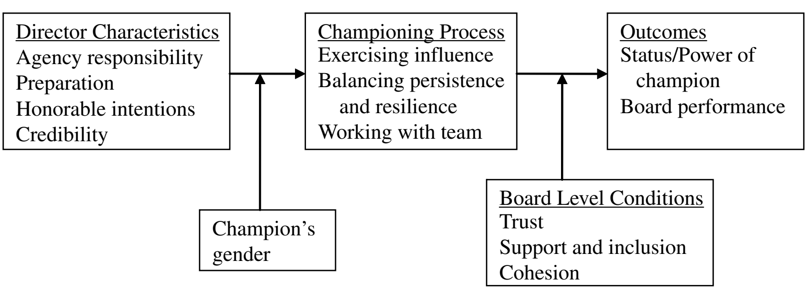
What then may be deficient in boards' deliberative processes? As Janis (1972) demonstrated in his discussion of groupthink, highly cohesive decision-making groups are at risk of a diminished capability for critical thinking: individual members can be co-opted by in-group pressures not to break with the group's decisions, however faulty. It may be that many boards engage in conflict avoidance, possibly because they lack the individual and group-level skills to deal with issues that engender high levels of tension. Members may also experience too much conflict (Brown, 1983) stifling sound decision-making. Boards may well be in need of members who have developed the necessary characteristics and skills for guiding groups through tension-filled issues to constructive outcomes (Fisher and Ury, 1991; Johnson et al., 2000), as well as internal norms and dynamics that allow such conflicts to be raised and constructively addressed.

EXPLORATORY STUDY

To examine why, how and when women directors engage the board in discussion about difficult issues, we conducted an exploratory study that focused on women directors' actual experiences in the boardroom. Following the methodology described by Spradley (1979), five in-depth ethnographic interviews were undertaken with senior women board members in order to understand these corporate directors' lived worlds (Kvale, 1996). The interviews delved into the roles and responsibilities of directors, their approach to difficult issues or situations in the boardroom, and the final outcomes. All interviewees had either MBA and/or law degrees and had been on a board for at least two years. In three of the five cases, the interviewees were the only woman on each of their boards. One interviewee was her firm's CEO. Systematic coding of the data (Lincoln and Guba, 1985) facilitated a disciplined review of the mechanisms adopted to champion difficult boardroom issues to resolution.

CONCEPTUAL MODEL AND PROPOSITIONS

Recent corporate governance reforms were intended to encourage and facilitate boards to address the tough issues necessary for effective governance (Lorsch, 1995; Leblanc and Gillies, 2005). However, in practice, raising and championing difficult issues is in most cases very difficult in the paradoxically power-laden yet collegial environment of a corporate board. In the conceptual model described in Figure 11.1, we explicate the director characteristics required to credibly bring tough issues to the board's attention and to engage other directors in constructive resolution. By introducing gender as a moderating variable between director characteristics and the actual championing of tough issues, we speculate that women directors, more than their male counterparts, are likely to champion tough issues in the boardroom; women directors' unique backgrounds, skills and attitudes may result in their willingness to raise and keep alive issues that



Source: Authors.

Figure 11.1 Conceptual model

may be uncomfortable or tension-inducing for board members. But we suggest that such championing best results in productive outcomes only when certain conditions of trust and cohesion exist among board members. In the absence of such board characteristics, a director's championing of tough issues in the boardroom may fall upon deaf ears and fail to realize the potentially powerful benefits such deliberations could yield. Each of these elements is described in greater detail below.

DIRECTOR CHARACTERISTICS

Our data revealed that when asked, board members acknowledge that certain directors regularly bring up tough issues while others prefer not to, suggesting that individual differences contribute to why, how and when tough issues are raised. Four characteristics emerged to help corporate directors raise difficult issues at the board table, as follows.

Agency Responsibility

All women directors interviewed expressed the importance of the governance role of the board of directors. Each interviewee articulated a sense of responsibility to oversee management and develop strategic direction as agents of their company's shareholders. Many cited that they pushed 'tough issues' because of this prime responsibility (Interview 1, 2, 3, 5). Two interviewees described pushing for the replacement of their CEOs due to integrity and competency issues. In all cases, the women directors said they raised the issues they felt should be addressed, regardless of their controversial nature. But each interviewee also outlined the incredibly difficult challenges this represented. One narrative recounted a two-year concentrated effort to convince fellow board members to fire the CEO: she was later vindicated when it was proven that the CEO had been lying to the board (Interview 2). Another situation involved the firing of the CEO, CFO and the Controller all within a short time frame, followed by a move to reconstitute the board to enable them to deal with the necessary financial re-statements (Interview 3).

Jensen and Meckling (1976) identified the agency relationship, most appropriately, as that between management and the board. This agency responsibility is significant. It requires board members be proactive, require explanation, provide opinions, and, where needed, give expert advice and/or criticism to management. Sewell (1992) argued that personal agency exists in all human beings and postulates that agency operates at both the collective (the board) and individual (director) levels. Considering that top management's expertise is valued (Baysinger et al., 1991), it takes some degree of fortitude to question their judgments and recommendations. This is especially true if management is long tenured (powerful) and the board member may or may not be. Arthur (2001) showed that long tenured and powerful CEOs face less monitoring by the board than less experienced CEOs. Counter to much of the tokenism literature which argues that women in a male-dominated group are marginalized (Kanter, 1993), the women directors interviewed did not allow themselves to be marginalized by top management or other directors during their boards' deliberative processes despite being the only woman on their boards; instead they took their responsibilities as agent very seriously.

Preparation

Board members are generally concerned with getting all of the necessary information (or the right information) to evaluate corporate performance and assess and mitigate risk (Davis and Thompson, 1994). Our interviews revealed that the directors were very well prepared for boardroom deliberations. Comments included 'I read every word of it [the board information package]' (Interview 1); 'Our board is very, very well prepared – exceptionally well prepared' (Interview 2); 'As chair of a committee, I do a lot more work than Directors that are just members' (Interview 3); and 'Chair of a committee and chair of the board – the work is exponential. Many women say, if I have been invited on (a board), it has to be done right' (Interview 5). Being well prepared thus appears to be important for directors in allowing them to bring up topics that may be potentially uncomfortable or conflict-inducing.

Honorable Intentions

Our interviewees evidenced a strong sense of commitment to their board role and their organizations. When asked what was important to them about being on a board, responses included: 'The success of the organization. Not to have an article written about me in Vanity Fair but to come away with a certain sense of satisfaction' (Interview 5); 'I like being plugged into the business community. You bring some of your expertise [to bear] in a slightly different way' (Interview 3); 'It's intellectually really interesting. I feel very good that I brought discipline to the board. Seeing that the company has done well' (Interview 2); and 'I do think I learn things about being a leader from these boards. I want board members to take an active role because I want them to add value' (Interview 1).

When it is clear to a group that the person championing a tough issue has no personal agenda, and is acting with pure motives and honorable intentions for the betterment of the group, the group is more likely to entertain the issue (Ridgeway, 1982). Positive deviance literature (Spreitzer and Sonenshein, 2004) also supports this finding. However, Wellen and Neale (2006) showed that even positive deviants are less popular within a group. Our proposition is that positive deviance through championing tough issues does meet with early resistance, notwithstanding honorable intentions. Over time, however, as our exploratory interviews demonstrated, as the positive deviant engages the group and the issue becomes a group effort, the positive deviant returns to a more normative role resulting in their increased inclusion in, versus exclusion from, the group. For example, in the case where the director worked for two years to fire the CEO, she explained when it was all over 'I have had those that opposed it apologize to me publicly more times than I can say' (Interview 2). This transition from group exclusion to inclusion, often spurred by the group's recognition of an honorable, non-self interested agenda, which we describe as a liminal transition, is discussed in more detail in the Discussion section of this chapter.

Credibility

According to the interviewees, they were selected for their boards because of their professional expertise; generally, selected by board members 'of the old boys' network' that either knew them or knew of them. Their challenge was to build credibility as a board member at the board table. Their willingness to champion difficult issues provided their right of passage at the board, further establishing their credibility. Their ability to persuade the board to engage in serious debate and eventually support their position on the issue was an attestation that they had achieved the necessary level of credibility because they were being listened to. One interviewee reflected on a recent situation 'They [the board] were really disappointed with it [the strategic plan]. Then at the right time, I spoke up with a constructive suggestion of how they [management] could tweak the strategic plan [to make it acceptable to the board]. Everyone bought into it, management and the other board members and in a way, I had the impact I wanted to have' (Interview 1). This is consistent with the literature that indicates that a speaker with high credibility is more persuasive than a speaker with low credibility (Kenton, 1989). Infante and Rancer (1982) differentiated argumentative behavior from verbal aggressiveness: the difference between a primary desire to discuss a controversial issue and the primary desire to derogate another person. As Fisher and Ury (1991) attest, focusing on the problem and not the person demonstrates a principled, ethical approach that engenders respectful relationships. For example, one interviewee said,

> It's important for me as the Chair to establish the boundaries, the process . . . respect their time, respect the people. We have one very famous board member and this chap is turning into a full scale bully. You do not say . . . that's a stupid question to ask. (When he did), then I have to go to this 65 year old bully (and tell him) that he has to play nice in the sand box or he will have to stand in the corner. In my view, everyone is respected around the table (Interview 5).

CHAMPIONING PROCESS

Championing a tough issue may raise tensions in the boardroom. Previous literature supports the potentially positive impact of working through conflict in long-term groups (Druskat and Kayes, 2000) and establishing relational practices to deal with the tension emanating from difficult deliberations (Salipante and Morrison, 2006). Three factors, discussed below, facilitate the tough issues discussion as the champion moves to frame the problem, constructively engages the board in tackling the issue, and eventually moves the board to decision.

Exercising Influence

All interviewees expressed the importance of feeling they were having a positive, measurable effect on board decisions. They universally stated that they would not serve on a board unless they felt they could influence the deliberations. They wanted to be seen as making a difference/contribution. A couple of the women directors interviewed said that they brought discipline to their boards (Interviews 1, 2). One woman expressed a drive to have the boards she sits on be successful under her watch: to come away knowing that she had been instrumental in improving board performance (Interview 5). Another woman director explained,

> The biggest lesson that I have learned so far [is] that in a particular issue [I ask myself] what impact do I want to have? So if I want them to form a special committee, for example, I know that is what I want to have happen. Then I try to phrase my commentary, question, in a way that will make that happen (Interview 1).

Balancing Persistence and Resilience

Counter to popular literature that suggests that a male-dominated culture (such as a corporate board) makes it difficult for women to gain authority (Eagly, 2007 citing Alvesson and Billing, 1992; Lyness and Thompson, 2000; Silvestri, 2003; Wajeman, 1998), the women directors interviewed were not intimidated, and went back at the problem again and again.

None of the experiences shared during our interviews involved lightweight issues; however, these women directors directly tackled the tough issues and refused to back down even in the face of board pressure to do so. They described situations where they persevered, interceding with other board members to convince, cajole and encourage the board to ultimately support their position. A striking example of this persistence was when one woman director asked the management team for a third presentation of a very difficult topic because she felt that she and other board members had not fully grasped the business implications of the issue. In her own words, 'Something came up, we got an explanation on it, then a second and then I discuss it with the Treasurer which contradicts the explanation. I had to ask for a THIRD presentation and as a result, we understood it. That was tough' (Interview 3). In another case, when a male board member took objection to firing the CEO, he threatened the woman board member with 'If that CEO is not here the next day, then I am not on the board.' The woman responded 'Well, if that CEO is here the next day, then I am not on the board.' The board eventually fired the CEO (Interview 2).

In addition to persistence, the interviewees knew that they had to back off from a contentious issue at certain times in order to be able to come back to it later. They were both savvy and steadfast, demonstrating through their examples the ability to bounce back after considerable confrontation at the board table. One interviewee expressed satisfaction having weathered the significant conflict at the board over her recommendation to fire the CEO. She explained it this way: 'All sorts of stuff came out from under the rug after we fired the CEO. [Her fellow directors apologized] about how they were wrong and how they were bush-whacked by this guy and they didn't get it and they should have done it two years earlier and they should have listened to me' (Interview 2). This same interviewee indicated that she had started to question herself after a lengthy two-year battle with the board. She had considered resigning a couple of times but just couldn't do it because she knew she was right and that giving up would hurt the company; she thus persevered (Interview 2).

Working through the Team

While raising and championing a tough issue may be a solo action, resolving the problem is not. All the interviewees indicated that engaging the board team in problem-solving was their greatest impact on the board. How they did it reflected their years of experience having worked through problems and strategies in a masculine organizational culture. An interesting statement concerned the rules of the game at the board table: when one woman asked about the etiquette of voting against a motion she was warned, 'You get one NO vote'. We all have to march through to the next meeting, and more than once against, you won't be listened to anymore' (Interview 5). This unwritten rule may partially explain why women persist with championing tough issues to negotiate the board team through to eventual success. Their option of a 'no' vote is really not an option. To be effective and maintain credibility and influence with peers, they need to work the issue with the board through to its conclusion.

We thus propose that:

Proposition 1: Directors characterized by agency responsibility, preparation, honorable intentions and credibility will be more likely to champion the discussion of tough issues through exercising influence, balancing persistence and resilience, and working through the team.

OUTCOMES

Interviewees noted that the effectiveness of the championing process was very important to them. The women directors considered leaving the board unless the issue they were championing was successful; they felt that the issues were important enough to advocate for and resign over, if necessary. One woman director described her relief after the resolution of a contentious issue: 'So I didn't quit and with a little more effort, it was worth it. It is worth learning how to do that [have the impact you want]' (Interview 1). Another woman director, who was the Chair of her board, indicated 'Once a woman gets a view in her head, they are going to make sure it goes to conclusion. Not to disparage our male counterparts, (but) they may be more content with a superficial answer' (Interview 5). Two levels of outcomes result from championing the discussion of tough issues – changed power/status of the champion and improved board performance – as follows.

Status/Power of the Champion

The literature shows that low status members can improve their power and status in a small group through effort, expertise and influence (Mechanic, 1962; Fairhurst and Snavely, 1983). Ridgeway (1982) found that women in male groups (with low external status) achieved fairly high influence and status when they appeared group-oriented, but low status when self-oriented. In one contentious case, subsequent to the successful resolution of the tough issue she championed, one of our interviewees was asked by her board chair to move her seat at the table to sit next to him, to make sure he didn't miss anything. She reported that this overt sign signaled that her status in the group had changed as a result of pushing the tough issue to a successful conclusion (Interview 2). Of course it is also possible that the status and power of the champion may decline subsequent to a tough issues championing process, particularly if the result decided on is substantially counter to what the champion proposed, or if the contentiousness of the process alienated other board members. Thus, it is our conjecture that a champion's status change may correlate not just to whether the issue was positively or negatively resolved, but also to how effectively the board's deliberative process was led by the champion.

Board Performance Outcomes

Solving the tough issue is the primary, anticipated board outcome. In addition, there are many expected collateral benefits to having worked through the problem, which, in fact, may outweigh the stress of having addressed the original problem. Druskat and Kayes (2000) found that working through conflict in a long-term group has positive benefits for the group. In line with Nicholson and Kiel's (2004) board effectiveness framework, it is difficult to see areas that would not benefit from having successfully dealt with a tough issue. Board processes (structural capital) of how issues are raised, dealt with and resolved, may be strengthened. Board relationships (social capital), might grow having weathered conflict. Board learning (human capital) may benefit from the expertise and perspectives shared during discussion of the tough issue. Board dynamics (cultural capital) may also become more open and transparent through the conflict resolution process. For these reasons we suggest:

Proposition 2: Championing the discussion of tough issues through exercising influence, balancing persistence and resilience, and working with team will result in increased power and status for the champion and increased structural, social, human and cultural capital for the board.

BOARD-LEVEL CONDITIONS

The data revealed that not all tough issues that were championed by the women directors resulted in decisions they desired; some were rejected, dropped from consideration, or ignored. One interviewee recalled, 'We promoted a Vice President to President when we fired the last CEO and we were not sure. I thought we should do a search and I got voted down'

(Interview 2). Under certain board conditions, however, tough issues appear to be more likely to be discussed and dealt with. Board-level trust, inclusion and cohesion play an important role for the discussion of tough issues to result in effective outcomes, as described below.

Trust among Board Members

The general consensus of interviewees was that there is a tension between management and the board which serves to hold both groups accountable for their actions. On the one hand, board members must trust the corporation's executives when partnering with them in formulating strategy and policy (Salipante and Morrison, 2006). On the other hand, interviewees repeatedly voiced the concern that management cannot be trusted. Trust co-exists with distrust (Lewicki et al., 1998), calling for a trust-but-verify approach (Ettner, 2006). One woman expressed a concern that because 'you don't know what you don't know. You don't trust management. You have to prove to yourself your gut is right' (Interview 3). The implication of this last statement was that board members must be vigilant about getting the right information needed for decision-making. Other comments included sentiments like: 'management needs watching; when someone is cheating, it is hard to catch' (Interview 5), and 'management has a self-interest in that performance impacts their compensation' (Interview 2). The CEO interviewee indicated, 'The board has clout. Management does need an external body to oversee it and provide help. The board has a broad perspective . . . biggest advantage' (Interview 4). The board's collective distrust of management was felt justified by interviewees in view of the many recent, well-published, corporate scandals where boards were highly criticized for non-performance. One woman described a situation where the CEO had duped the board. Her board chair was devastated, saying 'It was a male loyalty thing. I was loyal to the guy. I thought he was a good guy. It clouded my judgment' (Interview 2). Interviewees reported that no board wants to be vilified in the press since the reputational stakes are too high. Consequently, effective corporate boards can be characterized as having a trusting relationship among board members who collaborate to monitor management (Ettner, 2006). The trusting relationship may create space for women on boards to push for meaningful discussion of tough issues.

Support and Inclusion

An overarching theme emerging from the data was that board membership can be lonely and isolating for women, especially in conflict-inducing situations. One woman compared her experience to that of being a senior executive citing numerous occasions where she felt excluded, saying

> you are not wanted on those boards as a woman. Let me give you an example. It seemed to me in the last meeting that the boys [male board members] got together and decided that they would make the CFO the President. I was not part of that discussion and I do not believe he is the best choice, by far, not the best choice. I sat there and my initial reaction was they have been talking about this without my knowledge. They had come to a decision without including me, by excluding me. Then I don't know how I did it. I let go of that and talked about whether it would be appropriate to bring someone on to execute the long term strategy. They glommed onto that. (Interview 1).

Another woman, who admitted she was not a schmoozer, said that being excluded from 'drinks with the boys' made no difference to her. She felt the lack of social interaction did not preclude her from being heard in the boardroom. It was more important that the Chair involve her versus isolate her at the board table (Interview 3). The Board Chair interviewee indicated being on a board is quite different from other experiences in her life. 'At the bank, I was the boss. At the board, I can't tell them what to do. I have to cajole. It takes a lot longer but you have to come to consensus and you have to play well together' (Interview 5). We propose that for a tough issue to be championed by a senior woman director there must be an atmosphere of at least limited support and inclusion at the boardroom table. As one interviewee said 'Because I brought it up, I thought I was going to get beat up again. Then one of my male colleagues agreed with me, thank God. We had a real battle about it. We resolved it, but it was contentious' (Interview 2). These interviews suggest that though sole women on boards may feel somewhat isolated, they can still effect change, if they are included and supported by other directors.

Cohesion

All interviewees agreed that a board cannot function well without some degree of cohesion. The key issue was to ensure the board team could work together effectively without the need to consistently agree on all issues. One board member noted the importance of a 'fit of style' (Interview 2); and another added 'it's about cultural fit' (Interview 3), meaning that the board needs people who can work together, even if they don't all think alike. We propose that when a board operates cohesively it can productively work through the tough issue being discussed. Thus:

Proposition 3: Board-level trust, support and inclusion, and cohesion will enable the championing of tough issues to result in constructive outcomes.

THE ADVANTAGEOUS ROLE OF WOMEN ON THE BOARD: LIMINALITY, NOT MARGINALITY

Based on these interviews as well as prior theory and research, we postulate that women directors may be uniquely positioned to help boards in their deliberative processes. This unique positioning can be captured, in part, by the concept of *liminality* (Turner, 1967). Liminal individuals are those in transition between out-group and in-group status. The interviewees' experiences cited above attest to this liminal status when in the process of championing a divergent viewpoint from the group – particularly, (1) experiencing a certain distance from the norms of the dominantly male groups while in full-throttle deliberative discussions; (2) yet not allowing themselves to be marginalized through the process; (3) learning how to have impact at the board; and (4) experiencing increased inclusion and status once the issue is resolved. It may be that senior women's earlier liminal experiences at top executive levels provide them with distinctive perspectives and skills (Martin, 1992) that permit them to effectively champion tough issues at the board table. They may operate as tempered radicals (Meyerson and Scully, 1995) in the male-dominated boardroom environment, and help their boards overcome 'clubbiness', groupthink and conflict avoidance problems by bringing new ideas and viewpoints, even difficult ones, into the discussion.

Maznevski (1994: 4) pointed out 'for decision-making tasks, diversity of membership, both inherent and role-related, is desirable for increasing the number of solutions offered and alternatives considered'. Women directors may thus contribute greatly to board diversity. Women, particularly those that have succeeded in male-dominated environments, also have been found to have a higher level of preparation and a stronger work ethic than men (Carli, 1999; Foschi, 2000). In a meta-analysis of leadership styles, Eagly (2007: 5) argued that women, more than men, lead in styles that recommend them for leadership. Women exhibited behaviors more akin to transformational leadership than men; individualized consideration profiled by supportive and encouraging treatment of subordinates was the most noted difference. Men, on the other hand, display behaviors that include avoiding problem-solving until the problem is acute. Women directors' work and leadership styles, more than men directors', may thus encourage the championing of tough issues discussions when warranted, and their emphasis on rational argumentation and respect at the board table, consistent with Johnson et al.'s (2000) notion of constructive controversy, may press the board to move beyond sufficing (Janis, 1972) to reach higher-quality and more creative solutions.

By virtue of the small number of women at the highest corporate levels, women directors may have had greater experience with and developed greater comfort working in tension-evoking and uncomfortable situations than male directors. In one interviewee's terms 'men don't do messy' (Interview 1).Women who work in organizational environments dominated by men have been shown to be skillful in producing constructive outcomes in contentious situations (Fletcher, 1998). Similarly, women evidence a strong collaborative leadership style that promotes a 'win–win' at the board table (Kramer et al., 2006). Many senior women have gained experience in managing groups through strategic and complex issues; they achieved success by effectively leading their teams, often in difficult circumstances. Thus when senior women become corporate directors, they may have the experience and comfort to apply these same skills at the boardroom table to enhance the quality of deliberations and aid boards in achieving effective governance. We thus speculate that:

Proposition 4: Women directors will be more likely to champion the discussion of tough issues in the boardroom than men directors.

DISCUSSION

Boards that create an environment where constructive controversy (Johnson et al., 2000) is encouraged on tough issues avoid the perils of shirking the issues (Janis, 1972) and move the board to higher-level performance (Sonnenfeld, 2002; Leblanc and Gillies, 2005). Understanding the tough issues championing process may be particularly important to assist boards in building an environment that 'creates the discursive space' (Fletcher, 1998: 165) to entertain difficult issues, not stifle them.

Directors who champion the discussion of tough issues at the board table play an extremely valuable role in enriching boardroom deliberations. It has been suggested that because women are in a minority position within the social structure of the board, they have lower status (Ridgeway, 1982; Kanter, 1993) and may have less to lose than men directors, and therefore take the risk of championing tough issues. We disagree with the hypothesis that women directors have less to lose; because of their token status, women directors are likely to have much more to lose than male board members, and hence could be even more risk averse. We propose the more likely explanation that once women get to such senior positions, their prior experiences in male-dominated cultures better equip them to tackle tough issues which their male colleagues may avoid, as our data indicated, due to corporate hierarchy and male loyalty norms. Senior corporate women generally have succeeded because they know how to exercise influence, balance persistence and resilience, and deliver results through their teams. Our model suggests that it is not that women directors are unconcerned about the risks to their reputation; rather, they possess the necessary characteristics and exercise the necessary skills to take advantage of their liminal status, and thus maneuver successfully in the service of performing their agency responsibilities.

The currently unique position of women corporate directors, their liminal experiences, and the distinctive perspectives and skills that accompany that liminality, present a paradox for women and boards. We argue here that women's effectiveness on boards depends, in part, on their exercise of liminality through championing tough issues, from a tempered radical position, adopting a constructive controversy approach to problem resolution. If women progress from liminality to full inclusion – achieving more representative levels of board membership through becoming full-fledged members of the corporate in-group and sharing dominant in-group perspectives – the distinctive contributions of women directors that we postulate from this study may be lost. As fully-included in-group members, women directors may themselves become more resistant to new perspectives and ideas, and more reluctant to upset the group's collegial norms through championing the discussion of conflict-inducing issues. The likelihood of this scenario will need to be further investigated by future research inquiring into the incidence, nature and conditions of the special contributions that senior women make as liminal members at top organizational levels, particularly the board.

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12. Women directors and the 'black box' of board behavior

Morten Huse

THE CASE FOR WOMEN ON BOARDS

The careful scrutiny of board work over the past decade has led to increased attention to board composition and effectiveness in general and to the representation of women on boards in particular. The increased demands posed on corporate boards for performing various strategy, control and service tasks require a wider variety of board members' backgrounds, qualifications and experiences. Yet the representation of women on boards is strongly debated in both research and practice. Some countries have implemented laws requiring a quota for women directors on boards and others plan to implement such practices in the future. The new legislation in Norway that required at least 40 per cent of all board members to be women has raised vivid debate both nationally and abroad (Bernstein, 2005). Yet the actual contribution that women make in the boardroom and their influence on board processes and effectiveness remains largely under-researched (Bilimoria, 2000; van der Walt and Ingley, 2003).

The public debates in many countries present societal case and business case arguments for increasing the number of women board members. The societal case holds that corporations and corporate boards are embedded in a societal context, and shareholders must accept that societal values can be more important than shareholder values. Hence, an increase in the number of women directors per se has often been seen as a goal in itself and used as effectiveness criteria relating to the societal case. The business case perspective, however, is concerned with the effects of women representation on board dynamics and effectiveness. From a firm profitability point of view, the core question is whether women board members increase board effectiveness and corporate value creation (Daily and Dalton, 2003; Robinson and Dechant, 1997). Some studies, but few, have explored this question empirically albeit with inconsistent and contradicting results. Some find a positive relationship between women directors and firm performance (Erhardt et al., 2003; Carter et al., 2003), while others find no significant relationships (Shrader et al., 1997; Rose, 2007) and some even find a negative relationship (Bøhren and Strøm, 2005).

The inconsistency of empirical results can be attributed to the fact that most of these studies have tested for a direct relationship between the number of women on boards and corporate performance. Yet board research has advanced beyond testing for direct relationships between board composition and firm-level outcomes. To understand the impact of diversity, scholars have recently argued that it is necessary to explore boards as a decision-making group (Forbes and Milliken, 1999; Rindova, 1999), focus on team processes and dynamics (Finkelstein and Mooney, 2003; Letendre, 2004; Pettigrew, 1992) and that board effectiveness should be evaluated in relation to various aspects of board task performance (Forbes and Milliken, 1999; Zahra and Pearce, 1989). It has been recognized that the effects of diversity may be mediated and/or moderated by the boards' working style, and that team dynamics rather than composition can explain board performance. Two boards with similar demographic composition might show completely different outcomes depending on their group dynamics and board working styles. In this chapter, based on the findings of a series of unique qualitative and quantitative inquiries undertaken from the Value-creating board projects in the period 2003–2006, we attempt to develop a conceptual framework explaining how women directors influence board processes, working style and effectiveness and shed some light on the crucial question of how women make a contribution to corporate boards.

The rest of this chapter will explain the concepts and relationships in this framework. We first present some of the empirical approaches that have helped us get into the 'black box' of actual board behavior. Then we present four sections with proposals and research results about women board members. The proposals combined with our empirical results lead us to a tentative conceptual framework. The chapter concludes with a section of implications for research and practice.

GAINING ACCESS TO CORPORATE BOARDS

Two promising research directions about boards have been emphasized in recent literature (Gabrielsson and Huse, 2004). First, a contingency approach to board effectiveness should be taken, and the importance of various board tasks will thus vary (Lynall, Golden and Hillman, 2003). Second, recent advances in the governance literature emphasize the need to open the 'black box' of board behavior and explore how team processes and dynamics shape the outcomes of board work (Forbes and Milliken, 1999; Huse, 2005; Pettigrew, 1992). However, gaining access to corporate boards and being able to observe or investigate their actual work and behavior has been a significant challenge for a number of reasons (Daily, Dalton and Cannella, 2003). First, gaining access to corporate elites in general is difficult as directors have very limited time to meet with researchers or respond to survey questionnaires. Second, the confidentiality of many decisions made in the boardroom makes directors reluctant to answer any questions related to board tasks and decisions. Third, the increased scrutiny and public attention to which corporate boards have been exposed since the Enron scandals leads to a high risk of identifying and disclosing weaknesses in the board work and is a reason to avoid opening boards to public inquiries. Finally, the highly sensitive nature of questions related to board diversity and women representation on boards makes it difficult to ask critical questions directly. However, the Value-creating board program (Huse, 2007, 2008) represents a unique effort to overcome such difficulties and analyze board work using both qualitative and quantitative inquiry over a substantial period of time.

The Value-creating Board Research Program

A main part of the Value-creating board research program is questionnaire surveys with around 200 questions about actual board behavior, including board member characteristics, board working structures, board processes and board task performance. The initial surveys took place in Norway in 2003/04 and 2005/06. The surveys were sent to various samples of firms, and respondents were CEOs and board chairpersons. The 2005/06 surveys also had responses from other board members. A total of more than 1200 respondents in 980 firms responded in 2003/04, and in 2005/06 there were more than 2350 respondents in 1230 firms. The general response rates for the various surveys were between 30 and 35 per cent. Versions of the surveys have later been conducted in other countries, such as Belgium, Denmark, Germany, Italy, the Netherlands and Turkey.

Other parts of the Value-creating board research program included projects using qualitative data collection as for example 'a fly on the wall study' (see for example Huse et al., 2005), a 'one of the lads study' (see for example Huse and Zattoni, 2008) and the collection of board life stories from women directors (see for example Huse and Solberg, 2006). While the aim of the Value-creating board program was to investigate board effectiveness and value creation in general, a number of studies have focused particularly on women directors (Huse et al., 2007; Huse and Solberg, 2006; Huse and Tacheva, 2007).

WOMEN DIRECTORS AND BOARD TASK PERFORMANCE

Accounting for the complexity of board work and the multi-faceted nature of the tasks boards perform, there is a stream of research examining board effectiveness in terms of performance of multiple tasks as an intermediate step to influencing firm-level outcomes (Forbes and Milliken, 1999; Zahra and Pearce, 1989). The basic assumption in exploring the contribution that women directors make to board effectiveness is that women may have varying contributions to the different tasks, depending on the nature of the tasks performed. Given the assumption that women directors have non-traditional backgrounds and experiences (Hillman et al., 2002), fewer directorships of other corporations (Ruigrok et al., 2007; Zelechowski and Bilimoria, 2004) and are less likely to have business occupations (Kesner, 1988; Ruigrok et al., 2007), it can be expected that they will be relatively better at performing certain tasks than others. Based also on the general assumption that women are qualitatively oriented and men are quantitatively oriented (for example Loden, 1985), we make the following proposition:

Proposition 1: The contribution of women on corporate boards varies depending on board tasks. There will be a positive relationship between the existence of women and some board tasks, a neutral relationship on others, and a negative relationship on some board tasks:

a) We expect to find a positive relationship between women and qualitatively oriented tasks such as corporate social responsiblity (CSR) and strategic types of control.
b) We expect to find a negative relationship between women and quantitatively oriented tasks such as financial and operational types of control.

The empirical evidence from the Value-creating board surveys conducted in Norwegian companies in 2003/04 and in 2005/06 suggests that the representation of women directors on boards has a positive impact on the performance of qualitative board tasks, such as corporate social responsibility (CSR) and strategic types of control, but has no significant effect on the operational, budget and behavioral control tasks (Huse and Tacheva, 2007; Huse et al., 2007).

WOMEN DIRECTORS AND THE BOARDROOM CULTURE

In the governance literature, scholars increasingly argue that for board task performance, board processes might be more critical than board composition (Finkelstein and Mooney, 2003; Huse, 2005; Pettigrew, 1992). Forbes and Milliken (1999, p. 492) suggest that because of the episodic and interdependent nature of board work, boards are particularly vulnerable to process losses. Studies of the influence of women directors on board dynamics indicate that women are believed to have different communication styles and negotiations skills (Bradshaw and Wicks, 2000). Bilimoria (2000, p. 31) similarly suggests that 'women are speculated to enhance boardroom discussions on the account of their superior listening skills and enhanced sensitivity towards the others'. Yet the author also notes the lack of systematic and rigorous empirical documentation of women's boardroom contribution. Such contributions of women to board processes and interactions are often implied but rarely tested mainly as a result of the difficulties associated with getting access to boards and opening the 'black box' of board behavior.

The literature has identified various aspects of a good boardroom culture (Huse, 2007; Roberts et al., 2005). The list of attributes includes independence, cohesiveness, creative discussions, openness and generosity, preparation and involvement, task oriented conflict, and so on. We will here limit the presentation to creative and open boardroom discussions. Returning to the general assumption about differences between men and women, including that women are process oriented and men are decision oriented (Loden, 1985), we suggest the following proposition:

Proposition 2: The boardroom culture will mediate the relationship between women directors and board task performance:

a) Open debate and creative discussions will mediate the relationships between women directors and board task performance.

b) There will be a positive relationship between women directors and open and creative debate in the boardroom.

While the qualitative evidence from the interviews conducted with women directors indicated that women make contributions to board work by asking questions (Huse and Solberg, 2006), the survey results controlling for a number of board composition characteristics and additional group processes did not provide evidence that women directors have any influence on the communication style of the board. The ratio of women directors did not have any significant effects on board open debate (Huse and Tacheva, 2007) or creative discussions (Huse et al., 2007).

WOMEN DIRECTORS AND COMPOSITIONAL ISSUES

Board composition is more than counting the number of board members and the number of women directors. Various additional issues should be explored such as 1) if and how the backgrounds of the women directors in reality differ from those of the men, 2) if and how women act like men in the boardroom, and 3) if and how the women directors are perceived and treated in a different way from men, for example only as tokens without being respected for their particular knowledge

Kanter (1977) points out that there is a range of differences among women and men, and that some women can be more similar to men than to other women. Arguments exist that the women who make it to the governance bodies of business organizations might have personalities similar to men (Schneider, 1983). We thus need to adjust our arguments. If women are to make visible contributions to the boardroom culture, including open and creative discussions, they need to bring along alternative values, perspectives and backgrounds. If a woman has a traditional professional background similar to the men directors and shares similar values to those of her male colleagues, she is less likely to bring alternative perspectives, and the contribution will not be significantly different from those of men. Empirical evidence from women's experiences on boards also suggests that during board meetings women consciously avoid behavior that would differentiate them from their male colleagues (Bradshaw and Wicks, 2000, p. 201). Rose (2007) argues that women are very conscious of stereotypes and consciously choose behavior that avoids fitting in with the stereotypes. Hence, even if women directors do not have different backgrounds and personality characteristics compared to men, do not behave differently compared to men in the boardroom, and if they are not perceived or treated in the same way as the men, we do not expect to find differences in their board contributions. We thus present the following proposition:

Proposition 3: Women will have specific contributions on corporate boards if they:

a) have different backgrounds and personalities compared to the men on the board

b) behave differently in the boardroom compared to the men

c) are perceived and treated in a different way from the men on the board.

We explored through the Value-creating board surveys that it was not the gender per se but the background characteristics and values of the women directors that influence the level of creative discussions in the board

(Huse et al., 2007). The survey results further suggested that when the women directors had educational backgrounds, professional experience and values different from the male board members, their contribution to the board working style was visible and recognized. Women bringing different backgrounds, knowledge bases and values led to a significant increase in creative discussions in the boardroom.

In the Value-creating board surveys we also found that the contribution of women directors was more significant if the women behaved in a different way from the men on the board. However, the effect of the different behavior was moderated by how the women directors were perceived by the men.

BOARD LEADERSHIP AND STRUCTURE AND THE CONTRIBUTION OF WOMEN DIRECTORS

Board leadership and structure is about how to properly use the potential of the board members to increase board effectiveness. Board leadership and structure have only received limited attention in the academic literature while the attention is considerable from the practitioner side. CEO duality and the existence of various board committees have been the issues most often discussed. These issues have been related to arguments from agency theory about directors' independence from the CEO. When using a team production approach (for example Blair and Stout, 1999; Kaufmann and Englander, 2005) to board leadership and structure, other issues like board development activities and the format of the board meetings become more important. A team production approach will value diversity highly, and board leadership and structure are thus expected to moderate the relationship between board composition and how the board works as a team (Huse et al., 2005). We accordingly present the following hypothesis:

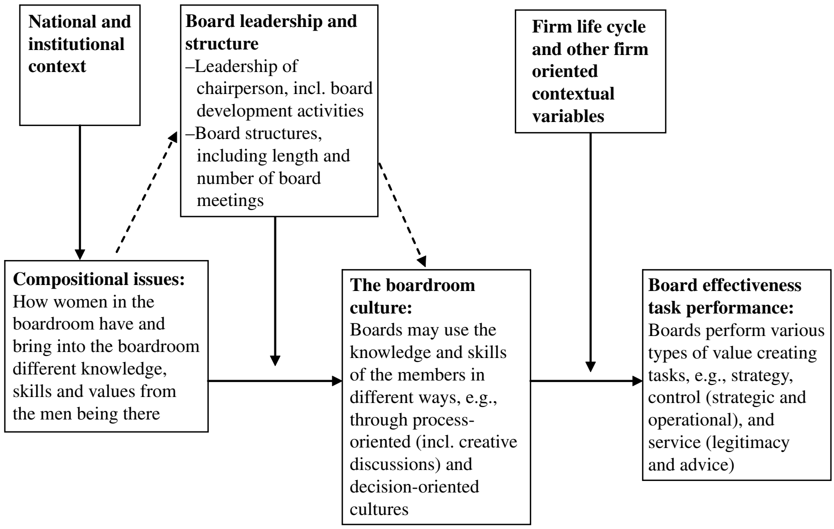
Proposition 4: Board leadership and structure moderate the relationships between women directors and board task performance:
a) Board development activities moderate the relations between women directors and the boardroom culture.
b) The board meeting structures moderate the relations between women directors and the boardroom culture.

However, we also found direct relationships between the existence of women directors and board development activities. Huse and Solberg (2006) suggest that women directors are less experienced in board work and spend more time preparing for board meetings, trying to understand the nature and logic of board work, devote time to board evaluation and identify areas with potential for improvement. Such activities have an important impact on the performance of board tasks. The 2005 survey results suggest that women directors have influenced the way the board conducts business, that is leadership and structures. Huse and Tacheva (2007) further found evidence that women directors are likely to enhance board development activities. Leadership and structures can thus also be mediating variables between women directors and the boardroom culture.

HOW WOMEN ARE INFLUENCING BOARD EFFECTIVENESS: A CONCEPTUAL FRAMEWORK

A tentative framework for understanding of how women influence board processes, working style and board effectiveness can be developed through combining the original propositions with the findings from the Value-creating board research program. The framework is presented in Figure 12.1.

First, board composition is more than just counting the number or ratios of directors. It is important to understand more in-depth attributes of the board members. The contribution of women will not be significant unless



Source: Supplied by author (summary of chapter combined with Huse, 2005).

Figure 12.1 Conceptual model of the influence of women directors on board working style and effectiveness they also have different backgrounds, knowledge and values than the men, and that these differences are used in the boardroom. Second, board task performance can be an indicator of board effectiveness; however, which tasks are the most important will be influenced by contextual variables, such as firm life cycle, and so on (Huse and Zattoni, 2008; Lynall et al., 2003). The influence that traditional female attributes may have on board tasks will vary. They may have a positive contribution to some board tasks, but not on all. Third, the board working style consists of board leadership and structure, and of the culture and processes in the boardroom. The boardroom culture is expected to mediate the relationship between board composition and board task performance, and board leadership and structure will also mediate/moderate the relationship between board composition and the boardroom culture. Finally, the Value-creating board survey results presented here have all been from Norway. The legal situation about women directors is different in Norway than in many other countries, and the number and background of the women directors may be different in Norway than in most other countries. However, findings from the Value-creating board surveys in other countries, for example Italy, do not reveal significant differences with respect to the relationships in the framework.

CONCLUSION

We have through a series of qualitative and quantitative studies tried to understand how women directors contribute to board effectiveness. The results suggest that the main question is not whether or not women directors are good for corporate boards but *how* they can make a contribution. The answer to this question requires a thorough exploration of a number of factors that mediate and/or moderate the contributions of women directors to board task performance. This chapter has shed some light on some of these factors.

We argue that because board work is complex and multi-faceted it is difficult to argue for a uniform impact of women on board effectiveness. Instead board effectiveness needs to be decomposed to the performance of multiple board tasks, and the contribution of women to some of these tasks needs to be teased out. Our evidence suggests that women directors are more likely to make a positive contribution to the performance of strategic and CSR control tasks than to operational, financial and behavioral control tasks.

The contribution of women directors to board effectiveness is most pronounced through their input to board working styles. We found that the presence of women directors significantly improves board development activities, which in turn enhance the boardroom culture and the performance of the multiple board tasks. Finally, we explored a number of alternative explanations of why women directors do not seem to have any visible influence on board processes and dynamics. We concluded that while women may have personality characteristics different from men, in the context of board work they may be very cautious of gender stereotypes and avoid any behavior that can distinguish them from the rest of the board members.

Our findings and arguments have implications for research and practice. We need to go beyond measuring the direct relationship between women directors and corporate financial performance when understanding and arguing the business case for women directors. We need to explore the 'black box' of actual board behavior. This also implies that we need to be venturesome in research designs. The use of secondary or archival types of data may be useful, but a too heavy reliance on them will hardly bring us into what really counts in understanding the business case for women directors.

Our framework also has implications for practice. One important element is its contribution to the arguments for the business case. Women should not try to be like the men if their particular contribution is to be evaluated, and women may have particular contributions in other ways than through quantitative ways of control. The business case for the women directors is also supported when focusing and using the potentials in the board working style, including the boardroom culture, board leadership and board development activities.

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13. Do women still lack the 'right' kind of human capital for directorships on the FTSE 100 corporate boards?

Siri Terjesen, Val Singh and Susan Vinnicombe

INTRODUCTION

In FTSE 100[1] company boards, only one in 30 executive directors is female, and overall, women comprise just over 11 per cent of FTSE 100 directors (Sealy et al., 2007). This number is substantially less than in Norway and Slovenia (22 per cent and 16 per cent respectively in 2006) and higher than in Japan and Italy (0.2 per cent and 2 per cent respectively in 2006) (Terjesen and Singh, 2008). Human capital theory (Becker, 1964) provides an obvious basis for understanding the continued exclusion of women from corporate boardrooms. It is linked with resource dependency theory (Pfeffer and Salancik, 1978). Human capital theory suggests that, given an increasingly uncertain business environment, boards should be composed of individuals who can provide access to a breadth of resources. Critical resources include access to prestige and legitimacy, financial capital, and functional and geographic market knowledge.

During the 1990s, surveys of chief executives and chairmen in several countries reported that women were generally perceived to lack the qualifications and experience required from directors (Ragins et al., 1998; Catalyst/Opportunity Now, 2000). Thus, a human capital-based argument was used to explain women's absence from boardrooms, whether or not the women lacked human capital in reality. In this chapter, we use human capital theory to explain recent appointments of new female as well as new male directors. Although previous studies examined the human capital of entire boards or of existing directors, we have little knowledge about the human capital introduced by new appointments.

This chapter[2] draws on human capital theory and the typology developed by Hillman and colleagues (Hillman et al., 2000; Hillman et al., 2002) to evaluate the profiles of 144 new men and women appointees to the UK's

FTSE 100 corporate boards and explores gender differences (here referring to biological sex). This chapter begins by reviewing the extant literature on human capital of directors of corporate boards. We then describe our sample and methods, and present our empirical results. We conclude with a discussion of the contribution of the chapter, some limitations, suggestions for further research and implications for practice.

HUMAN CAPITAL OF DIRECTORS

Human capital theory (Becker, 1964) describes how an individual's investments in education, knowledge, skills and experiences enhance cognitive and productive capabilities. Individuals who seek boardroom appointments have generally acquired substantial human capital over a number of years.

Each director brings a unique set of human capital resources to the board (Kesner, 1988). New board members are selected on the basis of their particular human capital resources complementing the board's existing capabilities. To date, research on board members' human capital is mostly limited to a small number of demographic variables (for example Burke, 1997) or to female-only studies (for example Burgess and Tharenou, 2002). A notable exception is Hillman et al. (2002) who draw on resource dependency theory, using Hillman et al.'s (2000) taxonomy of director roles (insiders, business experts, support specialists and community influentials) as human capital resources. Hillman et al. (2000) examine patterns of occupational and educational differences amongst white and African-American men and women directors on Fortune 500 boards. Their study highlights the human capital of the whole complement of directors. Our study examines the human capital of the most recent cohort of newly appointed directors, to identify the human capital currently being sought and acquired by FTSE 100 firms.

DATA AND METHODOLOGY

Each October, from 2001 to 2004, we gathered our sample of FTSE 100 firms. We then downloaded the names of FTSE 100 directors from the FAME and Hemscott databases and verified the data using past surveys of boards of directors and information available from the firms' investor relations' websites. Our sample is comprised of the full set of 72 new female board appointees over the four-year period and a random sample of 72 (of 470) new male appointees. We gathered biographical information from annual reports, *Who's Who*, *Debrett's People of Today* and Internet searches and categorized the characteristics and experience that the new directors brought to their boards with the following variables:

- *Demographics*: Age, Gender, Ethnicity (White, Non-White).
- *Director Type*: Inside/executive or outside/non-executive.
- *Education*: PhD, MBA, other degrees and accounting qualifications, elite institutions.
- *Nationality*: British, US/Canadian, Other European, Other.
- *Reputation and Status*: Title, Honour, Listing in *Who's Who* and *Debrett's People of Today*, Google hits by 'name' and 'director' (three distinct categories emerged: under 50 = low; 50–100 = medium, 100+ = high) and Oxbridge/Ivy connections (not just degrees).
- *Board Experience*: Other FTSE 100 boards, FTSE 101–350, Minor boards, International boards (outside the UK).
- *Top Management Team Experience*: CEO, CFO, Chief Operating Officer (COO) or General Manager (GM) or Managing Director (MD) experience, Chair experience, Partner experience in consulting, law or accounting firms.
- *Career Experience*: International, Financial Institutions, Management Consultancy, Public Sector, Voluntary/Charity Sector, Other Government/Civic (membership on a government advisory board, executive of a professional/arts organization).
- *Professional experience*: Accounting, Law, Politics, Engineering, Academia.
- *Gender-typed career experience*: masculine-typed career experience includes industries where the majority of those employed are male, for example engineering institutions; feminine-type career experience is classified as experience in those industries where there is a large female employment base, e.g. public sector.

DIRECTOR ETHNICITY, NATIONALITY, EDUCATION AND REPUTATION

A consistent finding from previous research is that female directors have high levels of education (Burgess and Tharenou, 2002). Human capital investment in education, particularly advanced education, is a starting point for development of independent thinking, a key facet of role requirements for non-executive directors (Roberts et al., 2005). An increasing number of women obtain higher degrees, with female graduates now outnumbering their male counterparts in the US, UK and elsewhere (HESA, 2003). Given that new women directors have successfully broken through the glass ceiling, they could be said to visibly represent the more able of their female peers by dint of their top company director appointments. We expect new women directors to report more educational capital than men.

Reputation is associated with human capital derived from investments in education and other visible individual attributes that stand as proxies for the actual capabilities of the person (Hall et al., 2004). Individuals gaining directorships are likely to have acquired reputational capital that signals competence and reduced risk to the beholders who use their social networks to select and appoint new directors. A noticeable factor in the profile of female directors in the FTSE 100 since the 1990s is that significantly more women than men have titles, whether academic (Dr, Professor), aristocratic (Lady, Honourable), civic honour (Dame, Baroness), or Lady as consort title of an honoured man (Howe and McRae, 1991; Singh et al., 2008). Mattis (2000) also describes a preference in the US for 'branded women' directors, including those with a degree from Ivy League universities, which signals upper-class status to senior managers (Zweigenhaft and Domhoff, 1998). The same could be said for the reputational capital value of degrees from Oxford and Cambridge universities in the UK, which are well represented in the higher echelons of business and government.

Another facet of reputational capital is the extent to which directors appear in the press, and in directories of well-known people. These high-profile women often make speeches or are featured in the media, so their names are likely to be picked up by Internet search engines such as Google. We expect that the scarcity of such women may lead to higher levels of opportunities than men to engage in profile-building activities.

Table 13.1 reports directors' ethnicity, nationality, education and reputation. In terms of ethnicity, only one new male director comes from a non-white background (a black South African), compared to three females (one UK Asian and two African-Americans). We find that new male directors are more likely than female directors to hold British or other European citizenship, and new female directors are more likely to be US or Canadian citizens. New female directors are more likely than new males to have non-UK citizenship. This group of recently appointed directors is very highly qualified, with 21 per cent of the men and 16 per cent of the women achieving doctoral qualifications. Interestingly, 19 per cent of the women have MBA degrees. Around a third of the sample (30 per cent of males and 35 per cent of females) holds accounting qualifications, often not reporting a degree. Of the women, 21 per cent possess elite degrees compared to only 12 per cent of the men. Whilst new women appointees do not hold higher educational qualifications than men in general, many more hold MBA degrees than men.

Table 13.1 New director appointments: demographics, education and reputation

	Male (n = 72)	Female (n = 72)
Ethnicity	98.6% white	95.8% white
Nationality	72% UK	61% UK
	7% USA/Canada	32% USA/Canada
	17% Other European	6% Other European
	4% Other	1% Other
Education		
PhD	21%	16%
MBA	7%	19%
Other degree	30%	16%
Accounting qualifications	30%	35%
Elite university degree	12%	21%
No information	40%	40%
Reputation		
Title	23.6%	18.1%
Civic Honour	16.7%	15.3%
Who's Who/Debrett	20.8%	31.9%
Google UK mentions	25% Low	29.2% Low
	29.2% Medium	15.3% Medium
	45.8% High	55.6% High
Oxbridge/Ivy League connections	20.8%	22.2%

Source: Singh et al. (2008).

Table 13.1 also shows that the new male directors are slightly more likely to hold a title. However, the new women are more likely than the new men to be mentioned in *Who's Who* or *Debrett's People of Today*. There are no significant differences in Google reputations. Results indicate that female directors are no more likely than their male peers to have connections to Oxford or Cambridge or to an Ivy League university in the US.

Boards of publicly-traded firms have a stewardship duty to appoint candidates who are well qualified for their director roles in order to secure the desired resources for the future of the company and its stakeholders, and to protect and develop firm assets (Aguilera, 2005). Hence all new directors are expected to have successful and relevant career experiences in their sectors and professions before their appointment. We expect women directors to have human capital which is different from their male peers in terms of professional background, with more male directors with career

Table 13.2 New director appointments: previous career experience

Previous Career Experience (multiple responses allowed)	Male (n = 72)	Female (n = 72)
Sectors		
International	66.7%	56.9%
Financial Institutions	31.9%	44.4%
Public Sector	18.1%	31.9%
Voluntary & Charity Sector	13.9%	22.2%
Other Government/Civic	13.9%	23.6%
Management Consultancy	13.9%	27.8%
Profession		
Accountant	20.8%	19.4%
Lawyer	6.9%	15.3%
Politician	4.2%	11.1%
Engineer	22.2%	2.9%
Scientist	11.1%	7.1%
Academia	5.6%	12.5%
Portfolio Career	27.8	41.7%

Source: Singh et al. (2008).

experience in traditional 'masculine-type sectors' where men comprise the majority of those employed, such as engineering and science.

Research into chief executives' views on the lack of women directors has, for many years, shown that CEOs believe that there are not enough women with appropriate business experience (Burke, 1997). Catalyst's 1995 survey of CEOs of US firms reports that the most frequently cited reasons for women's low representation on boards are the small number of women with appropriate business experience (stated by 87 per cent of manufacturing CEOs and 78 per cent of services CEOs) and the view that women have not been in the pipeline long enough (Mattis, 2000). A UK study identifies similar arguments, reporting that 40 per cent of CEOs believe that women had not been in the pipeline long enough, and 20 per cent of CEOs identify women's lack of significant general management experience to be a major barrier (Catalyst/Opportunity Now, 2000). If board experience is an essential requirement for appointment, then the pool of talent with that particular human capital is very small, and hence we expect that women in this cohort would have less experience than their male peers.

Table 13.2 shows a number of surprising results regarding previous career experiences. There are sectoral differences, with females more likely to have a background in management consultancy and the public and

Table 13.3 New director appointments: previous board experience

	Male (n = 72)	Female (n = 72)
Previous Board Experience		
FTSE 100	45.8%	22.3%
FTSE 101–350	12.5%	16.7%
Minor Board	38.9%	62.5%
International Board	36.1%	43.1%
Previous Executive Director Experience		
Past CEO	41.7%	27.8%
Past CFO	26.4%	25.0%
Past COO/GM/MD	52.8%	37.5%
Past Chair Experience	43.1%	23.6%
Partner Experience	6.9%	12.5%

Source: Singh et al. (2008).

voluntary sectors. There are also professional differences, with males more likely to report a background in engineering, and females somewhat more likely to have been in financial institutions and the legal profession. Approximately 20 per cent of new directors are accountants. Women in this sample with accounting qualifications find their way onto the top corporate boards in a similar proportion to their male peers. Overall, these findings indicate that women are more likely to have a wider portfolio of experiences in their career than the men. Table 13.3 also reveals that 67 per cent of male directors have international career capital in their portfolio compared to 57 per cent of their female peers.

We expected women to have less previous board experience than their male counterparts. Table 13.3 reveals that almost half of the men have previous FTSE 100 director experience, but so did nearly a quarter of the women, and slightly more women than men have FTSE 101–350 experience. However, women have significantly more minor board experience than the men on international boards.

DIRECTORS' HUMAN CAPITAL PROFILES

We next reviewed the above findings to examine human capital profiles and explore gender differences. For our analytical framework, we drew on Hillman et al.'s (2000; 2002) four categories of human capital work experience: Insider/Executive Directors; business experts (current and former executives of for-profit firms); business support specialists (including

Table 13.4 New director appointments: expertise profiles

Expertise Profiles	Male (n = 72)	Female (n = 72)
Business Experts	54.2%	48.6%
Comprised of:		
Business Experts with Community Influential Expertise	18.1%	26.4%
Business Experts, no Community Expertise listed	36.1%	22.2%
Business Support Specialists	8.3%	20.8%
Community Influentials	4.2%	11.1%
Executive (Inside) Directors	33.3%	19.4%

Source: Singh et al. (2008).

members of the financial community, insurance, public relations and marketing professions); and community influentials (including academics, politicians, clergy, heads of non-profit foundations and other community or social celebrities). We find that the expertise profile of the males and females was significantly different. Consistent with prior research, females were significantly less likely to be Executive Directors, but were no less likely than males to be business experts. Women were, however, more likely to be business support specialists. More women than men fell into the community influential category, and over a quarter of the women in the business expert category were additionally community influentials. See Table 13.4.

DISCUSSION

Human capital theory leads us to expect that directors' appointments are based on the human capital (knowledge, skills, experience) they can provide to the firms. Women have been present in the full-time workforce for many years. So why are women absent from a quarter of FTSE 100 boardrooms? Have women failed to accumulate sufficient relevant human capital? What role does human capital play in selection and appointment? Previous research reports that chief executives and chairmen want women board members with prior board experience (Mattis, 2000), but there is still a perception that women with the 'right' experience are hard to find (Russell Reynolds, 2002).

Our findings belie some myths about female directors not having sufficient human capital; female directors appear to have developed a wider portfolio of experience than their male peers. A somewhat unexpected finding is that almost a quarter of new female directors appointed between 2001 and 2004 already have FTSE 100 board experience. As the Higgs Review (2003) recommended that directors should not serve for more than two terms, there may be increased director turnover. Hence, it is likely that the 'recycling' of a small group of experienced directors will become a regular feature of female directorships as is the case for men. As women are more likely than men to have experience on FTSE 101–350 and minor boards, smaller boards constitute an incubator talent pool for female FTSE 100 directors. Almost half of the women have previous experience in financial institutions, a third have experience in senior positions in the public sector, and nearly a quarter have voluntary and charity organization leadership experience. Many sat on government advisory bodies, and boards of arts and other organizations. These profiles follow Higgs' recommendation that boards should attract individuals who are likely to have independent views.

It is interesting that two thirds of males and well over half of the females in this study have international experience, and many women and men sat on boards in other countries. Our cohort of directors represents diversity in terms of nationality, international work experience and board experience, supporting the comments made by chairmen in the Russell Reynolds (2002) study that international diversity is very important in adding value to the board. Indeed, the women bring considerably more international diversity than their male peers.

We found the Hillman et al. (2000) taxonomy of four categories of directors (business experts, business support specialists, community influentials and insiders) to be a useful way of examining directors' biographies for evidence of human capital, but the category of business experts masks the additional diversity that some female directors bring to the boardroom in terms of significant experience from more than one major domain. We find that female business experts are more likely than their male counterparts to have both business and community expertise. If we had kept the four category taxonomy, our business experts group would contain 54 per cent of the males (compared to 89 per cent found by Hillman et al., 2002), and 49 per cent of the females (compared to 35 per cent found by Hillman et al., 2002). The women in the FTSE 100 study have more large corporate business expertise than the Fortune 1000 women in the Hillman et al. (2002) study. This evidence refutes the view that women lack the 'right' human capital for directorships – women directors' balance of human capital assets may be different from the traditional male accumulation of knowledge, skills and experience, but there is no indication of it being deficient in any way.

We acknowledge several limitations of our study. First, we gathered data only from publicly available information. We opted for public biographies that varied in information quality, supplementing our data from other public sources. Second, there is researcher-induced bias from coding structures and decisions. Our director role categorization masks large differences in experience; for example, in the business expert category, some directors have been chairmen and/or chief executives of similar large firms, while others sat as non-executive directors in a more advisory role, and sometimes only on one corporate board rather than on several boards. Second, our study uses new directors as the base unit of analysis, but one man and five women were appointed to multiple boards, resulting in an over-sampling of those individuals. Third, there may be bias due to the random sampling of the male cohort studied; however, we did not identify any significant differences between our sample and the rest of the population of new male directors. Finally, in revealing the human capital of these directors, we have not specifically identified the value of the various aspects of that capital to the board.

CONCLUSION

Drawing on human capital theory, this chapter explores whether the human capital of new directors differs by gender, in the context of the frequently reported view that women do not have the appropriate skills and experience for directorships of large companies. Evidence from this study suggests otherwise: in general, new women directors have fairly similar and sometimes additional human capital to their male peers.

This study makes five contributions. First, we examine the human capital of newly appointed directors, rather than of existing directors with a variety of tenure. Second, it provides empirical evidence that human capital theory has credence in explaining why this particular cohort of women has been appointed. We find that new board appointees in the top 100 UK companies from 2001–2004 possess a rich diversity of previous experience. Third, we identify that compared to men directors, women directors bring a greater diversity to their boards in terms of nationality and a broader portfolio of experience. Fourth, we show that the Hillman et al. (2000; 2002) taxonomy reveals a greater balance of business expertise amongst male and female directors in the FTSE 100 in the UK than in the Fortune 1000 in the US. Finally, this chapter provides a new UK perspective on this issue, important because of the strength and privilege of the 'old boys' culture' and the current pressures for diversity. Challenging the myth that women do not have the right kinds of experience is difficult, as such gendered mindsets are resistant to change, and are reinforced by the present masculine profile of FTSE 100 directors, resulting in gendered selection and assessment processes (Acker, 1990).

The newest cohort of women directors has accumulated human capital fairly similar to or broader than their male peers in terms of education, reputation, board experience and career experience, and they are slightly younger than the men. If this female cohort's human capital is typical of new directors for the next decade, then increasing the number and proportion of women in the boardroom provides the potential for a more diverse set of human capital experiences to be utilized by top firms.

A number of avenues are suggested for further research. An investigation into the director appointment process could reveal what type of human capital is most likely to result in an invitation to board membership. Such information would be useful in preparing senior executives for future board positions. Other directions could include an examination of the legitimizing processes of access to boards. Future researchers might also consider a broader study examining differences in human capital profiles between new appointees and the existing board, to identify more specifically how the new director's human capital complements the whole board. A qualitative study of newly appointed directors could reveal how they contribute to board performance. In addition, it would be interesting to obtain the views of chairmen and other board members about the relative usefulness of the various human capital resources of incoming directors once they have been integrated into the board.

Our findings suggest that individuals seeking board positions need to identify the set of human capital resources required for director-level consideration and to manage their careers so as to build an appropriate portfolio of experiences, knowledge and skills. There are also implications for board nomination committees and search consultants tasked with identifying appropriate talent for new directorships, recognizing the variety of backgrounds that other boards have found attractive. If the Higgs Review recommendations for increased diversity are taken seriously, then the findings that the women directors in this study have such a wealth of experiences should augur well for women's future access to the boardroom.

NOTES

1. *Financial Times*/London Stock Exchange listing of the top 100 firms by market capitalization. The FTSE index is a 'moving target' based on market capitalization. On average, 12–15% of firms in the FTSE 100 index are not part of the next year's index.
2. This chapter is based on Singh et al., (2008).

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14. Examining gendered experiences beyond the glass ceiling: the precariousness of the glass cliff and the absence of rewards

Michelle K. Ryan, Clara Kulich, S. Alexander Haslam, Mette D. Hersby and Catherine Atkins

INTRODUCTION

It has been over 20 years since the *Wall Street Journal* coined the phrase 'the glass ceiling' (*Wall Street Journal*, 1986). Is this metaphor still applicable in today's business environment? As outlined in other chapters in this book, research and statistics demonstrate that the number of women occupying management positions is greater than it has ever been (Bureau of Labor Statistics, 2005; Equal Opportunities Commission, 2006; Women and Equality Unit, 2004) with this increase in representation slowly extending into the boardroom (Catalyst, 2007; Singh and Vinnicombe, 2006). Now that women are increasingly occupying leadership roles, including those at board level, the question on everyone's lips is 'are they here to stay?'

The media spotlight is certainly trained on these high-flying women, but the verdict is not always good. There are reports of an 'opt-out revolution' (Belkin, 2003) whereby women are purportedly leaving the executive suite and the boardroom in droves. In addition, the media reports that women in senior management roles no longer aspire to occupy executive positions, a phenomenon that is reported as being due to women's lack of ambition and a desire to stay at home with their children (for example, Belkin, 2003; Hall, 2005; Patton, 2006; Sellers and Mero, 2003). Taking these media stories at face value, one could assume that women simply don't have what it takes to stay at the top.

In this chapter we will provide an alternative explanation for the opt-out revolution, by outlining research which suggests that the experience that women have in leadership positions, especially at board level, is qualitatively different from that of their male counterparts. More specifically, we will overview two interrelated strands of research. The first, research into the glass cliff, describes a subtle phenomenon whereby women are more likely than men to take on precarious board positions that have an increased risk of failure (for example, Ryan and Haslam, 2005, 2007). The second line of research investigates the 'romance of leadership' (Meindl et al., 1985) and its links to remuneration. This suggests that women do not receive the same rewards as men (or the same punishments) for their work as executive directors (for example, Kulich et al., 2007; Kulich et al., 2008b). We will outline a series of archival and experimental studies that provide evidence for these differential experiences and discuss the research in light of claims that women do not aspire to climb to the top of the corporate ladder.

THE OPT-OUT REVOLUTION

While the number of women sitting on boards of directors has been steadily increasing over the past 10 years, a focus on the most recent statistics shows that those figures have plateaued. For example, analysis of the Female FTSE reports compiled by the Cranfield School of Management indicates that the number of women directorships on FTSE 100 boards fell in 2006 (Singh and Vinnicombe, 2006). Similarly, recent reports from Catalyst (2007) reveal that the percentage of women directors on *Fortune* 500 boards has stagnated, dropping slightly from 14.7 per cent in 2005 to 14.6 per cent in 2006.

An examination of executive turnover suggests that this stagnation may be, at least in part, due to the 'lifespan' of female executive directors. While the tenure of CEOs is shortening more generally (Kaplan and Minton, 2007; Lucier et al., 2006), this is especially the case for women. According to a study of CEO turnover in the *Fortune* 500 conducted by Booz Allen Hamilton, while the average male chief executive holds his job for 8.2 years, the average woman stays only 4.8 years (Blanton, 2005). With women leaving the boardroom faster than men it is little wonder that the number of female directors has plateaued.

In line with these statistics, the media spotlight has moved away from stories about discrimination and glass ceilings and has instead turned to those women *choosing* to leave their high-powered posts (for example, Belkin, 2003; Hall, 2005; Sellers & Mero, 2003; Wallis, 2004; see Williams, 2006 for an overview). While some of these articles focus on case studies of high-profile female executives who have 'thrown in the towel', such as Brenda Barnes from PepsiCo and Ann Fudge from General Electric, others focus on interviews with women on the cusp of success who turn down the opportunities that lie in front of them.

This focus on choice as an explanatory mechanism was initiated by a controversial article published in *New York Times Magazine*, where Belkin (2003) asked the headline question 'Why don't women make it to the top?' Her answer: 'They choose not to'. Coining the phrase, 'the opt-out revolution', Belkin argues that women are no longer willing to make the sacrifices needed to reach the top. Instead, these women are choosing to change their priorities, reject the workplace and voluntarily leave full-time employment. Indeed, describing her own experiences, Belkin revealed that she 'was no longer willing to work as hard . . . for a prize (she) didn't really want' (2003, p. 47).

Similar opt-out claims have been made in the UK. For example, in 2005 *The Sunday Telegraph* reported the results of a survey by Moira Beningson Executive Search which found that, while the UK retail industry is dominated by women, 40 per cent of women on the boards of UK retail companies report consciously holding themselves back from seeking the top job (Hall, 2005). The article continues by suggesting that 'women shy away from the top jobs because they are unwilling to sacrifice their family life, are less aggressive than their male counterparts and less concerned about job status than men'.

This explanation for the stagnating numbers of women at the executive level may appear compelling. Indeed, there is no denying that some women choose a balanced family over a frantic executive position. However, while these explanations are favoured by the media, academic research suggests that there may be additional explanations that need to be considered. For example, while the statistics demonstrate that women are leaving particular organizations, there is also evidence to suggest that women do not necessarily opt out of the workplace altogether (Boushey, 2005; McDowell, 2006; Townsend, 1996). For example, a recent Catalyst study examining why women left a large accounting firm demonstrated that 90 per cent of the female professionals leaving the organization (including those with young children), did not opt out of the workplace altogether, but instead continued their careers within other organizations. Of these women, over 70 per cent remained in full-time employment (Townsend, 1996). Together with the evidence that an increasing number of women are becoming entrepreneurs – as evidenced by a dramatic increase in women-owned firms (McDowell, 2006) – these data suggest that women may be motivated to leave their jobs for reasons other than a lack of ambition or a wish to stay at home with their children.

Supportive of such a notion, research by Hewlett and Luce (2005) suggests that in addition to 'pull' factors, such as family and lifestyle factors which motivate women to leave organizations voluntarily, there are also organizational 'push' factors – that is, aspects of the work environment that compel women to leave. Indeed in a longitudinal examination of management turnover in 20 *Fortune* 500 companies, Stroh et al. (1996) found that although more women left their management positions than men (26 per cent vs. 14 per cent, respectively), the majority of women reported that it was not family commitments that led them to leave, rather they did so because they had become disaffected with their organizations as a result of sub-optimal career opportunities. Similarly, an older study by Hrebiniak and Alutto (1972) found that while women were less committed to organizations than men, it was role-related factors such as role conflict, organizational tension and dissatisfaction that were most important predictors of this commitment level.

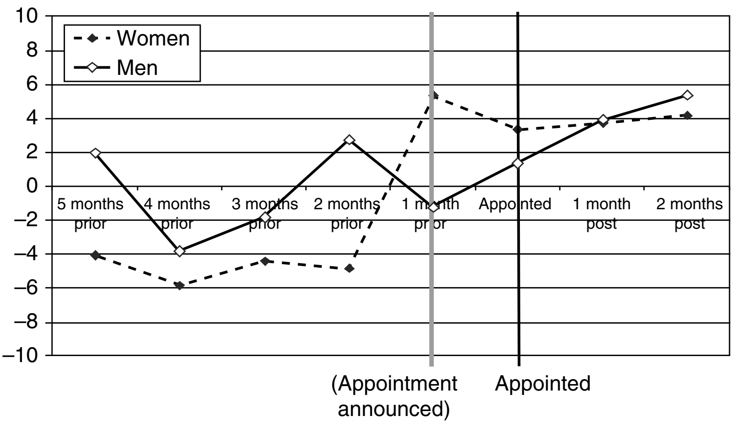
Possible clues for the source of women's disillusionment with their organizations were identified in Lyness and Thompson's (1997) examination of a matched sample of male and female financial services executives. Their research found that women's satisfaction with their positions was significantly lower than that of men, a finding explained in part by the fact that the positions women tended to occupy involved less authority and offered fewer tangible rewards. Such subtle gender differences in experiences were also demonstrated by Frankforter (1996) who found that the women's senior management positions are more likely to involve dealing with other staff (for example, human resource management) rather than with an organization's 'core' business (for example, production). Furthermore such 'soft' personnel work has been shown to (a) be less valued by organizations than 'hard' production work (Powell, 1980), (b) involve more interpersonal conflict and greater stress (for example, Erickson and Ritter, 2001), and (c) be less likely to facilitate career progression.

Taken together, these studies suggest that the experience of women in senior positions may be very different from that of their male counterparts. Indeed, as suggested by Ohlott et al. (1994), men are more likely than women to report that the challenges they face serve a positive self-developmental purpose, while women are more likely to describe the barriers they face as obstacles. Thus, the fact that women are more likely than men to opt out of the workplace, may tell us less about women's lack of priorities and ambition and more about the experiences that they face beyond the glass ceiling. The remainder of this chapter will examine two ways in which women's experiences are different from those of their male colleagues: the riskiness of the positions that they occupy (the glass cliff) and the rewards they receive (the gender pay gap).

THE GLASS CLIFF

In order to examine the differential experiences that men and women have in the workplace, we have recently conducted a programme of research examining women's experience above the glass ceiling. In this research we have demonstrated that, once through the glass ceiling, women are more likely than men to confront a *glass cliff*, such that their leadership positions are more precarious than those of their male counterparts and are associated with greater risk of failure and criticism because they are more likely to involve management of organizational units that are in crisis. Evidence of the glass cliff has been obtained using multiple methods including archival, experimental and qualitative research (see Ryan and Haslam, 2007, for a review).

Our initial research into the glass cliff focused on the UK FTSE 100 and analysed the share price performance of companies both before and after the appointment of men and women to their boards of directors (Ryan and Haslam, 2005). The analyses revealed that women were appointed to board positions under very different circumstances than men. In particular, as can be seen in Figure 14.1, in a time of a general financial downturn, companies that appointed men to their boards of directors showed relatively stable company performance before the appointment. In contrast, companies that appointed a woman to their boards of directors had experienced consistently poor performance in the months preceding the appointment.



Source: Authors.

Figure 14.1 Share price performance before and after the appointment of male and female directors

We therefore concluded that women were being appointed to directorships under very different circumstances than their male counterparts. More specifically, we argued that, due to a continuing pattern of poor company performance, women's positions were associated with a higher risk of failure, and were therefore more precarious. Indeed, as suggested by research into the romance of leadership (Meindl et al., 1985), those who occupy glass cliff leadership positions may receive a disproportionate share of the blame when things go wrong, being held accountable for events set in train long before they took control (Ryan and Haslam, 2005). Thus, we extended the metaphor of the glass ceiling, and invoked the notion of the 'glass cliff' to encapsulate the experience of these women – high up on the board of directors, but with the possibility of falling at any time.

Experimental Evidence

As it has evolved, research into the glass cliff has moved beyond the examination of FTSE 100 companies in order to better understand the nature of glass cliffs and potential causes for the phenomenon. One of the key questions we asked was whether women's over-representation in risky and precarious positions is a product of decision-making processes during the selection process. Is it the case that women are preferentially selected for board positions in times of crisis?

In order to examine this question systematically, a series of scenario-based experimental studies were conducted to examine people's preferences for male and female candidates in conditions associated with high risk and low risk (Haslam and Ryan, 2008). In the first of these studies, individuals enrolled in an MBA course were asked to select a candidate for an executive board position. The company's performance was described as either having improved or deteriorated markedly. Participants were presented with a description of three candidates for the position, a male and a female candidate who were equally well qualified and a third male candidate who was clearly less suitable for the job. As predicted, participants were more likely to select the female candidate when the company's performance was said to be declining than when it was improving. Importantly, the same pattern of findings was replicated in a study of business leaders (Haslam and Ryan, 2008, Study 3). In a scenario which involved appointing a financial director of a manufacturing company, these business leaders were much more likely to see the female candidate as suitable for the position (and only saw her as significantly more suitable than the equally qualified male candidate) when the organization was experiencing a marked downturn in performance (Figure 14.2).

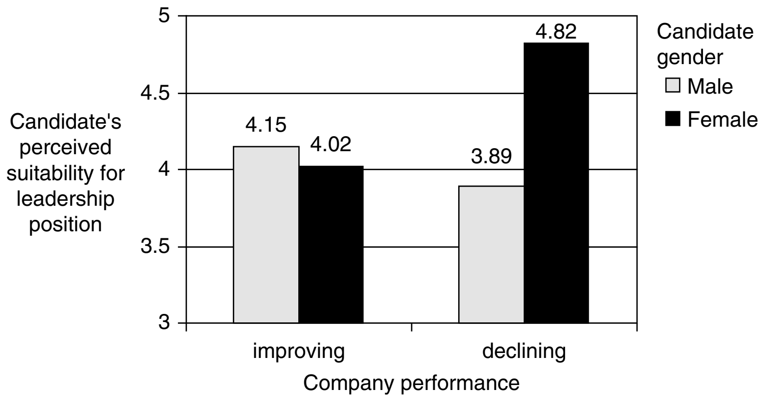


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Figure 14.2 Perceived suitability for position as a function of company performance and gender

Taken together, these experimental studies suggest that the glass cliff is, at least in part, related to the selection process. Note too that these studies hold constant key factors that might otherwise contribute to gender inequalities in the workplace, such as ability and past experience. This increases our confidence that gender per se has a causal role to play in the perceived suitability of women for glass cliff positions.

Women as Crisis Managers

While our research into FTSE 100 companies and our laboratory studies provide strong evidence for the existence of the glass cliff, it is not yet clear why women are seen to be particularly suitable for executive roles in times of crisis. One explanation that is particularly popular with individuals who are asked to explain the glass cliff is that women possess certain abilities that are valuable in times of crisis (Ryan et al., 2007). Indeed, one woman told us that the glass cliff phenomenon reminded her of a quote from Eleanor Roosevelt: 'Women are like tea bags: You don't know how strong they are until you put them in hot water', a simile designed to illustrate that women's true strengths come to the fore in times of trouble.

In order to examine the legitimacy of this explanation we conducted further research. Using a scenario study, we asked individuals about the leadership abilities of the candidates for a financial directorship of a large company (Haslam and Ryan, 2008). Participants (senior managers) perceived the female candidate to have particularly good leadership ability when the position was described in the context of an ongoing decline in company performance, as opposed to a company where all was going well.

The Glass Cliff as Opportunity?

While glass cliff positions certainly hold an element of risk, it is important to note that they needn't necessarily lead to failure. Indeed, glass cliff positions can be seen as an opportunity to overcome other barriers that prevent women from attaining executive positions (Ryan et al., 2007). As one woman told us:

> A woman has fewer and fewer employment opportunities the higher she climbs the career ladder so she is willing to take a job, even if it is risky. A man, on the other hand, would have a number of job opportunities to choose from. Therefore, he would select the best one.

In this way, it appears that women often take on risky or precarious positions in order to use them as a stepping stone in their careers. Along these lines, some women may strategically seek out glass cliff positions.

Experimental research findings support this notion that the glass cliff can be seen as an opportunity (Haslam and Ryan, 2008). In response to a scenario involving the appointment of a financial director, respondents believed that a risky situation was seen to provide a male candidate with a much lower quality of opportunity than a non-risky situation. However, the opposite was true for an equally qualified female candidate. Thus our respondents, who were business leaders themselves, saw a leadership position in times of crisis to be a particularly poor career opportunity for a man but a particularly good opportunity for a woman.

Why is it Risky?

As we have noted, glass cliff positions potentially hold an element of danger for those who occupy them, because companies that have experienced consistently bad performance are likely to attract negative publicity and attention of the 'wrong sort' (for example, in the media, on the stock market; Lee and James, 2003). Furthermore, research suggests that explanations for poor performance are likely to focus on the individual abilities of those in leadership positions rather than on situational and contextual factors that affect organizational performance.

Such a notion is supported by the work of Meindl and colleagues who suggest that there exists a 'romance of leadership' such that organizational performance tends to be attributed to the internal, dispositional qualities of leaders – specifically, the quality of their leadership – rather than external factors (for example, Meindl, 1993; Meindl et al., 1985). The findings from such research suggest that while leaders of companies that perform well are likely to be fêted as great leaders, those who have the misfortune to be in charge of poorly performing companies are much more likely to be criticized and pilloried. This is particularly true if the leaders are outgroup members (Haslam et al., 2001). Thus because women are more likely than men to find themselves on a glass cliff, and because women are often not seen (by other leaders – who are predominantly male) to be 'one of us', they are in greater danger of being targets of unfair blame and censure.

Evidence suggests, however, that criticism of leaders rarely stops there, and we have documented a number of cases where women have reported being pushed out of office. As one female executive told us:

> In my previous company I was appointed to a position that sought to change the business focus. This had been declined by three male colleagues in my peer group on the management board. I was not told this. When I expressed reservations about the viability in the timeframe given, I was told I always produced the results and nothing else was coming up so I would have to do it for the company. At the end of 12 months my reservations were shown to be accurate. The company decided to abandon the plans and I was given another equally risky project which I refused. I was made redundant in three weeks. Four other male colleagues who also refused the 'offer' were not.

While glass cliff positions may be seen as an opportunity to break through the glass ceiling, it is clear that there are tangible risks associated with taking on precarious positions. Returning to the teabag metaphor, while women may be seen to come to the fore in times of crisis, this puts them at risk of being dunked in hot water again and again. Thus, while glass cliff positions may not necessarily lead to failure, the challenges inherent in these positions may be one of the reasons why women's tenure of senior positions is observed to be much shorter than that of men and why women may no longer aspire to occupy the top jobs.

THE GENDER PAY GAP

Research into the glass cliff suggests that there are clear differences in the types of positions that men and women occupy once they break through the glass ceiling. However, there are also other factors that may contribute to the opt-out revolution. Although women in the boardroom may have overcome barriers to progression, research demonstrates that other obstacles, such as unequal compensation, still persist in the top positions (for example, Lyness and Thompson, 1997; Powell, 1999). Indeed, the gender pay gap is exacerbated the higher one climbs the corporate ladder, with women in top managerial positions earning around 30 per cent less than their male counterparts (Arulampalam et al., 2005; Benassi, 1999; Equal Opportunities Commission, 2003; Weinberg, 2004).

Following on from work on the glass cliff, we have conducted research that examines the role that variations in company performance play in contributing to the gender pay gap. A vast amount of economic literature suggests that managerial pay is closely related to corporate performance, especially for pay elements such as bonuses and incentives (Renneboog and Trojanowski, 2006). However, psychological research into the romance of leadership suggests that the amount of pay that executives receive is not only a reflection of their ability to lead their companies but is also linked to attributions of their power and agency (Meindl et al., 1985). Our recent research looks at these two propositions through a gendered lens, and suggests that the provision of executive rewards on the basis of performance is not the same for women and men (for example, Kulich et al., 2007).

The Importance of Company Performance

Research into the romance of leadership reveals that the perceived relationship between leaders and company performance is socially constructed and is based on romanticized notions of leaders (Meindl et al., 1985; Haslam et al., 2001). More precisely, implicit theories of what it means to be a leader are thought to influence or bias evaluations of an individual's abilities and competencies. In this way, leaders are seen to be highly influential in determining the fortunes of companies, and corporate change is typically attributed to a leader's charisma (or a lack of it) and leadership ability, while alternative factors – such as external pressures – are downplayed.

Extending this analysis to the boardroom, the fact that executive directors are seen as key figures in corporate life and are associated with enormous power leads to the assumption that they are responsible for corporate change, both better or for worse. Consequently executive pay is performance-based (Renneboog and Trojanowski, 2006). When all is going well, executives receive large bonuses and other performance-related incentives. But the flip side is also true: when company performance is faltering there are demands for executive pay cuts. However, while this relationship between company performance and remuneration may hold true for male executive directors, when it comes to the pay packages of female executives, different rules may apply.

To examine this proposition we conducted an archival study of the remuneration of a matched sample of male and female executive directors in UK companies listed on the London Stock Exchange (Kulich et al., 2008b). In accordance with a broad collection of literature on the gender pay gap, female executive directors earned significantly less than their male counterparts. Moreover, not only were women's base salaries lower, but, in addition, their variable pay (such as bonuses, incentives and stock options) corresponded to a smaller proportion of these lower salaries.

This finding is relatively novel, but an even more interesting pattern of results emerged from a more fine-grained analysis of executive pay. When company performance was taken into account, it became clear that the gender pay gap was context-dependent. As can be seen in Figure 14.3, when companies were performing well, men received significantly higher bonuses than women – the traditional gender pay gap. However, when companies were performing poorly, male executives received less than female executives.

Stated another way, these findings demonstrate that for male executive directors there is a clear (and positive) relationship between company performance and remuneration. Thus, the good performance of a man is highly rewarded, while his poor performance is punished with a lower bonus. Indeed when comparing the poorest performing companies with those that are performing the best, the bonuses awarded to male directors almost quadruple. Yet in stark contrast to this pattern, there is no relationship between company performance and the bonuses received by female

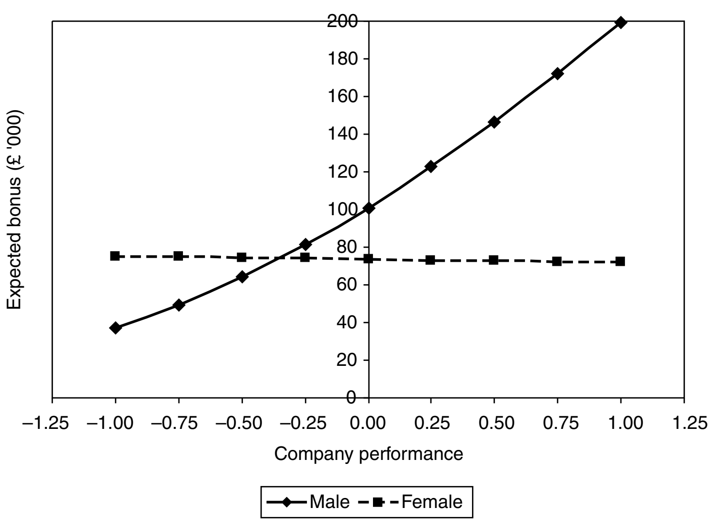

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Figure 14.3 Archival study: gender differences in the performance-sensitivity of bonuses executives, with little change in reward for women in the bottom companies relative to those at the top.

Importantly, this finding has also been replicated using strictly controlled experimental methodology (Kulich et al., 2007). In a scenario study participants were asked to read an article about a company that was (a) either performing well or performing badly, and (b) that was led by either a male or a female CEO. Participants were then asked to evaluate the CEO's managerial abilities and award him or her an annual bonus. In line with the findings from the archival study, analysis of these bonuses revealed that gender differences were highly context-sensitive. Thus, the traditional pay gap was large when companies were doing well, but it was smaller (and actually reversed) when companies were doing poorly. As can be seen in Figure 14.4, the bonuses allocated to the female CEO were also much less dependent upon company performance. Thus the male CEO's bonus was highly correlated with company performance, but the female's was not. Moreover, in this case the use of experimental methodology allows us to control extraneous factors (for example, CEO ability, company culture, CEO choice) and thus we can confidently attribute these findings to our manipulations of the independent variables – gender and performance.

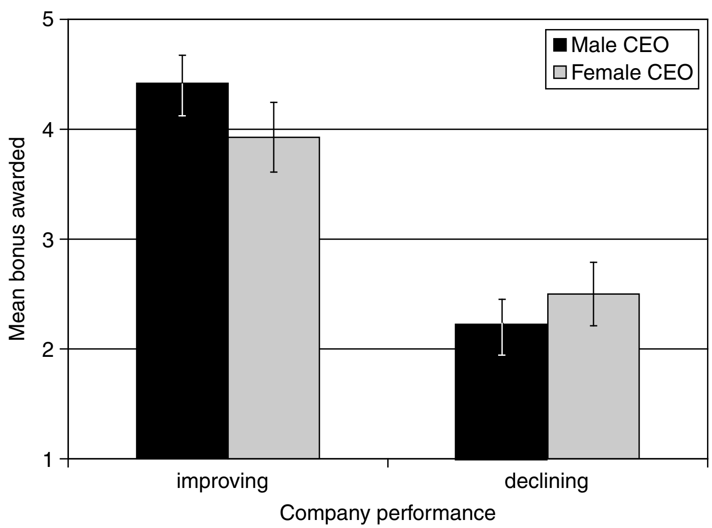

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Figure 14.4 Experimental study: gender differences in the performance-sensitivity of bonuses

Taken together, this archival and experimental research shows that, at least when considering bonuses, the gender pay gap is highest when companies are doing well and is attenuated, and indeed has a tendency to be reversed, when companies are doing badly. The finding that women's bonuses are not sensitive to company performance opens up questions about persistent gender stereotypes and the evaluation of women's leadership in male-dominated environments or 'typically masculine' roles.

Indeed, the fact that women are not rewarded in a manner commensurate with their performance may be due to the fact that the romance of leadership – the assumption that leaders have a major impact on a company – applies only to male leaders. A closer investigation of the evaluation of the male and female CEO in our experimental study sheds some light on this process (Kulich et al., 2007). Analysis of participants' perceptions of the CEOs reveals that for the male CEO, perceptions of leadership ability were not an important factor in determining bonuses – he was simply allocated a bonus which reflected the company's performance. In contrast, for female directors the relationship between company performance and the bonus awarded was mediated by how she was perceived as a leader. In this case, it was primarily perceptions of the female manager's charisma and leadership ability that predicted the bonus allocations, rather than company performance.

We interpret these results as suggesting that female executives may be subjected to greater scrutiny than men, because they occupy roles that are prototypically male and thereby contradict stereotypic expectations (for example, Eagly and Karau, 2002; Heilman, 2001). Indeed, according to Pyszczynski and Greenberg (1981), behaviours that conflict with our beliefs tend to encourage a more in-depth analysis of the situation. Thus, because there are pre-existing beliefs that link leadership with masculinity (for example, Schein, 1973), the evaluation of a male CEO is straightforward. For the female director, however, no such logic is readily available. Instead the conflict between gender stereotypes and leadership theories needs to be explained in order to understand what might underpin the observed outcomes.

Implications

The fact that executive women are neither rewarded when corporate performance is good nor punished when performance is disappointing has important implications for their careers. Although there is clearly a positive spin that can be put on the findings, in the sense that women are not penalized as harshly in a context of negative corporate performance, it is also clear that women miss out when their company is doing well. Such reward differentials may have a number of serious consequences. First, they may reinforce gender stereotypes. Research demonstrates that well-paid individuals are seen as competent, while those who are badly paid are perceived as more communal and as having stereotypically female traits (Johannesen-Schmidt and Eagly, 2002). Thus, to the extent that women are paid less well than men, women's communality will be reinforced at the expense of more agentic traits. In the boardroom this is critical, because such feminine stereotypes conflict with notions of what it means to be a good leader, and may lead to a devaluation of women's abilities and actions (Eagly et al., 1992). Second, such reward structures may hinder women's career progression, since pay has been shown to predict the extent to which a person's work is valued, and more specifically the extent to which they are perceived to have influence and ability (Ridgeway, 2001). In this way, women's lower wages could perpetuate perceptions of a lack of credibility and an inability to influence. Third, gendered reward structures may have adverse consequences for a company's ability to retain managerial talent. If executive women are not being rewarded for their companies' successes they may start looking elsewhere – either by taking positions in other companies (Townsend, 1996) or by starting their own businesses (McDowell, 2006). Considering these implications together, it is clear that the way in which men and women are differentially rewarded may leave women feeling that their contributions are under-valued and that there are few opportunities for progression. Unsurprisingly, both factors that have been shown to contribute to women opting out of the workplace.

CONCLUSIONS

Clearly the glass ceiling still exists – but there is also a need for research to examine what happens beyond the glass ceiling, for those select women that do manage to break through. In this chapter we have outlined two novel programmes of research which examine (a) the tendency for women who break through the glass ceiling to be placed in more precarious leadership positions than men, and (b) the tendency for executive women to receive less reward for their work.

Both of these tendencies can have very real and tangible implications for women's ambitions and their commitment to organizations. For example, research has demonstrated that glass cliff positions are exceedingly stressful (Ryan et al., 2007). Moreover, the day-to-day experience of this stress can cause women to disidentify with organizations and to seek to distance themselves from them. Similarly, feeling undervalued and underpaid has been shown to be negatively related to organization identification (Kulich et al., 2008a). This lack of identification with an organization can have serious consequences for women and the organization in which they are employed (for example, Haslam, 2004) including (a) reduced workplace effort and motivation (for example, van Knippenberg, 2000), (b) reduced cooperation (for example, Tyler and Blader, 2001), (c) poor communication (for example, Postmes et al., 2001), (d) reduced leadership effectiveness (for example, Fielding and Hogg, 1997; Turner, 1991), as well as (e) reduced commitment to decisions (for example, Haslam et al., 2006) and to the organization itself (for example, Ashforth and Mael, 1989; van Dick et al., 2004). In this way, precarious leadership positions and the gender pay gap can, at least in part, be seen to underlie the phenomenon addressed at the start of this chapter – that women have decreased levels of ambition and commitment and are opting out of organizational life (and in particular, its upper reaches).

In conclusion, the research outlined here provides evidence of subtle but potentially formidable hurdles that women must overcome in order to proceed up the leadership ladder. The research also provides important insights into processes that can contribute to this effect. Thus research into glass cliffs and the gender pay gap demonstrates that having leadership opportunities for women is not necessarily the same thing as actually enacting equal opportunity. Indeed, equal opportunity is not simply about the *number* of women in leadership roles, but about ensuring that the *nature* of those positions is equivalent. If organizations want to quash the opt-out revolution that threatens to drain their valuable resource of talented women, they must demonstrate that they are committed not just to giving women leadership opportunities, but also to giving them opportunities in which they have fair prospects of success. Moreover, where they do succeed, they need to be given appropriate rewards. In short, the key to engendering commitment in top women leaders would appear to be greater organizational commitment to justice.

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15. On the progress of corporate women: less a glass ceiling than a bottleneck?

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INTRODUCTION

It has been suggested that women's positions as inside directors constitute a requisite step in their candidacy for promotion to CEO. Also, inside director positions may materially increase women's networking capability through their facilitation of membership on multiple boards. Sarbanes-Oxley (SOX) and the guidelines of the listing exchanges (for example, NYSE, NASDAQ), however, may have introduced an environment wherein women's participation as inside board members may have been seriously compromised. We provide empirical analyses of women's progress in securing inside board positions over the period one year pre-SOX (2001) through 2006.[1] Based on the data, there is strong indication of substantial progress for women as inside directors as well as improved networking through additional directorships.

Under the broad rubric of corporate governance, there is an extensive and distinguished tradition of research and commentary focusing on chief executive officers (CEOs) and CEO succession (for example, Agrawal et al., 2006; Bailey and Helfat, 2005; Deutsch, 2005; Zhang and Rajagopalan, 2004), top management teams (TMTs) (for example, Amason et al., 2006; Athanassiou and Kendall, 2006; Certo et al., 2006; Cohen and Dean, 2005; Hayes et al., 2006; Krishnan, 2005; Wright et al., 2007) and boards of directors (for example, Arthaud-Day et al., 2006; Bozec, 2005; DeFond et al., 2005; Fich and Shivdasani, 2006; Fogel and Geier, 2007; Hillman, 2005; Kor, 2006; Linck et al., 2008; Raheja, 2005; Westphal and Bednar, 2005). This impressive body of work is notable for several reasons, all of which animate our research. Consider, for example, that this literature rarely focuses on women in these roles. Also, there are fascinating coincident aspects, one of which, with a single exception (Mooney et al., 2007), has never been addressed.

Often, the CEO of a firm is also an inside director (that is a member of the board who also serves as an officer of the firm), and is obviously a member of the TMT, as well as a critical actor in CEO succession. A non-CEO inside director, too, may share in these multiple roles – inside director, member of the TMT, and a critical actor in CEO succession. Non-CEO inside directors would almost certainly be included in a list of CEO heirs apparent (for example, Shen, 2001; Shen and Cannella, 2002a, b, 2003; see also, Bailey and Helfat, 2005; Behn et al., 2005; Bigley and Wiersema, 2002; Zhang and Rajagopalan, 2004). Notably, the body of research to which we have referred has rarely considered the impact of the Sarbanes-Oxley Act of 2001 (SOX)[2] and the guidelines of the listing exchanges (for example, NYSE,[3] NASDAQ[4]) on the confluence of these matters of corporate governance.

Accordingly, in subsequent sections we provide an overview of the research that has focused on women. We also review the central role of inside directors in CEO succession and how this 'pipeline' may critically affect the progress of women. In addition, we note the various aspects of SOX and the listing exchanges that have fundamentally changed the composition of boards of directors in ways that may not have facilitated the progress of women. Finally, we provide contemporary data that, for us, provide compelling evidence of startling, positive outcomes for corporate women.

WOMEN IN THE BOARDROOM

The clear preponderance of work addressing corporate women focuses on their participation on corporate boards of directors (for recent exceptions, see for example, Helfat et al., 2006; Lee and James, 2007). The earliest research and commentary in that tradition begins some 30 years ago (for example, Bacon and Brown, 1977; Cooney, 1978; Elgart, 1983; Harrigan, 1981; Heidrick and Struggles, 1977; Orr, 1977; Schwartz, 1980; Stultz, 1979). In general, this work was not enthusiastic about women's progress, or the promise for progress. An early *Business Week* (1984) article, for instance, provides a clear example of that sentiment concluding that 'the number of women board members may have peaked' (*Business Week*, 1984, p. 126). That position may have been a bit premature; at that time women comprised 3.6 per cent of board seats on the *Fortune* 500; the figure is now 14.8 per cent.

Related research (for example, Bilimoria and Piderit, 1994; Kesner, 1988; see also Bilimoria, 1995, 2000) provided some of the earliest work on women's membership on corporate board committees (for example, audit, compensation, executive, finance, nominating). Women were found to be proportionately represented on the audit and compensation committees, but under-represented on the nominating, finance and executive committees. Since then, this concentration of attention on the intersection of women and boards of directors endures (for example, Arken et al., 2004; Fairfax, 2005; Farrell and Hersch, 2005; Hillman et al., 2002; Hillman et al., 2005; Westphal and Stern, 2007).

A parallel series of research has examined women's progress and travails in attaining top management jobs (for example, Branson, 2007; Helfat et al., 2006; Krishnan, 2005; Powell and Butterfield, 1994; Ryan and Haslam, 2007) and the intersection of top management positions and board membership (Bilimoria, 2006; Hillman et al., 2002; Ragins et al., 1998). There is yet another, and increasingly ardent, compilation of commentary that might be referred to as advocacy for women's progress – particularly as regards their promise for board service (for example, Bilimoria, 1995, 2000; Blackman, 2004; Clarke, 2005; Dalton and Daily, 1998, 1999a, 1999b; Flynn and Adams, 2004; Johnston, 2005; Meyerson and Fletcher, 2000; Natividad, 2005; Witkowsky, 2005). Lastly, there is the body of research that, in part, frames our research – the centrality of the position of inside director for women's advancement.

WOMEN AS INSIDE DIRECTORS

In 1999 the first research and commentary on the criticality of obtaining positions as inside directors for women was noted (Daily et al., 1999). This research initially examined the progress of women as *Fortune* 500 CEOs and board members over a 10-year period (1987–1996). The results indicated substantial improvement in board membership (in 1987, 42.6 per cent of boards included women; in 1996, 81.2 per cent included women). There was, however, no improvement in women's representation as CEO (in both 1987 and 1996, there were two female CEOs on the *Fortune* 500).[5] It was noted that a crucial, perhaps requisite, step in women's progress to the executive suite may be a direct function of their participation as inside directors, because the majority of successor CEOs are chosen from the executive ranks of the focal firm who have served as inside directors of that firm.

These data were sobering. In 1987, there were 11 women serving as inside directors in *Fortune* 500 companies; by 1996, there were only eight. It was concluded that 'not only have women made no progress in their ascension to the executive suite, there is no evidence that such progress is likely to be forthcoming for many years' (Daily et al., 1999,

p. 97). This was no reflection on the experience, expertise and reputation of women. Instead, it suggested that women simply were not staged for such promotions. They were missing an essential element – that of service as an inside director. In reflecting on the criticality of this step, consider that an inside directorship is assuredly the path to becoming CEO. Eighty per cent of CEO successions are filled by inside directors (Mooney et al., 2007).[6]

A subsequent study (Daily et al., 2004; see also Mooney et al., 2007; Zelechowski and Bilimoria, 2003, 2004) included updates of these data taken for the period 1997–2002. During this time the number of women serving as inside directors increased from less than 10 to 31, an impressive improvement. There were, however, some countervailing data as well.

This study also examined information provided annually by *Fortune* – 'The fifty most powerful women in American business' over a five-year period (1999–2003). These reports list a veritable who's who of high-profile, successful women, including presidents, SVPs, EVPs, COOs and CIOs. According to *Fortune* (Sellers, 2003, p. 103), a woman's inclusion on this list depends on 'the size and importance of the woman's business in the global economy, her clout inside her company, [and] the arc of her career (how quickly she has risen and where she's likely to go)'. The issue was to determine how many of these high-exposure, extraordinary women served as inside directors for their own companies. The answer was a very modest 8.3 per cent; an astounding finding given that these women have, according to *Fortune*, some of the more illustrious reputations in the US business community.

These data and the promise for women to increase their presence as inside directors may, however, have changed dramatically. There are aspects of SOX and the guidelines of the listing exchanges that may have severely compromised the role of inside directors for men and women alike.

SOX AND THE REGULATIONS OF THE LISTING EXCHANGES

In the wake of a series of high-profile corporate scandals, the Public Company Accounting Reform and Investor Protection Act of 2002 (aka Sarbanes-Oxley Act) was passed by the US Congress with an imposing bipartisan and bicameral mandate (423-3 vote in the House of Representatives; 99-0 vote in the Senate; see, for example, Bradley and Wallenstein, 2006; Gourevitch and Shinn, 2005). SOX has been enthusiastically received by proponents of prudent corporate governance. Observers have described SOX as the top 'legal milestone of the last ten years' (Myers, 2005, p. 1), the 'most comprehensive public company legislation since the 1930s' (Green, 2004, p. 19), and 'the most significant piece of legislation in the history of federal securities regulations' (Bradley and Wallenstein, 2006, p. 67; see also, Romano, 2005). Essentially in parallel with SOX legislation were the corporate governance guidelines set forth by the listing exchanges (for example, NYSE, NASDAQ). It is important to note that neither SOX nor the guidelines of the listing exchanges specifically address any aspect of women's service on boards or any other element of diversity. They do, however, establish a series of regulations relating to the composition of boards that may importantly affect the position of inside director.

Those potential effects are part of the corporate governance turbulence wrought by SOX. Consider, for example, the steep increase in CEO turnover, a trend that led a recent Booz Allen Hamilton study to refer to CEOs as 'The world's most prominent temp workers' (Booz Allen Hamilton, 2005). The CEO turnover trend post-SOX continues to increase. In 2003, the annual turnover rate for CEOs was 9.8 per cent; for 2004, turnover had increased to 14.2 per cent; the current turnover rate for US CEOs is 16.2 per cent (Booz Allen Hamilton, 2006). Chief financial officer (CFO) turnover, too, is at its zenith, with the current rate at over 17 per cent (Liberum, 2007).

Consider also the change in director turnover. In 2001, one year pre-SOX, the turnover rate for independent directors was 5 per cent. For the first three years post-SOX (2002–2005), the annual turnover rate had increased to 11.3 per cent (for example, Spencer Stuart, 2004, 2005a, 2006). The current turnover rate for independent directors is a daunting 35.7 per cent annually (*Agenda*, 2006).

In addition, there are two notable trends that do not bode well for the progress of women. In the post-SOX era, the number of *Fortune* 500 directors has markedly decreased. The total number of directors on the average board for these larger firms has decreased from 13.3 to 10.7 (Spencer Stuart, 2005b, 2006). This is a total loss of 1300 board members. Moreover, the number of inside directors has dramatically decreased. One year pre-SOX (2001), the average *Fortune* 500 board had 3.1 inside directors. Now, there are only 1.65 inside directors per board, but that estimate is exaggerated. Since CEOs serve on their respective boards and, thus, are inside directors, one of the 1.65 inside directors is the CEO. Accordingly, there is less than one (0.65) non-CEO inside director on the average *Fortune* 500 board. Clearly, then, it would appear that the reduction of board memberships overall and the dramatic decrease in inside board opportunities, a net loss of 730 inside board positions, may not bode well for women.

ASSESSING THE TRENDS

As noted in an earlier section, we know that women's participation as inside directors was on an increasing trend through the pre-SOX years (for example, Daily et al., 1999, 2004). At issue is whether the trends persist through the post-SOX years given the material reduction in inside board positions. We suggest that women will have maintained or exceeded that pace. Our rationale is that the number of women in executive roles has increased over the post-SOX period from 12.5 per cent in 2001 (Catalyst, 2001) to 16.4 per cent in 2006 (Catalyst, 2006). Given that, and the fact that *Fortune* 500 firms would have five named executive officers (NEOs; this designation is used primarily for Securities and Exchange Commission [SEC] reporting in proxy statements, usually on compensation matters), there would be a net increase of 98 female senior executives over this period. While there is no assurance that these women are serving as inside directors, they are certainly in a position that would make them eligible for such a position.

There is another interesting aspect of women's positions as inside directors that may have been similarly compromised by the SOX and listing exchange guidelines. A position as an inside director may have derivative advantages for women and their candidacy for additional board seats in outside firms. Westphal and Stern (2007; see also, Westphal and Milton, 2000 and Westphal and Stern, 2006) remind us that research on director selection suggests that additional board seats are most often acquired through referrals from fellow directors who serve on other boards. Others, too, have suggested that women with prior board experience are more likely to be nominated for additional board service (for example, Catalyst, 2006). Accordingly, if women have increased their exposure as inside directors, we would expect that their networking through multiple board seats will have maintained or exceeded the pace of their male counterparts.

THE CURRENT ENVIRONMENT FOR CORPORATE WOMEN

To empirically examine these research questions we rely on two databases. One comprises those individuals serving on *Fortune* 500 boards of directors in 2001, one year pre-SOX – a total of 6549 directors. The second database, containing 5350 directors, includes those individuals serving as directors on *Fortune* 500 firms in 2006.[7] Access to these data were obtained from the Institute for Corporate Governance[8] and BoardAnalyst[9] and are derived from proxy reports and information contained in the corporate

Table 15.1 Inside directorships and number of board seats

Category	2001 (one year pre-SOX)	2006
Number of inside directors	39	76***
Number of board seats	1.30	1.58***

Note: *** $p < 0.001$.

Source: Authors.

governance documents that, by regulation, must be maintained on the websites of publicly-traded companies on the NYSE and NASDAQ exchanges.

From these sources, we obtained the data illustrated in Table 15.1. Notice that the number of women serving as inside directors increased dramatically over the period (one year pre-SOX to 2006) from 39 to 76 ($p < 0.001$). Notice also that the total number of boards on which these women serve increased from 1.30 to 1.58 ($p < 0.001$). There is another interesting aspect of this finding. In 2001, male inside directors served on an average of 1.56 boards and women, as noted, served on an average of 1.30 ($p < 0.001$). By 2006, however, board service was essentially the same. Men served on an average of 1.59 boards and women on 1.58. On this dimension, not only did women markedly improve, they obtained equivalence on this dimension with male inside board members as well.

MAINTAINING THE MOMENTUM

A review of the Catalyst[10] data from 1993 to 2006 shows a steady increase (8.3 per cent to 14.6 per cent in roughly equivalent intervals) in the presence of women serving on *Fortune* 500 boards. Even so, some observers have been critical about aspects of women's progress on these, and other, dimensions (for example, Branson, 2007; Catalyst, 2007; Lee and James, 2007; Ryan and Haslam, 2007).

We agree that progress has been dilatory. It has, however, been steady. For us, this consistent growth is important. Consider, for example, the research of Farrell and Hersch (2005). They found – over the period of 1990–1999 – a disquieting trend. Companies with a woman already serving on the board were unlikely to add another. Alternatively, when a woman left a board, the likelihood of a woman replacing the departee was materially increased. These results may be uncharitably interpreted as perilously close to a rationing system. We do know that the post-1999 data for women's representation on *Fortune* 500 firms does not support that finding. In 1999, women comprised 11.2 per cent of the board seats; by 2006, the percentage was 14.9.

We also know, based on the Catalyst (2006) reports, that (1) *Fortune* 500 companies with boards comprised of more than 25 per cent women increased nearly six-fold from 11 in 1995 to 64 in 2005; (2) companies with two women directors on the board increased by 34 per cent (from 141 to 189) from 1995 to 2005; and (3) that companies with three female directors increased by over 300 per cent (from 25 companies in 1995 to 76 companies in 2005). Accordingly, there is some evidence that women's progress was not, in fact, static across that period. The trend we report for women as inside directors may also provide some countervailing evidence for those who are advocates for women's increasing presence on corporate boards.

There may be derivative benefits for corporations with women as inside directors and their service on additional boards. The community of legal research may provide an interesting example. Phillips (2005, p. 467), for example, noted that 'few institutions have greater gender inequality than law firms, especially at the level of partnership'. That concern, however, extends well beyond law firm partners. In fact, Phillips (2005, p. 441; see also, Moss, 2004) suggested that 'women's occupancy of high-ranked positions in law firms is used as one barometer of generalized gender inequality'. The presence of women in such positions is a critical signal to female candidates who are prospectively selecting among law firms, whether at the entry level or beyond. Moss (2004, p. 2) suggests that women 'rationally use level of diversity as a proxy for discrimination, since the latter is harder to observe'. Thus, the presence of high-ranked women in a given firm is a compelling issue that is likely to affect the tendency for the highest quality women to join the firm.

We suggest that women in at least three corporate categories may provide the signal value to which we have referred. There will be women who are senior managers of firms; there will be women who have additional responsibilities as members of their firms' corporate boards; there will be women with additional board seats facilitated by their membership on the focal firms' boards. Singly, and in concert, these will be strong, positive signals to other women who may join such firms in a host of positions. Firms without women serving in those positions may – presumably inadvertently – dissuade women from joining the firms' management teams or their boards, or in other capacities.

NOTES

1. Some of the descriptive data on which we rely were provided by the Institute for Corporate Governance (ICG), Kelley School of Business, Indiana University. These data are derived from *Fortune* 500 firms' proxy statements and their corporate governance documents that are required to be available on the respective websites. We thank the ICG for access to these data.
2. For a summary of the key provisions of the Sarbanes-Oxley Act of 2002, see the American Institute of Certified Public Accountants (AICPA) website: www.aicpa.org/info/sarbanes_oxley_summary.htm, accessed 7 May, 2007.
3. For a copy of the New York Stock Exchange (NYSE) listing requirements, see www.nyse.com/pdfs/section303a_final_rules.pdf. For a useful summary, see www.alston.com/listing%20standards%20200410120403 0137.pdf, accessed 7 May, 2007.
4. For a copy of the NASDAQ listing requirements, see www.nasdaq.com/about/marketplacerules.stm. For a useful summary, see www.alston.com/listing%20standards%20200410120403 0137.pdf, accessed 7 May, 2007.
5. As of January 2007, there are 10 women CEOs in the *Fortune* 500 – Clair Babrowski (RadioShack), Brenda C. Barnes (Sara Lee), Susan M. Ivey (Reynolds American), Andrea Jung (Avon Products), Anne Mulcahy (Xerox), Paula G. Rosput Reynolds (Safeco), Patricia F. Russo (Lucent Technologies), Mary F. Sammons (Rite Aid), Marion O. Sandler (Golden West Financial), and Margaret C. Whitman (eBay).
6. This 80 per cent refers to inside successions, that is, where the new CEO was an inside director of the focal firm. Obviously, an outside successor could not have been an inside director in the focal firm.
7. The net reduction in total board members over the period is the result, as noted, of a decrease in the number of directors on the average *Fortune* 500 boards – from 13.3 to 10.7 (Spencer Stuart, 2005b, 2006).
8. Institute for Corporate Governance, Kelley School of Business, Indiana University, (www.iu.edu/icg), accessed 9 May, 2007.
9. BoardAnalyst, www.boardanalyst.com, accessed 9 May, 2007.
10. Catalyst, www.catalystwomen.org, accessed 9 May, 2007.

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16. ION: organizational networking to harness local power for national impact

Susan M. Adams, Patricia M. Flynn and Toni G. Wolfman

INTRODUCTION

The status of women in the boardroom and executive suite has remained stagnant for several years. This has occurred in spite of major changes in the corporate governance environment, increased roles of women in the economy, research showing the benefits of diverse boards, and educational and advocacy efforts by organizations dedicated to advancing women to leadership positions. It is in this context that the InterOrganization Network (ION) has emerged as a new force for change.

ION is a national organization whose members are executive women's organizations that share the mission of advancing women to positions of power in the business world, primarily to boards of directors and executive suites. ION's founders believe that some of the most effective ways to bring about change in the composition of corporate leadership in the United States involve working at the local and regional levels. ION believes that local advocates can more effectively reach (a) the thousands of public and private companies, regardless of size, that play such an important role in the economy and (b) the many accomplished executive and professional women who comprise the talent pool of future business leaders.

The organizational model of ION respects the unique attributes and interests of each of its members. It capitalizes on their respective strengths and their political understanding of local areas, and harnesses the resources of the collective to advance their common goal of changing the status of women on corporate boards and in executive suites. By providing a forum for its member organizations to share best practices and undertake focused joint initiatives, ION facilitates their ability to leverage their power and increase their influence in support of a shared vision.

Consistent with the notions of actionable and local knowledge (Adams and Flynn, 2005a, 2005b; Argyris, 1993; 1996), ION bases its initiatives on research that provides the data supporting action for change. In this way ION integrates research and practice (Bilimoria, 2000, pp. 36–37; Hackman, 1985; Seashore, 1985).[1] By linking its action agenda with research, ION answers the call of those who contend that management practice based on scientifically-derived facts rather than trends and fads will better serve managers and their organizations (Hymowitz, 2006; Pfeffer and Sutton, 2006; Rousseau, 2006).

GENESIS AND EVOLUTION

In 1993, the Board of Directors Network in Atlanta issued the first statewide census of women directors of public companies.[2] Five years later, in 1998, The Chicago Network published its first census of women directors of Chicago-area companies. In 2001, the Forum of Executive Women in Philadelphia and The Boston Club released similar reports on the largest 100 public companies in the Philadelphia area and the Commonwealth of Massachusetts respectively. While these reports vary in terms of the number of companies included and the topics analyzed, their authors shared a common purpose to draw attention to the need for change based on the low percentage of leadership positions that were filled by women. Furthermore, they wanted to spread the word that their organizations offer resources to those willing to be part of the solution.

Publicity about these regional census reports led some members of the supporting organizations to contact others to learn more about their research and programs. These early informal contacts proved so helpful that representatives of these four groups decided to hold a series of conference calls, starting in December 2003, to further educate themselves about each other and to explore the possibility of joint initiatives.

The four organizations agreed that a common format and methodology for the census reports would allow meaningful comparisons and facilitate replication for organizations in other geographic locations. Additionally they agreed to share data on a confidential basis prior to publication, to try to coordinate the release dates for their individual reports, and to supplement those reports with a joint summary document that provides comparisons of key findings from each region. By June, Milwaukee Women inc. and the Inforum Center for Leadership of Detroit, each of which had recently issued their own census reports, joined the four founding members of ION.

ION released its first comparative report in 2004, with data from the six regions. By the time ION issued its second report in 2006, Women

Executive Leadership of Florida had joined the network. The Forum for Women Entrepreneurs and Executives of Palo Alto, California, in partnership with the Graduate School of Management at the University of California, Davis, became ION's eighth member in 2006 and its data, too, were included in the third ION report released in 2007. The fourth report in 2008 included two new regions, Kansas City and New York City, and an eleventh region, Maryland, will be included in the 2009 report. ION is currently engaged in discussions with several potential new members and has been reaching out to executive women's organizations in states having large concentrations of corporate headquarters.

Table 16.1 lists ION's current members and Box 16.1 sets forth ION's membership criteria. It is important to note that ION's member organizations vary significantly among themselves in terms of age (5–30 years), size of membership (300–2500) and range of activities. Detailed information about each of the ION members can be found on its website.

STRUCTURE AND OPERATIONS

Since its first informal telephone meeting, ION has conducted its business through monthly conference calls in which one representative from each ION member participates. In addition to these meetings, beginning in 2005, ION has held an annual in-person meeting attended by as many as three representatives of each ION member organization. Its several committees meet periodically by telephone, and in April 2007, ION initiated a Google Groups website to encourage the sharing of information without excessive email.

At its 2006 annual meeting, ION's members decided to formalize its structure and operations by incorporating as a Georgia non-profit organization and seeking tax-exempt status under the US Internal Revenue Code. In accordance with ION's Bylaws, each member designates a representative to serve as a director of the organization. An Executive Committee of at least five directors is responsible for the operations of ION during intervals between board meetings. To date, in light of the size of ION's membership, all directors serve on the Executive Committee and their monthly telephone meetings serve as meetings of the board as well.

ION conducts most of its work by committees comprised directors and other members of the eleven ION organizations. Currently, ION's committees are dedicated to the issues of membership, the annual research report, communications and marketing, board searches, finance and sponsorship, and outreach. This last committee is responsible for developing and implementing an action plan to enlist the assistance of individuals and

Table 16.1 ION member organizations

Member Organization	Year Founded	Focus of Census Report	Year Joined
The Board of Directors Network – Atlanta www.boarddirectorsnetwork.org	1993	All Georgia public companies	2004
The Boston Club www.thebostonclub.com	1976	Largest 100 public companies in Massachusetts	2004
The Central Exchange www.centralexchange.org	1980	Largest 36 public companies in Kansas City metropolitan area	2007
The Chicago Network www.thechicagonetwork.org	1979	Largest 50 public companies in Chicago area	2004
Financial Women's Association of New York www.fwa.org	1956	Largest 100 public companies in New York City area	2007
Forum for Women Entrepreneurs and Executives/Graduate School of Management, University of California, Davis www.fweande.org	1993	Largest 400 public companies in California	2006
The Forum of Executive Women – Philadelphia www.foew.com	1977	Largest 100 public companies in Philadelphia area	2004
Inforum Center for Leadership – Detroit www.inforummichigan.org	2002	Largest 100 public companies in Michigan	2004
Milwaukee Women inc. www.milwaukeewomeninc.org	2002	Largest 50 public companies in Wisconsin	2004
Network 2000 www.network2000md.org	1993	All public companies in Maryland	2008
Women Executive Leadership – Fort Lauderdale www.womenexecutiveleadership.org	1999	Largest 150 public companies in Florida	2005

Source: Authors and www.IONWomen.org/who.htm.

BOX 16.1 ION MEMBERSHIP CRITERIA

ION invites applications from executive women's organizations that share ION's goal to increase women in the boardrooms and executive suites of corporate America, gather data annually to measure this progress in their region, and publish this data at least biennially. Specifically, in order to become and remain a member of ION, an organization must:

- be a non-profit women's membership organization that actively supports the advancement of women as directors and executive officers of public companies;
- have published a census of the number of women directors and executive officers in a defined geographic area, with the expectation of continuing collection of the ION data on an annual basis and publication of a census at least every other year;
- agree to collect and publish the data in a manner consistent with the specifications set by ION's Board of Directors;
- appoint one representative to serve on ION's Board of Directors;
- send at least one representative to ION's annual meeting;
- agree to appoint representatives to serve on ION committees;
- support ION through payment of annual dues; and
- agree to publicize ION, both internally and externally.

organizations that can influence the advancement of more women to corporate boardrooms and executive suites. As noted below, the operations of these committees confer benefits on each ION member organization even as they advance the mission of ION itself.

At the end of 2006, ION retained the services of an administrative assistant to handle its back office functions, and in 2007 hired a public relations professional. ION relies upon membership dues and sponsorship to finance its operations. KPMG became ION's founding sponsor in 2006. Among other things, KPMG's generosity enabled ION to establish its website (www.IONWomen.org), which went live in February 2007.

INITIATIVES AND ACCOMPLISHMENTS

ION has three strategic goals:

1. to substantively influence organizations and business leaders who are in a position to advance ION's mission of increasing the number of women who are corporate directors and executive officers;

2. to position ION as a nationally visible and significant resource for research and advocacy as well as candidates for boards of directors and executive suites; and
3. to increase the value of ION to its individual members.

In the few short years of its existence, ION has made significant progress towards each of these goals and has identified many of the challenges and opportunities that will be addressed going forward.

ANNUAL REPORTS

ION has published four annual reports that provide a nationwide snapshot of the status of women as directors and executive officers of public corporations in the geographic areas where ION's members are based. These reports provide comparisons across regions; they also highlight differences in results among companies of various sizes. Larger companies on average have greater numbers and percentages of women directors and executive officers than smaller companies. This is true when comparing *Fortune* 500 companies with their smaller *Fortune* 501–1000 counterparts. It is also true when comparing *Fortune* 1000 companies with the numerous smaller companies throughout the country. The unique structure of ION with its nationwide reach coupled with grassroots connections has the potential to be of value to both the *Fortune* 1000 as well as to smaller firms with more limited resources. Further, the inclusion of smaller companies in ION's studies provides a more comprehensive picture of the reality confronting women who seek corporate leadership positions.

In 2006, ION began supplementing its comparative data on women directors and executive officers with an analysis of a special topic related to its mission. ION's first such analysis focused on the roles played by women directors who were members or chairs of nominating committees. This topic was chosen because of the increasing importance of nominating committees in identifying and recruiting new directors. Many companies with all-male boards claim they are unable to find women appropriately qualified to serve on their boards. These companies usually depend on the traditional source of candidates, that is, on their current directors, who often lack knowledge of, and access to, the relatively large and growing pool of highly qualified women who can serve. Women directors on nominating committees can be critical to assuring the expansion of the candidate pool to include accomplished women who might otherwise be overlooked (Sheridan and Milgate, 2005). In 2007, the ION special topic was board turnover. One rationale often cited for the relative lack of women directors is the paucity of board vacancies. ION's analysis debunked this myth, demonstrating that there were, in fact, many more openings than expected. In Massachusetts, for example, 10 per cent of the directors of the largest 100 public companies in the state were appointed to the board during the period from 1 July, 2005 to 30 June, 2006. The ION study documented numerous vacancies that unfortunately often resulted in missed opportunities to nominate qualified women to fill those positions.

The data presented in these ION reports are collected from its member organizations, each of which undertakes more expansive research and publishes its own study on an annual or biennial basis.[3] Many ION members partner with academic institutions to design and implement this research. These collaborative efforts afford a factual basis for advocacy by ION and its members.

ION's Research Report Committee is responsible for recommending the annual special topic, aggregating the relevant data and producing the ION report. In addition, this committee provides assistance to any ION member organization that seeks help in data gathering or analysis for its own census report. It also serves as a clearinghouse for questions about methodology and approaches to specific research topics.

The release of ION's annual report has generated publicity in national, regional and local media. In addition to focusing attention on the slow progress that women are making in reaching director and executive officer positions, the issuance of ION's report affords each of ION's members an opportunity to publicize its own (as well as ION's) efforts to redress this situation.

CORPORATE BOARD RECRUITMENT

As a complement to its research reports, ION offers board recruitment assistance to corporate boards, executive recruiters and women seeking board positions. By coming forward with highly-qualified board candidates, ION contributes to the credibility of the business case for diversifying corporate leadership and to the achievement of its overall mission to increase the number of women who hold those positions.

A major outcome of ION has been the development of a national database of women board candidates as well as a search protocol for companies seeking assistance. ION organizations that have extensive experience in working with companies to identify women candidates, such as members in Atlanta, Boston and Philadelphia, have shared their experiences and best practices with other ION members. The ION Search Committee assists those ION members who are interested in creating or strengthening their own search capacity.

Thus, membership in ION can significantly expand the pool of candidates available to member organizations. By circulating a search request to ION's Search Committee, an ION member can obtain the résumés of talented women across the country who meet the specific criteria and are interested in being considered for the position. In light of the many search requests for candidates with unique sets of skills and experience, access of this nature is extremely valuable. Not only does it increase the likelihood that a match can be made, but it adds to the credibility of each ION member that participates in the process. The ION search efforts are particularly useful for smaller firms that may not have the resources to hire a search firm; they can also help search firms in broadening the pool of potential candidates. The bottom line is that ION anticipates that its nationwide network will prove to be a valuable resource in expanding the diversity of candidate pools and subsequently, new directors.

OUTREACH TO INFLUENCERS

Members of ION's Outreach Committee have focused on the business case for corporate board diversity and on ways to advance good corporate governance. They have engaged in substantive discussions with a number of organizations that share those interests, including some that rate companies with respect to governance and other issues, some that develop proxy voting guidelines for institutional investors and make recommendations on disputed issues and elections, socially responsible investors and research advisory firms, and both national and local foundations. As a result of these conversations, ION has adopted a statement on proxy voting and women's funds and has developed an action agenda focused on the power of the proxy and shareholder activism. ION's intent is to develop collaborative relationships, going beyond simply identifying the problem and joining with others to become part of the solution.[4]

ION also encourages its members to engage on a local level with individuals and groups who can accelerate the pace of change in boardrooms and executive suites. Women who currently serve on corporate boards constitute one such group. Several ION members have held meetings at which women directors share experiences regarding the board nomination and selection processes and suggest ways in which ION members can influence the outcomes. Interaction with chairs of nominating committees of companies in their regions, especially those with no or few women directors, also serves to generate awareness of ION and its member organizations and the services they can provide in identifying and attracting qualified women directors. Similarly, outreach on the local level to executive recruiters, law and accounting firms and investment bankers can be quite productive.

With regard to the business case for board diversity – that having women on boards is a matter of good governance and not simply a 'social' issue – ION actively supported the research that resulted in the Critical Mass study (Kramer et al., 2006) by helping to populate focus groups of *Fortune* 1000 women directors. The report's findings, documenting the need to go beyond the tokenism of one or two women on a board, are publicized on the ION and member websites, as well as published in the *Harvard Business Review* and other journals. ION members highlight companies that have more than one woman director and those with increases in the number of women directors on their boards in census reports and public events.

PARTNERSHIPS TO CREATE OPPORTUNITIES

ION and its members have engaged in a number of other activities designed to advance more women to corporate boardrooms and executive suites. For example, ION has established relationships with several organizations that provide training to current and prospective board members and has created other opportunities for women leaders to increase their own visibility and forge valuable networks.

ION is a sponsor of, and its President serves on the advisory board for The Conference Board's Women's Leadership Conferences. In addition to helping to structure these annual conferences, ION provides moderators and presenters for some of its panels. ION and its member organizations in turn encourage their own members to attend the conferences. Similarly, ION is working with other organizations to strengthen the pipeline of candidates for board positions by publicizing these training sessions and encouraging members to attend.

In 2006, 2007 and 2008, ION sent several women to a major academic seminar in corporate governance for new directors. This is a significant benefit to ION and its members and further fosters ION's emphasis on good corporate governance.

ION members have reached out to a number of other organizations, including major women's advocacy and support groups, and expect to establish additional productive relationships in the years to come.

SHARING BEST PRACTICES

In addition to leveraging their strengths and combined resources, ION's members have benefited from the opportunity to share best practices and to find effective ways to address some of the principal issues that they confront in their own communities. ION has proved to be an excellent forum for such organizational networking.

Among the benefits that ION members have offered each other are: useful models for highlighting local companies that have multiple women directors; dynamic speakers for major events; and effective strategies for establishing advisory councils of local business leaders. They also share ideas for programs designed to engage current women directors and train prospective directors. They are a ready resource for brainstorming on virtually every issue that they confront at the local level. The seasoned leaders of the more established ION organizations are eager to provide counsel to the newer groups, and the latter are similarly willing to share their new ideas and projects with ION colleagues. It is in this realm that the differences among ION members in terms of their individual membership, history and programming constitute a source of energy and creative ideas.

NATIONALIZING LOCAL POWER TO CREATE CHANGE

Frustrated by the glacial pace at which women have been advancing to corporate boardrooms and executive suites, ION's founders joined together to offer an alternative model for accelerating the diversification of corporate leadership in America. Recognizing that different approaches and different voices may be necessary to create a sufficient sense of urgency for change (Gardner, 2004; Kotter, 1996; Wolfman, 2007), ION offers a collaborative, nationwide, locally-based, and multi-pronged approach to the challenges posed by the status quo. Further, ION espouses an advocacy supported by research showing that having women in leadership positions is good for improved corporate governance and good for business.

Itself a product of collaboration, ION seeks to develop productive partnerships with all those who share its vision and is well positioned to implement strategies tailored to decision-makers on both the national and local levels. In the coming years, ION plans to expand its reach significantly by increasing both its membership and its programming. Even at this early stage of its life, however, ION is a welcome force for positive change for both women and business in the USA.

NOTES

1. Academic studies that concentrate on board composition related to theoretical understandings, organizational dynamics, processes and outcomes include Bilimoria and Piderit, 1994; Carter et al., 2003; Erhardt et al., 2003; Hillman et al., 2002; Hillman et al., 2000; Kesner, 1988; Sheridan and Milgate, 2005; Sonnenfeld, 2002; van der Walt and Ingley, 2003; Westphal and Milton, 2000.
2. Catalyst issued the first nationwide census of women directors of *Fortune* 500 companies in 1995.
3. Links to the most recent reports published by ION's members, as well as to ION's own reports, can be found on ION's website (www.IONWomen.org).
4. For example, see www.IONWomen.org/where-are-the-women.htm.

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17. Women on corporate boards of directors: best practice companies

Heather Foust-Cummings

INTRODUCTION

As the chapters presented in this volume have revealed, women's progress in gaining seats on boards of directors in many places throughout the world can be characterized as glacially slow. Indeed, in the United States, the growth in the share of board positions held by women has stagnated in recent years. According to Catalyst (2007), in 2007, women held just 14.8 percent of *Fortune* 500 board seats, representing a 0.2 percent increase over figures for 2006 (Catalyst, 2006) and only a 0.1 percent increase over figures for 2005 (Catalyst, 2005) (see Table 17.1).

In spite of this slow pace of growth, some companies have demonstrated a significant commitment to having women represented on their boards, as well as engaging the directors on their boards in ways that advance, promote and enhance diversity within their organizations. In this chapter, we examine interview data from women board directors who represent a handful of companies that have recognized the critical role that representation of women on boards of directors plays. These companies have maintained a critical mass of women on their boards for more than a decade. Through their sustained commitment to having women represented on their boards, over time and in notable quantity, these companies help to demonstrate that qualified, talented women are willing, able, and available to serve as directors for some of the world's top companies.

In addition to spotlighting interview data from women board directors at what we term 'sustained-commitment companies', we also profile a company that is engaging its directors around diversity in thoughtful, innovative and purposeful ways. Through this case study, we illustrate how companies can leverage the power of diversity by connecting board directors and employees in multiple venues and in meaningful ways. By examining best-practice companies through the lens of women board directors who serve them, and through a case study of a company that is at the leading of edge of working to include directors in day-to-day efforts around inclusion,

Table 17.1 Number of Fortune *500 seats held by women, 2005–2007*

Year	Total number of seats	Number of seats held by women	Percentage of seats held by women
2005	5629	827	14.7%
2006	5636	823	14.6%
2007	5628	831	14.8%

Sources: Catalyst (2005, 2006, 2007).

we gain greater perspective on the ways in which board diversity influences corporate business decisions and the ways in which diversity is leveraged within companies through the involvement of board members.

DEFINING BEST PRACTICE COMPANIES

There are a number of facets to being a 'best-practice' company. Alternatively, there are many ways to define best practices when it comes to companies and boards, as recent studies of boards of directors attest.[1] For the purposes of this research, we measure best practice companies and present evidence in two primary ways:

1. Through interviews with women board directors at those *Fortune* 500 companies that have maintained a critical mass of women on their boards for more than 10 years, with critical mass being defined as 25 percent or more of board seats; and
2. Through a case study of a company in which the board is fully integrated into the diversity and inclusion efforts of the business. This criterion requires effort on both the board's part, to require the integration of diversity and inclusion into the business, and the company's part, to do an outstanding job of engaging the board in diversity and inclusion initiatives, efforts and activities.

METHODOLOGY

Elite Interviews of Women Board Directors at 'Sustained-commitment' Companies

A select number of *Fortune* 500 companies have led the way in terms of the presence of women board directors by maintaining 25 percent or more women board directors in Catalyst censuses since at least 1999. These 'sustained-commitment companies' have demonstrated that qualified and talented women are available for board service. Moreover, these companies have ensured that women are recruited onto their boards in numbers that will best leverage the power of diversity (Kramer et al., 2006). These sustained-commitment companies include[2]:

- Avon Products, Inc.
- Aetna
- Gannett Co., Inc.
- Golden West Financial Corporation[3]
- Northeast Utilities
- WellPoint Health Networks.

To understand the experiences of women serving on these sustained-commitment company boards, and to identify the steps these companies have taken to become path-breakers in this area, Catalyst conducted elite interviews with 11 women board directors from six of the sustained-commitment companies named above. The interviews were conducted over the phone from September through November 2005, and ranged in length from 30 minutes to two hours. The companies from which the interviews were drawn represented a range of industries and company size, and the women interviewed brought diverse and varied backgrounds and experiences to the boards on which they served.[4]

FINDINGS FROM INTERVIEWS

The Importance of Diversity and Critical Mass for Boards

As noted above, one aspect that makes a best-practice company when it comes to women board directors is the presence of a significant number or critical mass of women on the board for a sustained period of time. To better understand how the presence of women as well as racial and/or ethnic minorities affected the functioning of a board and how representational diversity on boards was viewed, we asked women board directors from sustained-commitment companies about the importance of diversity and critical mass to boards. Their responses shed light on the unique contributions that diversity brings to boards when women and people of color are present in sufficient numbers.

When asked about the importance of diversity to boards, women board directors unanimously stated that the presence of women and minorities is beneficial for board stewardship. According to these women board directors:

> Diversity just improves the output [of the board] . . . in every conceivable way. (Woman *Fortune* 500 Board Director)

> I think diversity improves the potential for good governance because it reduces the likelihood that there's a completely aligned set of experiences between the CEO and the board. And I think the breadth of experience is what makes for better governance. (Woman *Fortune* 500 Board Director)

Most of the women (64 percent) cited the diversity of perspectives that women and minorities can bring to the table as the primary advantage of having people with different backgrounds on a board. According to one interviewee:

> I've certainly seen [diversity] add to the quality of discussion and the depth of discussion, and the ability to analyze and understand trends and motivation, and things that you just wouldn't see if you have a monolithic perspective. (Woman *Fortune* 500 Board Director)

Another woman concurred:

> [Women and minorities] can often bring different experiences, [and] I think it brings a nuance to the discussion that can be quite healthy.[5] (Woman *Fortune* 500 Board Director)

In addition to bringing a different perspective to the table, some interviewees cited the importance of having women or minorities on the board *as representatives for* others, be they shareholders or company employees.[6] Over half (55 percent) of the interviewees emphasized representing shareholders or employees in their responses. One interviewee summed up the need to represent women in her company by having women on the board by saying:

> probably the majority of our employees are women. And, so it's important for them to have role models, and . . . for our employees to see minorities on the board, minority directors, women directors. That's very important, because the message that you're giving to them is that we don't discriminate and there are opportunities here. And you can say that 'till you're blue in the face, but you have to demonstrate it. You've demonstrated it in your hiring policies, and your promotion policies. You've demonstrated all the way along. This is another way of getting the message across. (Woman *Fortune* 500 Board Director)

Even if women are not a majority of employees or shareholders, there remain imperatives to include women on corporate boards. Some of the interviewees with whom we spoke argued that, because women are the dominant consumers in the American economy, women board members can enhance a company's insight into new and emerging markets for women consumers:

> Women are the decision-makers on most purchases – and if they're not the decision-makers, they influence the decision-makers. Women have a disproportionate influence on our consumer-led economy. (Woman *Fortune* 500 Board Director)

Just under half the women interviewed (45 percent) shared this sentiment.

Diversity on the board clearly matters to women serving on the boards of sustained-commitment companies. When asked whether a critical mass of women and/or minorities was necessary to enhance board effectiveness, or whether one or two women or people of color was 'enough', eight of 11 women (73 percent) interviewed stated that, as a minimum criterion, 'one is not enough'.[7] Those eight women then fell into two camps: four said the minimum acceptable percentage was 'at least 25 percent' or more, while others were content to say that boards needed to have 'more than one' or 'more than one or two' women and/or people of color. In the words of women directors themselves:

> I think if you want to make a statement, you need critical mass . . . [of women and/or people of color on boards]. (Woman *Fortune* 500 Board Director)

> I think it's extremely important to have more than one. . . . I really do think that [the board] should reflect society – I think that parity is the right way to go. (Woman *Fortune* 500 Board Director)

The women who felt it was important to have more than one or two women or racial/ethnic minorities on a board reasoned, as one interviewee did, in the following way:

> In my particular experience, critical mass has been important, because of the whole concept of marginalization. I can tell a real difference – the other three boards that I'm on have more than one woman, and on [a financial company] board, there is just me, and it's early days for them. So there are things where, something I'll bring up, they'll all look at each other and scratch their heads. And it's like human nature – if you have that information coming to you from one, two, three different sources, I think they would get there a little faster. (Woman *Fortune* 500 Board Director)

Thus, according to these women, when more than one or two women and/or minorities were present on a board, the need to 'be more outspoken' was lessened, and 'marginalization [of voice]' was less likely to occur.

Although the respondents did not agree on exactly how many voices it took for this phenomenon to happen, there was consensus that:

> It is extremely important to have more than one. But two is not a magic number either. (Woman *Fortune* 500 Board Director)

Summary: Sustaining Commitment to Women on Boards

The interview data presented here indicated that women on boards recognize the value of diversity to boards and, more importantly, to the companies the women serve. Indeed, a portrait of board service to sustained-commitment companies would not be complete without a look at the companies themselves. We asked women board directors about individual acts as well as company policies and practices that allowed these companies to be most successful in advancing women board directors. According to these women board directors, their boards have made a continued and renewed commitment to recruiting more women onto boards. This commitment requires boards to network outside of their regions, challenge commonly-held gender stereotypes, and advocate for the promotion of more women into top corporate positions. In addition, these boards have made CEOs responsible for board and company diversity. Finally, the recruitment of qualified and interested women onto boards is an ongoing board project, even when there are no board vacancies to fill.

BEST PRACTICE: A CASE STUDY

Integrating Board Members into Corporate Diversity and Inclusion Efforts

Companies act in many different ways when it comes to boards of directors, the presence of women on their boards, and diversity and inclusion efforts. One of the ways in which companies can demonstrate a commitment to and support for diversity is to act in innovative ways around the engagement and involvement of all board directors in corporate diversity and inclusion initiatives. The Chubb Corporation is one such innovative company, as the following case study makes clear.

Best Practice Example: The Chubb Corporation

Chubb takes a proactive approach to the involvement of its board where diversity is concerned, emphasizing communication, participation, and a two-way responsiveness between the company and the board. Here, we profile the involvement of Chubb's board of directors[8] in diversity and inclusion efforts in multiple facets of the business, and emphasize the responsiveness and role of the chief diversity and inclusion officer and the corporate diversity office in encouraging and helping to stimulate board activity around this important topic.

To begin, the Chubb Corporation and its board recognize the importance of diversity and inclusion to Chubb's business. Both the company and the board have taken steps to ensure the primacy of this business imperative. One such step that the company has taken is to establish internal accountability for diversity and inclusion goals and objectives. Recent academic research has emphasized the importance of the establishment of institutional authority to the advancement of women and people of color within corporations. Studying United States government data on private-sector employers, Kalev et al. (2006) found that assigning responsibility for diversity and inclusion efforts to a particular office, individual or team produced the greatest increase in the number of white women, black women, and black men in management.[9] Recognizing the importance of this mechanism for accountability, The Chubb Corporation has in place a chief diversity officer. Unlike many other corporations where the diversity and inclusion function is housed within the human resources department, the chief diversity officer at Chubb reports directly to the CEO, again emphasizing the importance the company places on recruiting, retaining and advancing a diverse workforce – and on holding managers within the company accountable for meeting these goals.

The integration of diversity into the company's business strategy is evident in the relationship between the board and the chief diversity officer. The relationship is a bidirectional one, with the chief diversity officer reaching out to the board, and with the board asking the chief diversity officer for information and statistics on efforts and progress, as well as for meetings with employees. Indeed, the chief diversity officer is quick to point out the supportive relationship of the board and its importance to the success of her office's mission; while serving as a participant on a recent panel about diversity in the underwriting field, the chief diversity officer at Chubb cited board involvement as one of the top factors in making Chubb's diversity initiative work.

The substance and success of this involvement center on:

- communication between the board and the corporate diversity office,
- participation of board members in corporate activities and events, and
- the engagement of board members with Chubb employees through initiatives or programs administered by human resources and the corporate diversity office.

Each of these dynamics relies on the established bidirectional flow of information, inquiries, requests and responses between the board and the corporate diversity office at Chubb.

The cornerstone of communication between the Chubb board of directors and the corporate diversity office comes in the form of an annual report by the diversity office to the board of directors. This update – which was established and institutionalized as a directive from the board – outlines where the company stands with respect to representation of demographic subgroups within the company's workforce. Using benchmarking statistics that compare The Chubb Corporation to other organizations within the insurance industry, as well as to other industries, the chief diversity officer reports on how the company measures up against its competitors. During this update, the board:

> really challenges us to improve from where we are now. They ask, 'What are you doing to improve your results? Where are you recruiting? How are you recruiting? Where are women in succession planning?' These are the sorts of questions the board asks.[10]

In addition to the annual update, the chief diversity officer provides to the board a mid-year update via email. This mid-year update is but one of the ways in which the corporate diversity office communicates with the board. Board members are invited to serve as panelists at conferences, where they have the opportunity to engage with employees, including women and people of color. Additionally, each year, the board holds a meeting at Chubb's home office in Warren, New Jersey, at which the board asks to have a luncheon with 'high potential' talent – again including women and people of color. The corporate diversity and inclusion office also invites board members to diversity-related events where Chubb has a presence, such as annual awards dinners for non-profit organizations devoted to diversity and inclusion, such as Catalyst and The Executive Leadership Council. Through attendance at such internal and external events, the board visibly demonstrates their commitment to and support of diversity in the Chubb workplace.

Another important way in which the board of directors emphasizes its commitment both to diversity and the Chubb workforce is through its involvement with Chubb's employee resource groups, or ERGs. Chubb has three major organized ERGs, including one for women, one for racial/ethnic minorities, and one for lesbian/gay/bisexual/transgender (LGBT) employees. On more than one occasion, leaders of the ERGs have met with and spoken to the board of directors. Additionally, the three women directors on the board recently asked to meet with the chief diversity officer and the women's ERG, which is in the process of crafting a new five-year strategy.

These interactions reveal the extent to which the board of directors is accessible to employees and truly committed to advancing diversity in the Chubb workplace. According to the chief diversity officer: 'The board's attitude is: "How can we help?" '

This attitude of helpfulness goes beyond simply the diverse individuals – the women and the people of color – on the board. It also includes white men on the board who themselves act as diversity champions. One white male director has been particularly supportive of supplier diversity; another has been instrumental in suggesting better ways to reach out to and recruit Hispanic talent; and the lead director is a regular presence at Chubb events. The members of the board are truly engaged and working hand-in-hand with corporate officers, leaders and employees to integrate diversity and inclusion into the fabric and fiber of the business.

The board's attitude of helpfulness is also particularly impressive when one considers that The Chubb Corporation is not an affirmative action employer. The diversity efforts undertaken by the corporation, then, are initiated and sustained not for legal reasons, but because, as the chief diversity officer phrased it, 'we really believe we have to have a diverse mix of talent' – to develop the best ideas, to compete and to succeed. Moreover, according to the chief diversity officer, 'We don't set specific number targets; we just look to *improve* over what we've had over time.' Toward this end, the CEO of Chubb reviews the workforce numbers with business unit heads on an annual basis. He examines hiring, promotion and turnover statistics. He also reviews succession plans, and receives additional input from the chief diversity officer on succession planning.

This case study, which details the activities undertaken by Chubb to maximize the integration of diversity and inclusion into the company's business, reveals the exemplary nature of the Chubb experience as it relates to incorporation of the board of directors into efforts to advance diversity. First and foremost, the company has a critical mass of women on the board, allowing for the articulation of diverse viewpoints and a breadth of experience that leads to more creative solutions and ideas. Second, board members demand, through their tough questioning of corporate officers, that the company consider diversity and inclusion in each business decision and business unit. Additionally, the two-way, dynamic interaction between the board and the chief diversity officer is crucial to the success of Chubb's diversity initiative; whether considering the day-to-day efforts of the corporate diversity office, or the involvement of the board in company events and with employees, these efforts and this interaction are critical elements in the success of the company's diversity and inclusion initiative. Taken together, these actions create an environment where the board, the company, and individual employees embrace and harness the power of diversity.

CONCLUSION

The companies featured in this chapter serve to demonstrate that progress for women in boardrooms of *Fortune* 500 companies, while slow in coming, has been made. Women at sustained-commitment companies are active contributors to the boards on which they sit, and in their own estimation, they bring perspectives to the table that others have not. Their presence signals to shareholders, employees and to the public writ large that these companies are making a substantial, visible and sustained commitment to diversity and inclusion as evidenced by women's significant presence on the board over time.

Likewise, the case of The Chubb Corporation teaches us that the positive effects of having women and minorities on the board goes beyond the boardroom. Directors at Chubb participate actively in diversity-related events, meet with diverse employees of the company, and engage employee resource groups in meaningful ways. Moreover, the board makes sure that the company keeps diversity and inclusion to the forefront as part of its business strategy.

Other organizations can take lessons from the data presented here and act in a number of ways to recruit women to their boards and engage them once they get there. Companies should begin by taking the following steps:

1. Know the case for board diversity. Identify a company's particular rationale for diversifying the boardroom, and codify and communicate it.
2. Get assistance with recruiting. Engage external entities with a track record for identifying qualified women and other diverse candidates.
3. Be diversity champions. For all board seats, identify a diverse slate of qualified candidates from the nominating committee and search firms, and insist on diversity of outcomes.
4. Continuously network outside the industry and region. Broaden leadership networks to identify talented women. Cultivate relationships with potential women directors in order to fill vacancies in a timely fashion and add additional women to the board. Look to other industries, regions and economic sectors to locate women board directors and fresh perspectives.
5. Institute a board matrix. Broaden director criteria to consider untapped corporate officer women with line experience. Assess board needs, evaluate and map skills and competencies, and target areas for improvement.

By taking these steps, and by fostering an open discussion on the need for greater board diversity, companies can begin to expand the pool of directors to include more women and to engage women and all directors more effectively in corporate efforts to build more inclusive work environments.

NOTES

1. See, for example, Richard LeBlanc and James Gillies (2005); J.A. Sonnenfeld (September 2002), pp. 106–13.
2. Consolidated Edison was included in the population from which interviewees were drawn. However, as of the *2006 Catalyst Census of Women Board Directors of the* Fortune *500*, women no longer comprised 25 percent or more of the Consolidated Edison board, so we do not include the company on this list of sustained-commitment companies. All other companies listed here maintained 25 percent or more women on their boards in 2006 and 2007.
3. Golden West Financial Corporation was acquired by Wachovia Corporation in October 2006.
4. Catalyst guaranteed confidentiality to the board directors interviewed for this research. Due to the relatively small number of women in the sample, we do not disclose identifying characteristics in relation to the women or quotes cited here.
5. Eight of the 11 women interviewed went beyond stating that the presence of women and/or minorities on a board was extremely important, arguing that having women and minorities on a board made the board 'more effective', primarily for the reasons outlined above – that is, that the presence of women and minorities enriched board dialogue and debate, as well as providing a greater breadth of experiences.
6. The importance of this type of representation, known as descriptive representation, is described fully in Hanna Pitkin's *The Concept of Representation* (1967).
7. Three interviewees responded that it was 'hard to quantify' and couched their responses in terms of 'meaningful participation' instead of a specific number or percentage of women and/or minorities.
8. At the time of writing, The Chubb Corporation had 13 directors on its board, three of whom were women. Research has indicated that three women constitute a critical mass on boards of directors. See Kramer et al. (2006).
9. Kalev et al. (2006). Kalev et al. also found that establishing institutional authority for diversity and inclusion efforts enhanced the positive effects of related programming such as mentoring, networking and diversity training.
10. Interview with Kathleen Marvel, Chief Diversity Officer, The Chubb Corporation, 19 November, 2007. Notably, the board of directors does not limit its focus on diversity to the presentation by the chief diversity officer. The board also, for example, inquires about diversity when receiving compensation updates from Chubb's head of human resources.

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18. Critical mass: does the number of women on a corporate board make a difference?

Sumru Erkut, Vicki W. Kramer and Alison M. Konrad

INTRODUCTION

In individualistic societies people tend to attribute the causes of failure to personal shortcomings, and recipes for success often focus on how individuals can acquire desirable personal qualities. Myriad self-help and leadership books exhort would-be leaders to make themselves over. Women who are interested in joining corporate boards are encouraged to attend special training sessions for aspiring women directors.

Academic scholarship has long challenged individualistic explanations of leadership effectiveness. The current consensus is that leadership is better understood as a system of interacting elements which include the leader, the followers, and the situation in which the leader and followers are dynamically embedded (see Avolio, 2007). The situational variations studied in academic research have included value differences in leadership settings, the culture of the organizations, the nature of the leadership tasks, and the characteristics of the followers (see Vroom and Jago, 2007). Our research focuses on a much simpler, more concrete situational factor: gender composition of corporate boards.

In this chapter we present data from a study on women corporate board members that demonstrate the importance of numbers in how women leaders view themselves and, more importantly, how others view them in ways that affect women's ability to exert influence as leaders. Vroom and Jago (2007, p. 17) point out that all definitions of leadership share the view that 'leadership involves the process of influence'. Our research examined variations in women directors' ability to influence board dynamics when only one, two, or three or more women serve on a board. The question that guided the research was whether there is a critical mass of women directors that can affect their abilities to exert effective leadership.

METHODS

We conducted structured interviews with 37 women directors, 12 CEOs and 7 corporate secretaries from *Fortune* 1000 United States companies. Thirteen additional women directors participated in two focus group discussions. We also interviewed two search firm professionals who do recruiting for corporate boards. Twenty-eight per cent of the women directors were women of color. Three of the 12 CEOs were white women; eight of the nine male CEOs were white; one corporate secretary was a white man, one was a woman of color, and the others were white women.

The women directors we interviewed constituted a purposive sample selected to represent variability in the number and gender composition of corporate boards on which they served as well as diversity of industry, geography and race/ethnicity. The 50 women had served on 175 *Fortune* 1000 boards and could speak about differences in being on boards with different numbers of women. Many had experienced an increase in the number of women on their boards. The CEOs represented companies with different numbers of women directors, and some had witnessed, and in some cases encouraged, changes during their tenure. Some of the CEOs had served on other boards, which allowed them to make comparisons. The corporate secretaries also had experience with changing numbers of women on their companies' boards.[1]

HOW MANY WOMEN CONSTITUTE A CRITICAL MASS ON A CORPORATE BOARD?

Our analyses of responses to multiple questions in the interview showed that the number of women on a board makes a difference in both a woman's experience of her board service and how others on the board perceive her. This finding was corroborated by 55 per cent of the respondents we interviewed individually[2] with only 14 per cent indicating that it does not make a difference. An additional 31 per cent gave responses that were coded as a mixed answer. They answered, 'No', 'I'm not sure', or 'It depends' to the direct question, 'Does the gender composition of the board make a difference?' but in other parts of the interview gave examples of how it plays a key role; whereas the 14 per cent who answered 'No', consistently maintained that viewpoint throughout the interview.

Our analyses of the interview data led us to conclude that the number of women on a board affects how much leadership they can exercise to influence board governance. The opportunity for women to exercise leadership on boards is important because the responses we obtained converged on the view that women directors make three contributions that men are less likely to make: they broaden boards' discussions to better represent the concerns of a wide set of stakeholders, including employees, customers and the community at large; women are often more persistent than men in pursuing answers to difficult questions (possibly because, as one male CEO put it, 'the men feel a gender obligation to behave as though they understand everything'); and they tend to bring a more collaborative approach to leadership, which improves communication among directors and between the board and management.

LONE WOMEN

Women who have served alone (and those who have observed the situation of one woman on a board) report that lone women are often not listened to. We received many responses that described a lone woman making a valid point, being ignored, and then hearing a male director be congratulated for saying the same thing shortly thereafter. A male CEO said that a lone woman he observed had to 'break down brick walls to be heard'. Lone women are often excluded from socializing with other board members and even from some decision-making discussions. They are subjected to inappropriate comments and behaviors that indicate that male directors notice their gender more than their individual contributions.

Lone women reported on having to overcome assumptions that they were there only to be tokens. Said one, 'They look at you skeptically as to how you got there. First you'd better show men why you're there – women don't get the benefit of the doubt. Board meetings are pretty brutal.' Another said, 'If you're the only woman, you can be dismissed with, "That person is here just so we can say there's a woman on the board, not that this person is a potential contributor." '

Women who had served as the only woman reported they often felt they were seen as representing all women, being asked to give the 'woman's point of view'. A female corporate secretary agreed: 'It's always hard if you are the only one who looks like you in the room. You get viewed as representing the whole group.'

While we received many positive comments about what a lone woman was able to accomplish, we also found strong evidence that one woman on a board of directors is not usually enough to influence the board significantly. Comments from CEOs comparing and contrasting boards with sole women and with multiple women reinforce this view. One male CEO who had spoken of gaining 'more transparency with diversity', said: 'You could not achieve this with one woman. If you want a diverse set of views, you are not as likely to get it if a person is alone unless that person is a very strong person, so it is likely that different views won't be that well represented.' Another said flatly, 'I'm also on a board with one woman, and that doesn't matter, there's no impact if there's only one. You have to have enough so that there's reinforcement.'

What these comments show is that, regardless of the lone woman's qualifications, being the only one does not create a welcoming dynamic where the woman can exercise her leadership skills. She is limited in being able to lead or influence people, not because she lacks the requisite skills and background but because the situation of being the only one of her kind compromises her credibility in the eyes of other board members. Viewed as a token, a lone woman is less likely to be taken seriously.

TWO WOMEN

Many women we interviewed saw a difference between being a lone woman on a board and being one of two women. We heard reports of how two women validated each other, providing each other with a sounding board as well as with someone who could more easily understand their views. One interviewee said she could tell that the other female director understood what she was saying when her male colleagues had no idea. 'More is automatically understood because other women have had similar experiences.' In addition to supporting each other informally, two women often validate each other during board discussions. Women can reinforce a point that might otherwise not be heard. And with at least two women in the room, each woman also feels freer to bring up issues and concerns. 'When you're the first one in the room, you're much more circumspect', said one woman. But a second woman who is likely to at least understand, if not agree with, one's views enhances the comfort level, which helps many women be more vocal in board meetings. These comments suggest that the experience of being on a board with another woman is qualitatively different from being the only one.

We also heard comments on how having two women changed the way men reacted to the presence of women. Our respondents reported that having two women in the room makes it more likely men will hear what they say. 'When it's more than one woman saying similar things, guys listen more. You feel the confidence and value, to have guys see it as a normal thing to listen to these women as opposed to listening to the odd duck.' Having two women with different styles and areas of expertise also helps dispel the notion that all women think the same way: 'Having another woman minimizes the chances they will say, "Well, that's just a woman's view", because we sometimes disagree, and the men see there is not unanimity. It desensitizes them to noticing we are women because there are *two* women.'

A number of women we interviewed said that they observed that the men were less likely to stereotype them on boards with two women than on those with one: 'It is palpably different when there is more than one woman. It is hard for men to generalize if the two women are different.'

Having two women on a board can also change the whole board. A focus group participant noted that, when there are two of them, women can serve as role models for the rest of the board: 'When we went from being a one-woman board to a two-woman board, a definite shift happened. It was tangible to feel the difference around things like listening. . . . The whole culture became much more warm and we talked about a much broader set of topics.' Another focus group participant concurred, 'The new woman director was a CEO, a woman. On a small board of eight, that shifted the whole dynamics. The listening issues, the leadership issues changed enormously.' A similar point was made by another woman, 'It felt like a second woman coming on was a tipping point and everything opened up. Group dynamics became much more collaborative, and everyone started listening much better instead of this one-upmanship.'

Although having two women on a board changed men's behavior and gave women more influence on the board, we heard comments indicating that two women were not always enough to eliminate the evidence of a tokenism that affected both men and women. A few women reported that on some boards men have behaved in ways that indicated they thought of two women as interchangeable rather than seeing them as separate people: 'I raised a question at a board meeting that caused the board to take some important action. Later on, the board chair thanked the other woman for raising the question.' Some male board members also expressed surprise at how good the women were, an indication that they viewed the two women as tokens and did not have high expectations for their performance.

On boards with two women, some female directors reported facing challenges that are similar to those faced by women on boards where they serve alone.

> I feel like I've been included, but I don't feel like I've necessarily been heard. They don't get together, just the guys, and not include the women, but sometimes it's hard to feel you've been heard. We have dinners for non-management directors twice a year. We were having a conversation at one of these dinners where we were discussing input for the CEO and several things I said were not listened to, and then they were brought up again by a man and were listened to. I'm sure it's a sexist thing, because it happens to the other woman also.

There were other ways in which being one of two women on a board did not completely eliminate the dynamic of being marginalized. Recalling the situations when they were one of two women on a board, directors reported being careful not to be seen as too supportive of each other. Several women noted that their concerns about being stereotyped affected their behavior, notably attempting to avoid being viewed as colluding with the other woman. A woman director reported that her female colleague commented, 'We better not stand here too long or they'll think we're plotting a coup.' An interviewee with experience on boards with different numbers of women characterized the situation this way, 'The stage with two women is the conspiracy phase: if the women sit next to each other, if they go to the ladies' room together, the guys wonder what the women are up to.'

THREE OR MORE WOMEN BECOME A 'NORMAL' PART OF THE BOARDROOM

Just as boards with two women are qualitatively different from those with a lone woman, boards with three or more appear to be qualitatively different from those with two, not only for the women themselves but for the whole board. We found that having three or more women on a board can create a critical mass where women are no longer seen as outsiders and are able to influence the content and process of board discussions more substantially.

In settings with multiple women, the presence of women becomes normalized, not just 'semi-normal' – the term used by one woman in describing two women on a board. The presence of three or more women seems to remove gender from being a concern. One focus-group participant was the third woman on her first board and reported that she 'never thought about being a woman'. A woman who serves on two boards with four women and a number of smaller boards as the lone woman said having more women is not only more enjoyable, it feels more 'natural'. One woman characterized the progression from one to two to three this way: 'One woman is the invisibility phase; two women is the conspiracy phase; three women is mainstream.'

Women on boards with two women had spoken of being more comfortable with two than when alone; those who had the opportunity to work with three or more women seemed more relaxed and less concerned about the reactions of the men. One director said, 'When there are more women, you don't have to get the guys comfortable.' With three, many women felt less constrained about associating with other women and didn't think they had to keep their distance from each other as some did when there were just two women. According to another woman, 'Three is a kind of a charm. When the third woman came, it was easier. The dynamic among the women became slightly more interactive.'

Having three or more women on a board clearly creates a more supportive atmosphere, according to many women directors. We had heard similar comments from women on boards with two women but we heard them more frequently from those with three or more on the board. Although CEOs and corporate secretaries are not in a position to know as much as the women themselves about the relationships among them or about how the women feel about those relationships, a few of them commented on women supporting each other. One CEO spoke of a 'kinship' among the three women on his board. 'Sometimes there will be a supportive statement by one when another has spoken.'

A CEO noticed that the two women on his board were pleased to see a third and fourth woman come on. He remarked, 'It is natural to be glad for there to be more people like me.' He also noted that the fourth 'must have been more comfortable that three were already there.' More importantly, he connected that increase in numbers with their ability to contribute: 'There is a likelihood that they would be unrestrained and even more engaged and vocal when the number is greater.'

Although most of the women – even when they were the only one or one of two women on a board – paid attention to the status of women employees by interacting with female executives, raising questions about candidate slates during succession discussions, or requesting diversity reports, many women directors were conscious of not wanting to be tagged as single-issue people. Some of these women reported being careful to limit their comments on diversity issues. In contrast, a woman director who serves with three women said, 'Three women in the room get the board to focus on these issues quickly.' As a focus group participant said, 'You are not the person they look to for issues of diversity. Because there are more women, the men raise it. It becomes a group responsibility.'

With three or more, women tend to be more comfortable being vocal and raising a variety of issues, and that benefits the board. A CEO observed significant changes as the number of women on his board went from none to one to four:

> As there were more women, the first woman became more active. They were all more active as the number of women increased. It's a group dynamic. When you bring on one of any demographic group, they're trying to figure out how they fit. With more, that's not an issue. They were more vocal, more willing to push their issues when more women were added to the board. More relaxed.

The same CEO believes the gender composition of the board 'makes a tremendous difference'.

With more women in the room, the likelihood also increases that what women say is heard the first time they speak. The voices of three or more women are heard in another important way. Much of the work of any board happens in committees, and committee chairs are often the most powerful people on the board and those most consulted by the CEO. As numerous interviewees pointed out, with more women on a board, more women chair committees, giving women more influence.

> On my board with four women, the invisibility issue never happened. I became effective quickly. I happen to be the lead director of that board. If you look at that board, the head of the governance committee is a woman, the head of the compensation committee is a woman, the CEO is a woman, and the head of the audit committee is a guy. There is no problem with women in leadership on that board.

Perhaps the most telling indicator of the increase in women's influence with the presence of more women at the table is the change in the way the men communicate and behave. Women's tendencies to collaborate and to ask difficult questions and raise issues start to become the boardroom norm. 'The men are learning to be more inclusive, asking whether anyone else has any comments, and so on,' said a female corporate secretary on a board that went from two, to three, and now four women directors.

A woman director who serves on several boards and who started her interview saying she did not think numbers mattered began to question her own view as she described her experience on a board with more than four women. 'On this board, from day one it was so special. Amazing! Actually that board has the most women. It is very much a team. Professionalism – everyone did their homework and everyone is supportive of each other but very challenging – a lot of dialogue and constructive criticism.' She ended up saying: 'Numbers do matter. It is probably different if there are more than two.' She said she prefers at least three. Another woman who replaced a third woman on a board did not think it 'made a difference having me come on. They already had a good, open dynamic. Maybe because there had already been three women.'

In reviewing all the comments about boards with three or more women, we were struck by the significance not only of what was said but also of what was not said. Although we had heard examples of exclusion, of categorizing or stereotyping on boards with two women, we did not hear such comments about boards with three or more women.

HOW DOES THE CRITICAL MASS OPERATE?

We interpret the impact of having a critical mass of women on a corporate board in light of both the masculine bias in lay beliefs about leadership and group dynamics that operate in small groups. Researchers have referred to 'implicit leadership theory' to describe the fact that we share an understanding of leadership as masculine. This 'we' encompasses employers, employees, researchers, theorists, lay people, and more relevant to this research, members of boards of directors, who are likely to share assumptions about leadership that are embedded in mainstream North American culture.[3] For example, by virtue of their gender women historically have not belonged on corporate boards where leaders work together to govern corporations. This history subtly affects perceptions of any woman who happens to be on a board, where people may have a question in the back of their minds as to whether women have sufficient business and leadership qualifications to be corporate directors. Indeed, many of the women we spoke with argued against adding women to boards just because they are women, because they believed that, without selection on the basis of merit alone, the abilities of the women would be rendered suspect. The presence of a critical mass of women provides an irrefutable challenge to gendered expectations that women are not qualified to be corporate directors. The effectiveness of a critical mass results from the experience of watching several women participate highly effectively on the board. This experience removes any lingering notions that women cannot function effectively as directors.

Experimental studies have shown that in small groups the *number* of people who hold an opinion that differs from the viewpoint of the others in the group makes a difference in whose opinions will prevail (Asch, 1951, 1955; Bond, 2005; Kanter, 1977; Moscovici, 1985). A corporate board is a small group, usually made up of 9–12 people. Our research shows that in the small group setting of corporate boards, the presence of three women is sufficient to tip the group dynamic to normalize women's presence as leaders.

CONCLUSIONS AND IMPLICATIONS

Our findings – that women's effectiveness increases when there are three or more on a corporate board – underscore the importance of situational factors governing leadership behavior. The lone woman on a board can feel less influential than her male counterparts and may also be viewed that way, while the same woman on a board with three or more women can contribute substantially to board governance. What is striking is that many of the women directors reported that as the same person they behaved differently on boards with different numbers of women. In addition, they reported that men reacted to them differently when they were the only one, or one of two, or one of three. The CEOs and corporate secretaries who had experience with boards with different numbers of women confirmed these observations. Our results show that while individual women directors' expertise and skills play a role in how much leadership they exert on boards, they are more likely to be effective leaders on boards that have reached a critical mass or tipping point of three women. Their contributions are more likely to be felt in ways that benefit boards and the companies they govern when there is a critical mass of women.

The practical implications of our research for corporate boards are that they should not be satisfied with just one or two women directors. Nominating committees should *not* try to be 'gender-blind'. Rather they should consider increasing the number of women to be an important part of their role and should insist that candidate slates always include qualified women.

The broader take-home message is relevant to individuals who find themselves in a meeting or a group where they are different from the majority in ways that the majority believes is relevant to the task at hand. Such is the case of one or two women on a corporate board where board members may wonder whether women can function effectively as directors. People who find themselves in situations where they are a minority of one or two should not immediately think that their marginalization is due to a lack of necessary skills or qualities. Contrary to the prevailing 'wisdom' in individualistic societies where failures are readily attributed to personal shortcomings, the results of our study suggest that one needs to be aware of the situational factors operating in the setting. The lack of critical mass of others like themselves is likely to be an important factor in the 'different' individual's diminished ability to exercise leadership.

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NOTES

1. For a fuller discussion of the research methods see Kramer et al., 2006, Appendix A.
2. We did not include in this calculation data from the two focus group discussions because group discussions can involve a dynamic such that directors whose views differed from the more vocal majority may not have expressed their ambivalence. At the same time that we are mindful of this methodological challenge, we need to report that in both focus group discussions there was unanimous and strong vocal support for the idea that gender composition makes a difference.
3. The masculine bias in leadership persists in the public's mind despite ample empirical evidence that when evaluated by people who know their work, women's and men's effectiveness as leaders is not different (Eagly, 2006; Eagly et al., 2003; Eagly and Johnson 1990; Irwin and Perrault, 1996; Kabacoff, 2000).

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Directions for future research on women on corporate boards of directors

Diana Bilimoria

This edited volume has revealed contemporary thoughts, research findings and international practices relevant to women on corporate boards of directors (WCBD). In this final chapter, I expand on these insights by offering an agenda for future research on WCBD. Interesting questions and possible research domains are provided to illustrate the kinds of research studies that still need to be undertaken to enhance extant knowledge and theory about WCBD.

A plethora of recent empirical research on WCBD continues to study the participation, characteristics and effectiveness of women board members and their differences from male corporate directors (for example, Burke and Kurucz, 1998; Hillman et al., 2002; Huse and Solberg, 2006; Singh and Vinnicombe, 2003; Zelechowski and Bilimoria, 2004) and the country, organizational and board characteristics and practices impacting the representation and effective utilization of women board members (for example, Hillman et al., 2007; Singh et al., 2007; Terjesen and Singh, 2007; Zelechowski and Bilimoria, 2006). Theory-driven research is increasingly beginning to appear in the empirical literature, addressing the above areas as well as additional issues such as the board and organizational performance outcomes of WCBD.

Disturbingly, however, despite decades of ongoing study, there has been little impact on corporate practice. The proportion of women serving as corporate directors of the largest, most visible corporations has remained relatively constant in recent years, with minor declines in the growth rate most recently. What will make the needle move significantly? What will motivate the men who predominate in the highest corporate ranks to create more diverse boards? When and how will a critical mass of women in corporate governance emerge? These questions remain uppermost in the minds of corporate governance researchers and practitioners alike.

Below I highlight some important guiding approaches and key areas of research that offer fertile ground for future studies on WCBD. Insights from studies following such approaches and addressing such topics and questions may potentially inform the practice of WCBD (that is, women's experience, utilization, contributions and effectiveness on corporate boards of directors), and ultimately provide the rationale for corporations to substantially increase women's representation and contributions on their boards of directors.

APPROACHES TO THE FUTURE STUDY OF WCBD

At this developing stage of the empirical literature on WCBD, the following general approaches may be well served. First, future research on gender diversity at the corporate board level should emphasize stronger theoretical foundations and hypotheses-driven inquiry. Resource dependence theory, institutional theory, agency theory, and social network theory on the organizational side and identity theory, leadership and career development theories on the individual side may be fertile domains within which to ground future empirical WCBD research. Second, it is important to be more inclusive in the study of WCBD, particularly the experience, characteristics, representation, effectiveness and contributions of women of color and international women. By widening the study of WCBD to include all women, not just white women, future research can provide information and insights not yet available about equity and inclusion on corporate boards (cf., Fairfax, 2005). Future studies should also pay more nuanced attention to other differences among women in addition to their differences from men directors, such as, for example, age and career-stage differences among women. Third, in the conduct of qualitative research on WCBD, more research addressing both male and female points of view are needed, including the perspectives of male board chairs, CEOs and directors. To date the qualitative research predominantly pertains to the experiences, issues and concerns related by women.

Specific areas and topics of future WCBD research particularly fertile for inquiry are identified below.

CORPORATE BOARD PROCESSES OF DIRECTOR SEARCH, APPOINTMENT, UTILIZATION AND EVALUATION

More research on corporate board processes pertinent to directors is required to open up the black box of board functioning, and further extant understanding of the nature and outcomes of boardroom deliberations. For example, with regard to board appointments, research would be helpful to explicate interesting questions such as: who 'fits' best and how is the 'fit' of directors determined? What circumstances are taken into account when seeking specific skills for appointment of women to corporate boards? What, if any, are the pressures to focus on social issues when appointing women directors? What role has the accreditation and training of directors played in the appointment of women directors? Does evidence exist about over-credentializing or over-qualification of WCBD? How can the social capital of board directors be measured? How does the presence of one or multiple women directors on a nominating committee affect the chances of women's nomination for appointment to the board of directors? Does the presence of multiple women directors assure more women in the pool of future board candidates, and that they are not held to higher standards than men? In other words, is there evidence, in the boardroom or the executive suite, for or against the 'Queen Bee' syndrome (Staines et al., 1974; Cooper, 1997) popularly referencing ruthless competition among women?

At the individual level of analysis, certain questions remain of critical importance to board practitioners and activists. How can women be encouraged to become more interested in serving on boards? How does a woman get the critical first appointment? What roles do career networks, Internet discussion boards, advocacy-based organizations and networks, corporate search firms and specialized consultancy services play in the appointment of WCBD? Under what conditions are these alternative methods most useful for the diversification of boardroom composition? What facilitates or inhibits women's board appointments?

Research conducted by Bilimoria and Piderit (1994) more than a decade ago focused on the utilization of women corporate directors to serve on various board committees. The patterns observed then suggested gender-based stereotyping occurs even within the boardroom. Have these patterns remained the same or have they changed in the intervening years? How are committees held accountable for the work of the board? Regarding director evaluation, what criteria are used to evaluate directors and do these differ by director sex? What biases, if any, influence the evaluation of women and men directors? How do investors evaluate if women (and men) directors are the right matches for their firms? Insights from studies inquiring into these and similar questions may provide guidance to corporations and individuals interested in enhancing women's presence and service on boards.

CORPORATE AND BOARD PERFORMANCE OUTCOMES OF WCBD

The direct outcomes of women on corporate boards of directors remain largely understudied and undertheorized; researchers have not yet been able to unequivocally identify when and how women can best contribute to board effectiveness. Questions such as the following remain to be answered: what outcomes emanate from higher numbers and greater proportions of WCBD? What are the mediating and moderating variables between board composition and board performance?

Bilimoria (2000) pointed to four major areas of potential consequence of WCBD, and a few recent studies have begun to address some of these specific domains: (1) corporate financial performance (for example, Catalyst, 2004; Ehrhart et al., 2003; Shrader et al., 1997; Rose, 2007) and reputation (for example, Bernardi et al., 2006); (2) strategic input on product/market issues and corporate direction; (3) effective boardroom behaviors (McInerney-Lacombe et al., Chapter 11 this volume; Kramer et al., 2006); and (4) contributions to corporate women employees (for example, Bilimoria, 2006), but more opportunity exists for targeted studies. For example, how do women directors encourage more thorough discussion of difficult or controversial boardroom issues? In what ways do women directors contribute their expertise and insights to improve product/market decisions? What added value is offered by WCBD from the perspectives of the CEO or board chair? There is still a need for a compelling body of evidence that cumulatively establishes the business case for women corporate directors.

For example, Bilimoria's (2006) research indicated that the presence of WCBD has a beneficial effect on women in a company's top management team (TMT): the number of WCBD was positively related to the number of women officers, women officers in line positions, a critical mass of women officers (more than 25 per cent), women top earners, and women holders of 'clout' titles. Others have suggested that women directors may be reluctant to take on the role of championing women's interests in the boardroom for fear of being perceived as having a feminist agenda or as being a single-issue or constituent director, and being discredited because of that (Burson-Marsteller, 1977; Catalyst, 1993; Investor Responsibility Research Center, 1993). More research is needed to tease out specifically when and how women directors positively influence the workplace treatment of women executives and other employees. By what direct (active) and indirect (signaling) pathways do WCBD influence the representation, treatment and effectiveness of women in the executive suite and beyond? Thus, a whole stream of research still needs to be undertaken on the leadership, power and influence of WCBD.

Recent empirical research has begun to investigate the impact of a critical mass (three or more) of WCBD as compared to none or one (for example, Kramer et al., 2006); however, this issue needs to be further studied. For example, does the likelihood of women committee chairs increase as the number of women directors grows? What governance practices and boardroom processes emanate from the presence of a critical mass of WCBD? What impacts occur as women directors' interlocks with other corporations grow?

ADVANCEMENT OF WOMEN TO BOARD AND CEO POSITIONS

An interesting area of research has emerged in recent years within the WCBD literature. The recently conducted glass cliff research (Ryan and Haslam, 2005, 2007) has provided a contemporary twist to the glass ceiling phenomenon, where instead of being systematically blocked on the way to the top of corporations, women are appointed to the top (corporate boards or TMTs) when the company is in dire straights. More empirical research on the glass cliff is needed to establish the antecedents, dynamics and consequences of this phenomenon, and to theorize about the institutional circumstances conducive for women's corporate ascension. For example, questions such as the following may lead to improved theory: under which conditions are senior women TMT members chosen or passed over to be CEOs? When and in what kinds of companies and industries are WCBD most likely to be appointed? Under what conditions is the success of corporate women appointed to top positions most likely to occur? What career paths develop for women who face glass cliffs?

THE IMPACT OF GOVERNANCE REGULATIONS AND CHANGES IN CORPORATE FORMS

Newer areas of research, addressing emerging corporate forms and changing governance regulations and practices, need to be studied. For example, the following questions still need to be answered: what happens to WCBD when companies merge or are bought? As corporations move into the era of greater external monitoring and scrutiny of their governance practices, what effects are observable on their propensities to appoint, utilize, and retain WCBD? How do governmental quotas and policies shape WCBD internationally? Are recent country-specific changes in policies and regulations regarding women's representation working? Does the increased representation of women on corporate boards of directors lead to 'good governance' or do good governance practices lead to increased numbers of women on corporate boards?

EXPANDING THE SCOPE OF RESEARCH TO DIFFERENT KINDS OF ORGANIZATIONS

For future research, the scope of the study of women on boards must be expanded. For example, studies should be conducted on small- and medium-sized firms, not just the largest (for example, *Fortune* 1000 in the USA) firms. While data on these smaller firms is more difficult to obtain, these may reveal illuminating insights about the presence and utilization of WCBD. In addition, the types of firms studied should also be expanded to include entrepreneurial and private equity firms, as well as technology start-ups. Recent research has indicated that the percentage of women on the boards and top management teams of technology firms is lower than that of *Fortune* 500 firms (Catalyst, 2003). By focusing research attention on smaller, more entrepreneurial, and agile companies and industries, media and public interest in the board compositions of these firms may also be spurred. Finally, a fruitful avenue of research pertains to the study of the boards of public sector and voluntary sector (non-profit) organizations. For example, what insights can be transferred from women on the boards of directors of public sector organizations, non-profit organizations, and privately-held or entrepreneurial firms? In what kinds of such organizations are women directors most likely to serve? What outcomes emanate from women on the boards of public sector, non-profit sector, and privately-held firms? What is the pattern of interlocks between men and women directors who serve concurrently on such boards and corporate boards?

CONCLUSION

Our purpose with this volume has been to increase awareness and insight about international practices regarding women corporate board members. Through improved understanding and emerging theory, our hope is to better inform corporate, legislative and regulatory leaders and policy makers about WCBD, so as to engender more effective boardroom practices and enduring corporate governance improvements. The directions for future research suggested in this concluding chapter cumulatively hold the promise of not only shifting the needle permanently in favor of the enhanced representation and effectiveness of women on corporate boards of directors, but ultimately engendering the improved governance of corporations and business entities worldwide.

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