



Director Notes



Women on Boards

Review and Outlook

by Julie C. Norris

Gender diversity in the boardroom is an issue of increasing interest for shareholders of U.S. corporations. This report examines the prevalence of women directors in the Fortune 1000 and an additional 1,000 midcap companies. It also offers recommendations gleaned from interviews with more than 50 directors, CEOs, chief human resource officers, and governance experts for boards looking to recruit women directors and for women interested in serving on boards.

The world has changed in the past 10 years. Companies can zoom from obscurity to an estimated \$100 billion market cap (Facebook) or from zero to \$1 billion in revenue (as Groupon did in two years). They can also move from a state of near collapse in the late 1990s to become one of the world's most valuable companies (Apple). To succeed, companies must embrace change in ways that include learning to market and sell using digital channels, pursuing global customers, leveraging technology, and relentlessly streamlining operations to remain competitive.

Changes happening in boardrooms today mirror these macro changes.¹ More than 1,100 directors currently

serving on Fortune 1000 boards are over the age of 70.² With these impending vacancies, demand is emerging for a new generation of directors who are capable of contributing new insights about customers, technology, distribution channels, and international markets. The goal is to create a boardroom with diverse perspectives that will lead to better-informed discussions and more effective decision making. This search for a new generation of board members offers an opportunity for companies to include more women directors. Currently, women make up fewer

¹ The data on women CEOs and chairmen are current as of October 31, 2011. All other data in this report are current as of June 15, 2011, unless specifically noted.

² The Corporate Library, Board Analyst data as of June 15, 2011. The total number of Fortune 1000 companies does not equal 1000 because the universe of companies covered by GovernanceMetrics International (GMI)/The Corporate Library excludes any privately held companies, and is subject to the natural attrition that occurs throughout the year as various companies are merged, acquired, or dissolved.



than 15 percent of all directors in the Fortune 1000.³ This report offers suggestions for boards, management teams, and search firms who want to ensure that qualified women are considered during the director recruitment process.

The business case for diversity at the board level is compelling. That's especially true for companies that sell to consumers and/or have a large percentage of women employees; effective boards, after all, should be representative of the customer or employee base. Additionally, there are performance-based rationales for bringing women on boards. A 2007 report by Catalyst revealed that companies with three or more women on their boards, on average, outperformed those with the lowest average percentage of women board directors on their boards on three measures: return on equity, return on sales, and return on invested capital.⁴ In addition, the male CEOs and directors interviewed for this report repeatedly said that having women in the boardroom leads to better discussions and better decision making.

In Europe, gender diversity on boards is a primary focus, especially given the requirements for women on boards that exist in many countries. Norway established a 40 percent quota in 2006, which was met in just two years, and it is now a leader in female representation. Spain and France have quota legislation in process, and the European parliament has called for European Union-wide legislation for a 40 percent quota by 2020.⁵ In the United Kingdom, the 2011 Davies Report entitled "Women on Boards" recommended that FTSE 100 companies should aim for at least 25 percent female representation on boards by 2015, while also urging FTSE 350 companies to set targets.⁶

Women on Fortune 1000 Boards

Prevalence of women directors

- As recently as October 2011, 139 Fortune 1000 boards had no women directors. Notably, as of February 2012, 8 of the 139 companies added women to their boards.
- 133 Fortune 1000 boards have three or more women directors, and 41 have four or more.
- 29 consumer companies have no female directors, while 54 have three or more women. Boards with three or more women also cut across industries.

Women in leadership roles

- There are 38 women CEOs among Fortune 1000 companies.
- There are a total of 22 women chairmen, 11 of whom also hold the CEO role at their company.
- 39 women hold the title of lead director.
- 332 women chair mandatory board committees.

Talent availability

- From September 2010 to September 2011, 83 women directors joined Fortune 1000 boards.
- These women range in age from 34 to 68; 86 percent are 60 or younger.
- While these women come from all industries, financial services and industrial are the most heavily represented, followed by consumer and technology, media, and telecommunications.
- The vast majority of new women directors include CEOs, division presidents, president/COOs, CFOs, and other functional heads.
- It's worth noting that, as another prospective talent pool, there are 78 women CFOs, and, of those, 53 are not currently serving on an outside board.

³ The Corporate Library, Board Analyst data as of June 15, 2011.

⁴ Lois Joy, Nancy M. Carter, Harvey M. Wagner and Sriaram Narayanan, "The Bottom Line: Corporate Performance and Women's Representation on Boards," Catalyst Inc., October 2007 (<http://www.catalyst.org/publication/200/the-bottom-line-corporate-performance-and-womens-representation-on-boards>).

⁵ Lord E. Mervyn Davies, "Women on Boards," February 2011 (www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards.pdf).

⁶ Davies, "Women on Boards."

Table 1 **Distribution of women board members serving on Fortune 1000 boards**

	Number of boards	Percentage of overall number of boards
0 women	140	16%
1 woman	312	36
2 women	290	33
3 women	92	11
4 women	34	4
5 women	4	0
6 women	3	0
Total boards	875	100%

Note: Total boards does not equal 1000 because the Fortune 1000 companies covered by GMI/The Corporate Library exclude any privately held companies, and it is subject to the natural attrition that occurs throughout the year as various companies are merged, acquired, or dissolved.

While no quota system has been proposed in the United States, gender diversity is of interest to many shareholders. These shareholders have engaged in letter-writing campaigns, submitted shareholder proposals, and created diversity databases in an effort to engage with boards on this issue on a company-by-company basis.⁷ Among the Fortune 1000, fewer than 15 percent of all directors as of June 2011 were women, and 140 boards had no women directors (Table 1).⁸ As of February 2012, 131 companies still had no women directors. Beyond the Fortune 1000, women directors are even sparser.

An examination of 1,000 midcap companies with revenue ranging from \$500 million to \$3 billion found that 300 did not have a female director. Given that women control nearly 75 percent of consumer purchasing decisions, it is somewhat surprising that many of the companies with no women directors sell directly to consumers.⁹ Among the Fortune 1000, 29 consumer companies have no women on their boards (Table 2). On a more positive note, 54 Fortune 1000 consumer companies have three or more women on their boards (Table 3).

7 For example, in 2011, the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) commissioned GMI to produce the Diverse Director Database (3D Program). See "CalPERS, CalSTRS Announce Diverse Director DataSource (3D) A Resource To Identify Corporate Director Candidates," CalPERS press release, April 5, 2011 (www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2011/april/diverse-director.xml). In addition, Calvert Investments filed five shareholder proposals on board diversity during the 2011 proxy season, and six for the 2012 proxy season. See "Sustainable and Responsible Investing Calvert's Shareholder Resolutions Filed," (www.calvert.com/sri-resolutions.html).

8 The Corporate Library, Board Analyst data as of June 15, 2011.

9 "Women in Mature Economies Control Household Spending" (www.marketingcharts.com/topics/asia-pacific/women-in-mature-economies-control-household-spending-12931).

Table 2 **Distribution of Fortune 1000 boards with no women directors by industry**

Industry	Number of companies	Percentage
Industrial	52	37%
Consumer	29	21
Energy/utilities	25	18
Technology, media & telecom	20	14
Financial services	9	7
Life sciences	4	3
Grand total	140	100%

Table 3 **Boards with three or more women by industry**

Industry	Number of companies	Percentage
Consumer	54	41%
Industrial	22	17
Financial services	18	13
Energy/utilities	14	11
Life sciences	14	10
Technology, media & telecom	11	8
Grand total	133	100%

Suggestions for Boards Seeking to Bring on Women Directors

Agree on the expertise sought in a new director, independent of gender Every director recruitment effort should begin with a consideration of the company's strategy and a determination of the types of additional expertise that would strengthen the board as the company pursues its strategy. This should be the starting point for every director search, even if the board is expressly interested in selecting a woman.

Ensure the nominating/governance committee chair, CEO chief human resource officer, and search firm are in agreement about the importance of adding women to the board Directors interviewed for this report who served on boards that have successfully recruited women said that accomplishing this was a top priority for all involved in the process. If the pool of candidates being reviewed does not include women, it is incumbent on the search firm and other interested parties to search for qualified women candidates. Interviewees reported numerous instances in which the board was required to dig deep to find more women. As long as everyone was convinced of the importance of having women considered, qualified women could be found. Conversely, if having a woman join the board was not a priority, the lists of potential candidates contained only men.

Set guidelines and goals Some companies operate with guidelines for hiring executives (for example, a requirement that at least 50 percent of all candidates put forth for any executive search the company conducts must be women). Some of the interviewed directors and CEOs suggested using a similar approach for board recruitment to ensure better representation of women in the lists of prospects discussed.

Believe in the person, not only the paper There needs to be a willingness to look beyond titles. One female CEO said she would not have gotten where she is today if previous decisions had been made based only on “checking boxes.” Instead, a chairman saw her potential as someone who could achieve success in this role, even though she had not done the exact job before. This is an important criterion when considering women director prospects, since many may not possess prior experience as a public company CEO or director.

Be willing to embrace change Boards recognize that they need to do things differently, and a growing number of boards have embraced the opportunities that result from bringing on unconventional directors—leaders in their 40s, experts in digital marketing or possessors of strong international experience, and/or women or minorities. The CEOs interviewed who came from industries in which women have held leadership roles (e.g., retail) viewed bringing women on the board as a natural step. In cases where women have not yet been at the helm, it may be helpful to reiterate to those involved the importance of adding qualified women to the board to help achieving the company’s strategy.

Find common ground According to interviews with women who were the first woman director on a board and nominating committee chairs, women must find common ground with existing board members to be accepted in the boardroom. If the CEO or other directors have not worked with a woman before or do not have any female role models, the introduction of qualified women candidates with shared interests or backgrounds can help bridge the gap. Even small actions can make a difference. One nominating committee chair mentioned introducing women candidates who were former CFOs for a search where the CEO had been a former CFO. Another executive mentioned age as a potential bridge, in the sense that qualified women from the same generation as the CEO or other board members were able to make the transition onto an all-male board more easily than would a woman who is, for example, 20 years younger than the CEO.

Tips for Women Interested in Serving on Boards

As mentioned above, the world has changed. Boards today are looking for individuals with the specific skills and expertise to address these changes and help their businesses succeed. Specific skill requirements are different for each board, but some common themes did emerge from the research including:

- General management perspective and relevant industry expertise – CEO, COO, or division president experience – is still in high demand. Boards are willing to look a level below the CEO to division or regional leaders for directors with proven leadership and successful track records. Many positions at this level are held by women.
- Digital sales and marketing experience – Companies are looking for directors who have driven revenue growth via digital channels. Social networking experience is also of interest for some boards.
- Chief information officers or others with experience leading technology transformation on the operational side of the business are also of interest to many boards. With information now an integral part of operations and risk management for most companies, CIOs are being considered for board positions. This represents a significant change.
- CFOs/former audit partners – Demand for experienced CFOs and financial experts remains strong. With 78 women CFOs in the Fortune 1000 alone, the pool here is not trivial.
- Global citizens – Executives who have done business in international markets, especially in BRIC economies, are of interest to boards of companies seeking to grow overseas.

Other qualities that boards continue to look for include a high level of networks/relationships that directors can potentially leverage for the benefit of their corporation, as well as such intangibles as the ability to hold solid views and express them collegially and a positive mind-set.

Prospective directors should recognize that finding the right director role is a win-win proposition. Rather than simply aiming to meet whatever criteria a board is looking for, the director should do her own due diligence to ensure that any board she is considering matches her interests, has a management team and directors that are attractive to her, and offers a time commitment and remuneration that are consistent with her expectations.

Steps potential directors can take to increase their visibility to boards

Excel at what you do Be recognized by your peer group. Meet the right people. For example, speaking at industry conferences, serving on panels, and/or publishing articles can increase your visibility as an expert in your field. Women directors we spoke with repeatedly said they found their board seats through prior relationships. For instance, one woman CFO was recruited to a board because one of the directors had worked with her 10 years earlier. Consultants and former audit partners find their way onto boards based on their reputations as thought leaders and their successful track records of leading professional services firms.

Develop a game plan Many directors who join boards today found those boards through a rigorous and structured approach. Of course, timing is always a critical component in finding a board position. But the reality is that offers to join boards do not happen every day. Potential directors should consider taking the following additional steps.

- Educate yourself on what it means to be a director. Meet with CEOs, directors, or governance experts to gather insights and information on how to add value in the boardroom. Become conversant on governance issues.
- If you are currently working, make sure the CEO and board of your company know of your potential interest in serving on a board and are supportive of your efforts.
- Write a board biography or description of your expertise that clearly states your value proposition for a board.
- Develop a target list of companies that best fit your skills/expertise and are free of conflicts.
- Be realistic. Boards typically look for directors with relevant experience at similarly situated or similar size companies, so it makes sense to target companies within your reach.
- Be patient. Timing plays an important factor. Many of the directors interviewed said they found themselves on boards based on relationships they had formed or conversations they had participated in years earlier.

Going Forward

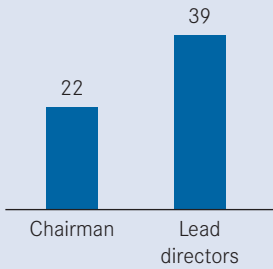
The pool of qualified women interested in serving on boards is stronger than ever, and it includes chief operating officers, division presidents, CFOs, and CIOs.

Boards should keep an eye out for up-and-coming director talent: women who have demonstrated a successful track record in their executive roles and who therefore would have the relevant expertise to make a meaningful contribution to a board. Making an effort to get to know these women as they ascend in their careers should be a priority for CEOs, chief human resource officers, and nominating/governance committee chairs.

As boards seek to replace retiring directors, they should ensure that a diverse slate, including women and other candidates representing different backgrounds, is considered in the process.

Women on Boards

Chart 1
Board leadership roles held by women*



* As of June 15, 2011.

Chart 2
Committee leadership roles held by women

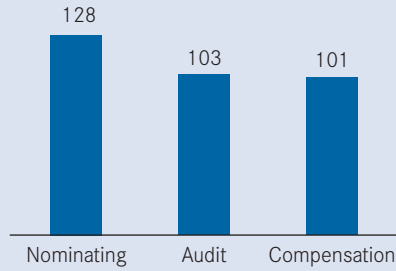


Table 4 Age distribution of Fortune 1000 new women directors

Age	Number of women	Percentage
50 and under	17	21%
51 - 60	54	65%
61 - 70	12	14%
Grand total	83	100%

Chart 3
Industry backgrounds of Fortune 1000 new women directors

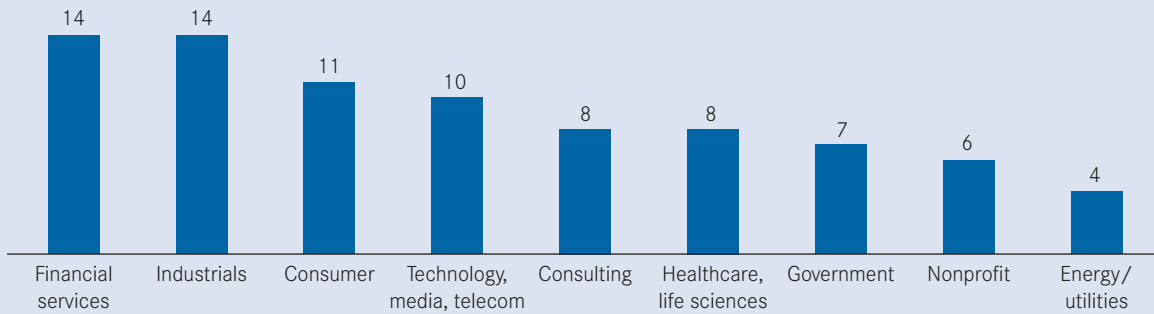
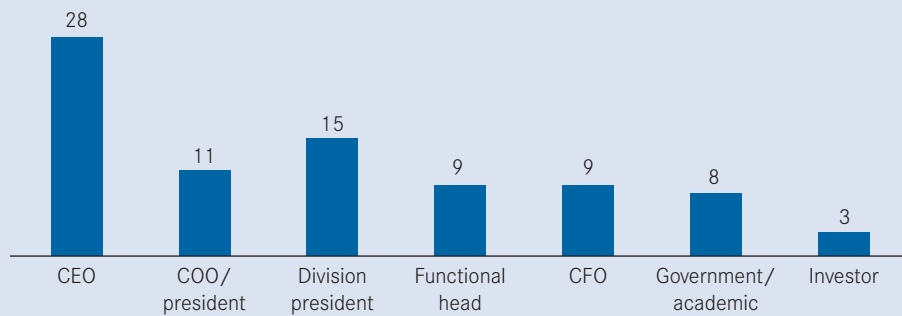


Chart 4
Functional background of Fortune 1000 new women directors



An Overview of the Current Status of Women Directors

Consumer companies with no women board members

As of June 15, 2011, there were 29 consumer companies without women board members. An asterisk indicates companies that, according to Board Analyst, added a woman to their board as of March 2012.

Aaron's, Inc.*
Alliance One International, Inc.
Autoliv, Inc.
CC Media Holdings, Inc.
Central Garden & Pet Company
Charter Communications, Inc.
Cinemark Holdings, Inc.
Core-Mark Holding Company, Inc.
Dex One Corporation
Discovery Communications, Inc.
Dollar General Corporation
Education Management Corporation
Exide Technologies
Expedia, Inc.
Jarden Corporation
Las Vegas Sands Corp.
Live Nation Entertainment, Inc.
Nash-Finch Company
Pilgrim's Pride Corporation
Quiksilver, Inc.
Ralphcorp Holdings, Inc.
Service Corporation International
Sonic Automotive, Inc.
Spectrum Group International, Inc.
Susser Holdings Corporation
Universal Corporation
Urban Outfitters, Inc.
Weis Markets, Inc.
Zale Corporation*

Companies with four or more women directors

Aetna
Alliant Energy Corporation
AT&T Inc.

Avon Products, Inc.
BB&T Corporation
Boston Scientific Corporation
Brown Shoe Company, Inc.
Cablevision Systems Corporation
Campbell Soup Company
CVS Caremark Corporation
Dow Chemical Company (The)
Estee Lauder Companies Inc. (The)
Frontier Communications Corporation
General Electric Company
General Mills, Inc.
Hewlett-Packard Company
Hormel Foods Corporation
International Flavors & Fragrances
Kelly Services, Inc.
KeyCorp
Kraft Foods Inc.
Macy's, Inc.
MetLife, Inc.
New York Times Company (The)
Office Depot, Inc.
PepsiCo, Inc.
PNM Resources, Inc.
Principal Financial Group, Inc.
Sanderson Farms Inc.
Schnitzer Steel Industries, Inc.
Spartan Stores, Inc.
Steelcase Inc.
Sysco Corporation
Target Corporation
Texas Instruments Incorporated
Travelers Companies, Inc. (The)
Tupperware Brands Corporation
Walt Disney Company (The)
WellPoint, Inc.
Wells Fargo & Company
Williams Companies, Inc. (The)

(continued on page 8)

An Overview of the Current Status of Women Directors (continued)

Fortune 1000 women CEOs/chairs

Women CEOs of Fortune 1000 companies

One asterisk reflects a CEO who is also chairman. Two asterisks reflect CEOs who were chairs as of January 1, 2012.

Laura J. Alber Williams-Sonoma, Inc.
Angela F. Braly WellPoint, Inc.*
Heather Bresch Mylan**
Ursula M. Burns Xerox Corporation*
Catherine M. Burzik Kinetic Concepts, Inc.
Jane T. Elfers Children's Place Retail Stores Inc.
Lynn Laverty Elsenhans Sunoco, Inc.*
Ilene S. Gordon Corn Products International, Inc.*
Mindy F. Grossman HSN, Inc.
Kimberly Harris Puget Sound Energy
Patti S. Hart International Game Technology
Andrea Jung Avon Products, Inc.*
Karen W. Katz Neiman Marcus
Katherine Krill ANN Inc.
Ellen J. Kullman E.I. du Pont de Nemours and Company*
Linda A. Lang Jack in the Box, Inc.*
Constance H. Lau Hawaiian Electric Industries, Inc.
Tamara L. Lundgren Schnitzer Steel Industries, Inc.
Gracia Martore Gannett Co.
Sara Mathew Dun & Bradstreet Corporation*
Judy R. McReynolds Arkansas Best Corp.
Carol M. Meyrowitz TJX Companies, Inc.
Amy E. Miles Regal Entertainment Group
Beth E. Mooney KeyCorp
Denise M. Morrison Campbell Soup Company

Deanna M. Mulligan Guardian
Indra K. Nooyi PepsiCo, Inc.*
Debra L. Reed Sempra Energy
Janet L. Robinson New York Times Company
Virginia Rometty IBM
Irene B. Rosenfeld Kraft Foods Inc.*
Laura J. Sen BJ's Wholesale Club, Inc.
Diane M. Sullivan Brown Shoe Company, Inc.
Cindy B. Taylor Oil States International, Inc.
Patricia Vincent-Collawn PNM Resources, Inc.
Mary Agnes Wilderotter Frontier Communications Corporation
Patricia A. Woertz Archer-Daniels-Midland Company*
Margaret C. Whitman Hewlett-Packard Company

Additional women chairs of Fortune 1000 companies

This reflects women who are board chairs and not currently the CEO. One asterisk indicates the individual previously served as CEO of listed company

Jenne K. Britell United Rentals, Inc.
Patricia Gallup* PC Connection, Inc.
Maryellen C. Herringer ABM Industries Incorporated
Martha O. Hesse Enbridge Energy Partners, L.P.
Delores P. Kesler PSS World Medical
Kay Koplovitz Liz Claiborne, Inc.
Marjorie Magner Gannett Co.
Sheila A. Penrose Jones Lang LaSalle Incorporated
Elaine D. Rosen Assurant, Inc.
Mary F. Sammons* Rite Aid Corporation
Jane E. Shaw Intel Corporation



About the Author

Julie C. Norris is a partner with CTPartners. As a member of the firm's CEO and board practice, she works with boards and CEOs to recruit qualified individuals to boards. She has collaborated with clients in filling single seats, recruiting multiple directors and building entire boards for spin-offs and restructurings. Previously, Norris was the board services specialist with Spencer Stuart, working with small cap to Fortune 100 clients across industries. She led the annual survey of S&P 500 boards and helped found and develop the Wharton School's Corporate Governance: Fresh Insights and Best Practices for Directors program. She has presented at governance conferences with the NYSE, Harvard Business School and the American Bar Association. She has authored multiple articles on governance trends and board composition, boardroom diversity, building boards for spin-offs and restructurings, and recruiting international directors. Earlier in her career, Julie was a senior engagement manager with McKinsey & Company. She is a graduate of Harvard College, Harvard Business School, and Harvard Law School.

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