

Every Other One: More Women on Corporate Boards

An Update of a Policy Statement by the Committee for Economic Development's Policy & Impact Committee



Overview

Women occupy 16.9 percent of Fortune 500 corporate board seats today, according to the Catalyst 2013 Board Census. Progress has been made, but the rate of change has been slow. That percentage has grown just 3.3 percentage points (from 13.6 percent to 16.9 percent) in the last decade, despite women's proportionately larger presence in the labor force and higher education enrollment. This disparity seems inconsistent with a board's desire to utilize all sources of expertise and insight for its deliberations, as one means for a company to compete effectively in the global marketplace. The gender imbalance also raises the questions of (i) full business utilization of female human resources; (ii) potential alienation of a firm's female employee and supplier base; (iii) lack of attention to women, who make a large percentage of household purchasing decisions; (iv) missed opportunities to appeal to female retail and institutional investors; and (v) the ability of business to follow important social trends regarding gender.

The Committee for Economic Development (CED) is at the forefront of business-oriented public policy groups in advocating that U.S. corporations bring more women onto their boards. In 2011, CED formed a Subcommittee on Women's Economic Contribution, composed of 18 prominent men and women from the for-profit and nonprofit sectors, to study the issue and make recommendations. In 2012, CED issued a policy statement, "Fulfilling the Promise: How More Women on Corporate Boards Would Make America and American Companies More Competitive." In this current paper, CED

provides updates on this topic and outlines its plan for direct outreach to the nominating committees of prominent corporate boards.

CED's research indicates that potential women board members face a "chicken and egg" problem. Although there is little overt bias, boards tend to prefer candidates that are either (i) sitting (or retired) CEOs, or (ii) current directors of public companies. Women are a small minority of those two groupings today. In annual proxy statements, nominating committees profess a desire for board diversity, but tend to repeat those customary behaviors, which *ipso facto* discourage diversity. If this self-perpetuating cycle of exclusion could be broken, female c-suite executives, division presidents, law firm partners, accounting firm partners, financial service executives, entrepreneurs, foundation heads and university presidents would constitute just a partial list of the likely qualified candidates.

CED's Position

• *Voluntary Goal Setting and Disclosure*

Many corporations seek to increase diversity at the board level. This goal should be voluntary, rather than mandated by government quotas, which are in effect in several other countries. If U.S. publicly-traded companies set well-defined goals and provide regular disclosure on progress, they can build a pathway toward fulfilling this objective. If prominent corporations adopt a target of recruiting women in every one of two board seat openings due to normal retirements

and existing female seats are retained, CED believes that 30 percent participation would likely occur by 2018.

- *Expanding the Criteria for Directors*

Board-nominating committees and executive search firms, which often work for the committees, typically have excessively narrow lists of qualifications for directors, in our judgment. Therefore, potential female candidates face artificially high barriers. As a practical business matter, CED suggests that boards expand their criteria for candidates, which will open up opportunities for women while improving the quality of boards in several ways.

- *Source of Women Board Members*

With this expanded criteria, female c-suite executives, divisional presidents, law firm partners, accounting firm partners, financial service executives, entrepreneurs, risk management professionals, foundation heads and university presidents would provide a deep pool of likely qualified candidates.

- *Direct Contact Supplements Existing Programs*

Issue promotion, numerical monitoring, executive education, public pressure, and shareholder resolutions place gender imbalance in the corporate mind set. CED believes one-on-one dialogs among peers will accelerate

progress. CED proposes to harness its trustees to arrange small group meetings with nominating committee members of several boards. These conversations will focus on why diversity is slow and what business leaders can do to achieve progress. They will also capture best practices from those companies that are already making strides to bring women on boards.

Outreach to Board Nominating Committees

CED's past outreach included statements by its Policy and Impact Committee, which supported seminars and hosted related panels at CED's policy conferences. A key goal was to place this issue in the business community's mindset and to push for the 30 percent target by 2018.

Our new outreach will focus on one-on-one contact with nominating committee members and chairs, most of whom are male. CED's 200+ trustees, 56 of whom are women, are accomplished businesspeople who can utilize their peer-to-peer networks to explain the benefits of board diversity, and to encourage a fresh outlook about board candidates. CED will assist its trustees in the administration and implementation of this outreach, and will support supplementary seminars, luncheons, and dinners to highlight this program.

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