



Advancing Women

TO THE CORPORATE BOARDROOM

2016 Women Board Directors in Maryland, Virginia
and Washington, DC

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From the President

Since 1994, Women in Technology (WIT) has supported the professional aspirations of members through our mission to advance women “from the classroom to the boardroom.” From Girls in Technology to The Leadership Foundry, we provide training, networking and social opportunities for women at all stages of their careers. During 20+ years of service to our constituents, we have grown as our membership’s needs have evolved. In 2010, we founded The Leadership Foundry to support women preparing for board service.

The Leadership Foundry’s 2010 study of board diversity in our region established a baseline of the percentage of women serving on corporate boards. In the years that followed, our research has progressed as we learned about the factors and obstacles that women face attaining board seats. Throughout this same time period, attention to this subject has grown significantly, and the call for board gender diversity has grown progressively louder. Our 2016 study compares our region’s progress to other regions’ and evaluates the factors leading to adequate representation of women in boardrooms.

As the number of graduates of The Leadership Foundry increases, we will continue to advocate on their behalf by raising public awareness of the benefits of board gender diversity through this report and advocacy events. We recognize that the greatest potential for open seats may lie with new and emerging public companies forming their boards. WIT is strategically

positioned to assist these companies in identifying candidates trained through The Leadership Foundry. We look forward to partnering with area companies to accelerate board gender diversity by introducing women who offer the potential to contribute to better corporate performance.

WIT and The Leadership Foundry extend very special thanks to Dr. Siri Terjesen for sharing her insights and research. Dr. Terjesen is a research chair in Entrepreneurship at Kogod School of Business at American University and has conducted extensive research in the factors influencing the gender diversity of corporate boards. In addition, we extend our appreciation to our study leadership team, including Project Director Lori DeLorenzo, Senior Vice President of Operations at Human Solutions, Inc. and Research Coordinator Jill Klein, Assistant Dean at Kogod School of Business at American University. Thank you also to the Kogod graduate student research assistants who committed their time and talent to the effort: Betsy Henderson, Heather Randall and Maria Wallace.



Kathryn Harris
President, Women in Technology



Women in Technology and The Leadership Foundry

WIT's mission is to advance women in technology from the classroom to the boardroom by providing advocacy, leadership development, networking, mentoring and technology education. To prepare women for positions as corporate board directors, WIT launched The Leadership Foundry, a program managed by WIT's Corporate Board Committee, for female executives interested in serving on a corporate board. Its goal is to prepare women for board service, provide opportunities to make connections and develop relationships that could lead to a board position.

In 2011, The Leadership Foundry began providing networking and mentoring opportunities in addition to intensive board training sessions. Through The Leadership Foundry, WIT also helps fuel awareness of the lack of female representation on corporate boards and encourages local organizations to support board gender diversity. Increasing the number of women on public boards in the region will take time as evidenced by the slow but steady increase measured since our first study.



Introduction

The topic of women's representation on publicly traded boards is a common topic in newspapers and financial publications. According to the 2020 Gender Diversity Index, women hold 17.9 percent of Fortune 1000 board seats, while Maryland, Virginia and Washington, DC companies have achieved only 14 percent.¹ For some organizations, board gender diversity means appealing to consumer demands, expanding the scope of decision-making, or simply increasing the diversity of leadership experiences and perspectives. Literature suggests that 21st century organizations are increasingly approaching board gender diversity as a value-driver in organizational strategy and corporate governance.²



Literature Review

Why is board gender diversity important? As noted in a 2015 McKinsey study, the value of diversity is more than just intuitive and makes sense in pure business terms. Companies in the top quartile for gender or racial diversity are consistently more likely to have financial returns above their national industry medians.³ Examining corporate performance and financial returns is one metric that has been widely used to demonstrate the value of board gender diversity across domestic and international markets. Literature suggests that having women on boards is positively correlated with financial performance (measured in terms of return on assets and return on sales) and with ethical and social compliance, which in turn are positively related with firm value.⁴

Financial returns, however, are not the only way to demonstrate company success. Overall company performance has also been used as a metric to gauge the value of board gender diversity. One major assumption underlying research on women on corporate boards is that

women bring different resources and external relationships to the board which potentially enhances the value of the board and may actually improve board performance.⁵ This idea is consistent with corporate governance theories that support board diversity on the basis that a diverse board operates to reduce agency costs, facilitates access to untapped resources and networks and improves performance.⁶

Social dynamics of company success have also been used as indicators of the importance of board gender diversity. Some literature suggests that board gender diversity matters for a more fundamental reason—because women enhance boards’ legitimacy and trustworthiness, fostering shareholders’ trust in the firm and thus contributing to its market performance.⁷ The fact that women board members provide different values and professional experiences than men, which enhance decision-making and enable the board to better perform its tasks, is also often emphasized.⁸ In addition, companies with gender-balanced boards are inclined to pay greater attention to managing and controlling risk.⁹ Gender diverse boards are also more likely to fulfill the organization’s social mission.¹⁰

While different studies have focused on varying aspects of the value of board gender diversity, consensus in the literature suggests that “when companies commit themselves to diverse leadership, they are more successful.”¹¹ If one accepts the premise of board gender diversity as a mechanism for company success, then the next question becomes: how can this be achieved? This question lies at the heart of our study of women’s representation on publicly traded corporate boards in Maryland, Virginia and Washington, DC.



Our Study

The board gender diversity study began in 2010 through a partnership formed between WIT and Kogod School of Business at American University. The six-month study is conducted on an annual basis, and includes an in-depth analysis of women board members for publicly traded companies in Maryland, Virginia and Washington, DC. Each year of the study has adopted a different thematic focus on aspects of the qualitative and quantitative value of women’s representation on corporate boards, from financial returns, to market sector to comparison of board gender diversity approaches in Europe versus the United States.

This year, we examine the regional differences in legal, economic and culture systems¹² that may influence gender diversity at the state level. We review these differences and compare the results of our study area to other states. In the United States, women currently hold 19 percent of seats among the S&P 500 companies and 17.9 percent for a national average.¹³ The percentage of board seats held by women for publicly traded companies included in our study is significantly lower, at only 14 percent.

STUDY FINDINGS

The findings from this year’s study did not show much improvement from last year, in which women made up 12.8 percent of the corporate boards in Maryland, Virginia and Washington, DC. Figure 1 shows the continued growth in women’s representation on corporate boards in the region from about 8 percent in 2010 to 14 percent in 2016.

Figure 1—Percentage of board seats held by women continues to climb.

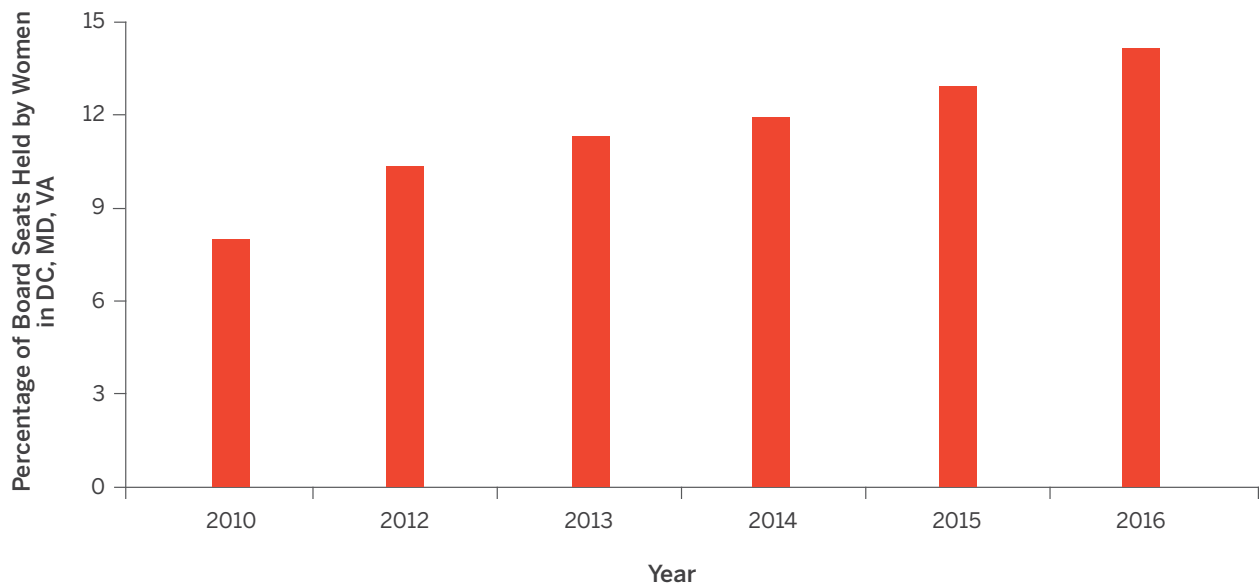
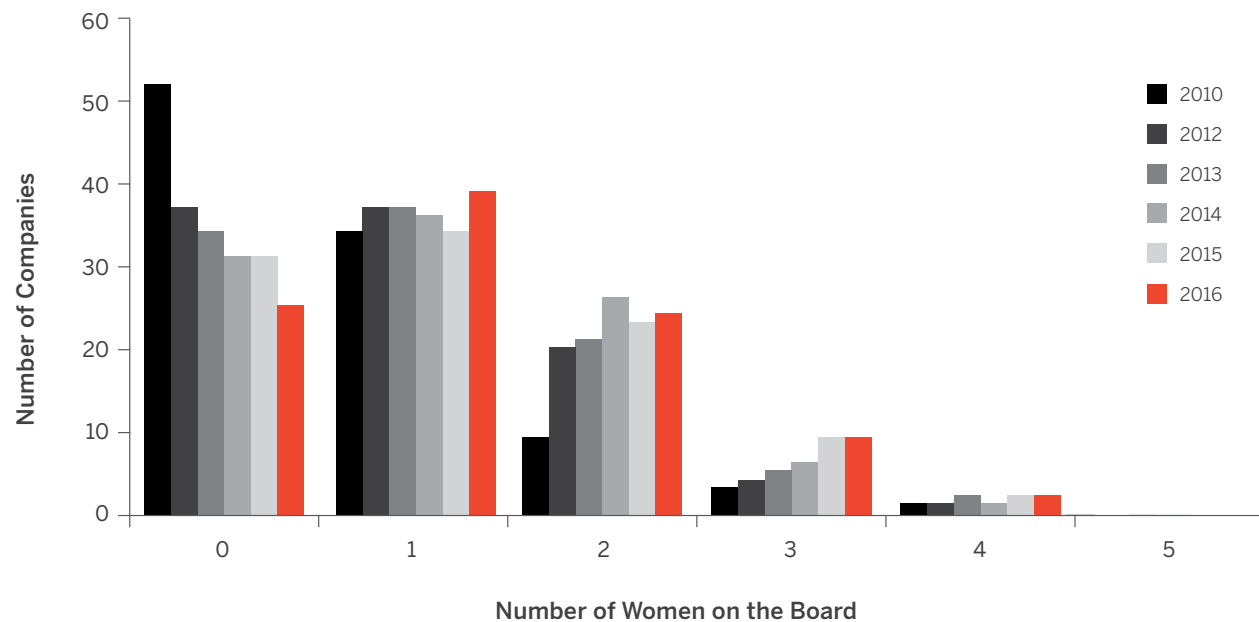


Figure 2 shows a continued decrease in the percentage of companies with no women on their boards; however, the percentage of companies including two or more women remains virtually unchanged. Thus, our study suggests that having more than two women on a corporate board in Maryland, Virginia or Washington, DC is still uncommon despite the evidence showing that the presence of three or more women directors yields significantly higher company returns.¹⁴

Figure 2—Percentage of companies studied in this region with at least one woman on the board continues to grow, while the percentage of companies including two or more women board members remains essentially unchanged from 2010–2016.

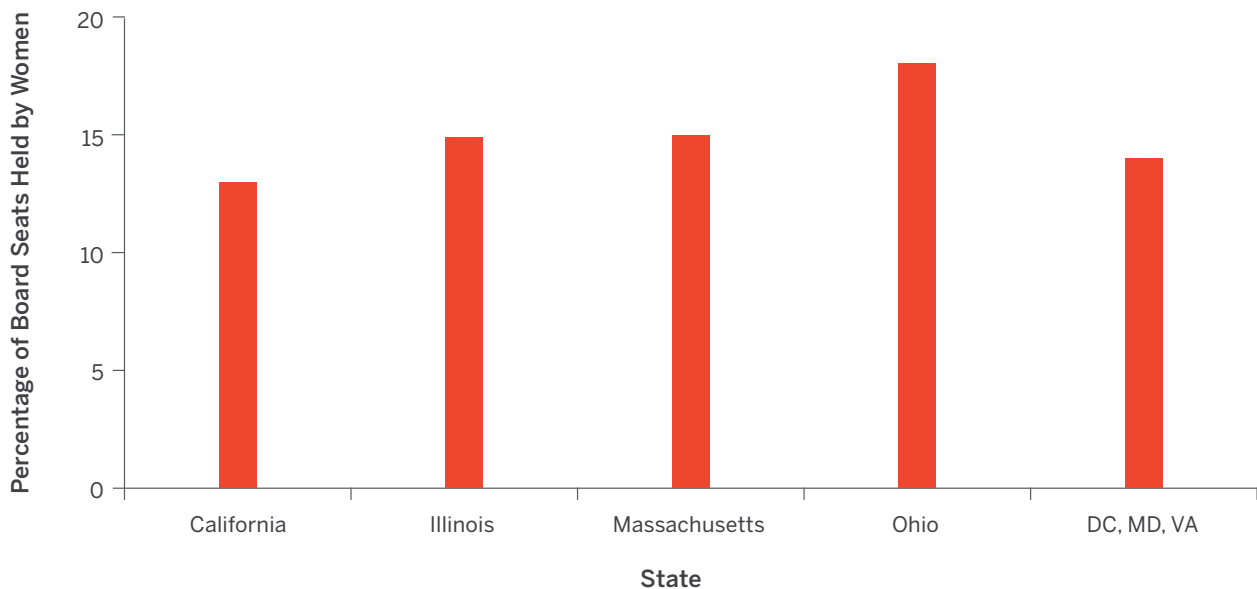


US REGIONAL COMPARISON

Bendell et al. point out that there is “extensive anecdotal evidence of significant within-country differences in board gender parity” and that in-country variations, such as state sovereignty within the US, which produces a highly complex regulatory environment, can influence the gender diversity of corporate boards.¹⁵ As previously noted, Grosvold et al. propose legal, cultural and economic systems as regional factors influencing the inclusion of women on corporate boards. We have identified legislation and quotas; public pressure and advocacy; and the diversity of industries and company size within a region as in-country variations in legal, cultural and economic factors that may influence the individual states’ progress in corporate board gender diversity. In the sections that follow, we discuss these factors and lay the foundation for future research.

We established a baseline of comparison between our study area and four states (Ohio, California, Illinois and Massachusetts) that have either passed or are considering passing legislative quotas. This baseline can be used as the starting point for future research. Figure 3 shows our study region is on par with the others. As our research continues, we will follow the progress in these states and evaluate it against the progress of our region.

Figure 3—Comparing the percentage of total board seats held by women within our study of the Maryland, Virginia and Washington, DC region with other states that have passed or considered quota legislation and experienced significant growth in recent years.



Legislation and Quotas

Internationally, the concept of legislated gender quotas on boards is not new.¹⁶ In the United States, California, Illinois and Massachusetts have enacted state-level legislation that encourages gender diversity on publicly traded corporate boards. This is a significant step, but one that has only occurred in recent years, with California being the first state to enact legislation encouraging women's representation on corporate boards, in 2013.¹⁷ By 2014 over 75 percent of the 400 largest corporations across California had female board directors.¹⁸

In Massachusetts, state legislation passed in 2015 recommended the number of female directors that boards of varying sizes should include and recommended three years for implementation. This resolution encourages all companies doing business in Massachusetts, privately held as well as publicly traded, with more than nine members to have a minimum of three women directors, and corporate boards with less than nine members to have a minimum of two women directors in place by December 31, 2018.¹⁹ The Massachusetts legislation encourages privately held and publicly traded companies to "adopt policies and practices designed to increase the gender diversity in their boards of directors and senior management groups and set goals by which to measure their progress," and "annually disclose the number of women and total number of directors on their boards."²⁰

In May 2015, Illinois passed the state law House Resolution 439, which urges publicly traded corporations in Illinois with boards of nine members or more to have three female board members within the next three years.²¹ Illinois became the second state in the US to pass such a resolution to encourage gender representation on corporate boards of directors, and now some of the most gender-diverse companies based in the state include Ingredion, Mondelez and Ulta Beauty, the latter of which has a board of directors that is 50 percent women.²²

Other states, such as Ohio, are in the process of considering legislated gender quotas, but have not yet enacted any legislation to date. In Ohio, currently proposed resolutions would urge publicly traded corporations with at least nine seats on their board of directors to have a minimum of three women on the board, and corporations with at least five but fewer than nine seats to have a minimum of two women, and boards smaller than five seats to have at least one woman on their board.²³ Nationally, the concept of legislated board gender representation has been getting attention as well. Congressional legislation has been drafted that would require companies to disclose their gender diversity statistics and policies, and is expected to be proposed by Rep. Carolyn B. Maloney of New York in the coming months.²⁴

Public Pressure and Activism

The instance of "Twitter shaming" in 2013 may be one of the best examples of the public's ability to influence companies' board gender diversity. When Twitter went public in 2013, the board of directors and all senior leadership were men. This evoked a strong public backlash from consumers against the company for a lack of gender diversity on their board. As one article in *The Guardian* noted, "Excuses? We've heard them all, and none of them sticks. The bottom line remains the same: women are still sorely missing at the top of the young ground-breaking tech company... *"Disrupt!"* is a catch cry of Silicon Valley—a call to arms to take something that is

done a certain way because “that’s how it’s always been done”, and turn it on its head. Do it better, do it faster, do it differently. Amazon did it to bookshops, Craigslist did it to classifieds, and Twitter did it to media... For all its bravado, Twitter was revealed as a social media company steeped in old media ways.”²⁵ In response, Twitter added a female board member, Marjorie Scardino, the chair of the MacArthur Foundation, although there were still complaints that having a “token” female board member was not enough.²⁶ In the two years since, Twitter has added two more female board members. Twitter’s approach to board gender diversity and the public backlash it faced when having no female board members serves as a lesson for all companies that have been slow to diversify their boards.

Diverse Industries and Company Sizes

In an article published in *Columbus Business First*, reporter Dan Eaton notes that over the eight years between 2007 and 2015, Central Ohio nearly doubled the number of women directors serving on the boards of its area companies, growing from 10 percent to nearly 19 percent. Eaton attributes several factors to this trend, including a favorable industry mix and company size. He cites, “According to the executive search firm Spencer Stuart, utilities and consumer goods companies have the highest prevalence of female directors. Of the eight local companies with three or more women on the board, six are in those segments.”²⁷ This notion is supported by staff writer Liyan Chen in an article for *Forbes*. She summarizes the percentage of women directors among companies in the S&P 500 as follows; consumer goods companies had the largest number of women board members at 23.2 percent, telecommunications had 22.8 percent, followed by 7.1 percent in technology goods and 5.7 percent in the oil & gas industry.²⁸



Conclusions

This annual WIT report documents continued slow growth in the number of women serving on corporate boards in our region with a slight 1.2 percent increase over 2015 (12.8 percent versus 14 percent). Despite some change, women remain underrepresented compared to the proportion of women in the workplace and in executive leadership roles. As the push for inclusion of women on corporate boards grows across the nation, we continue to look for ways for WIT to influence and provide opportunities for its members seeking to advance to the boardroom. WIT’s involvement in advocacy will continue to be an important factor in increasing the opportunities for its members to advance to board service. Women in Technology and The Leadership Foundry will play important roles in advocating for change.

Contact Information

For further information on Women in Technology and The Leadership Foundry

please visit

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Acknowledgements

A very special thanks to the following individuals for sharing their time, experience and insight:

Marguerete Luter—Chair, Women in Technology, Corporate Board Committee

Lori DeLorenzo—Senior Vice President, Human Solutions, Inc.; Project Director and Editorial Supervisor, Women in Technology, Corporate Board Committee

Denise Hart—Board Member at Large, Women in Technology, Corporate Board Committee; Partner, O2 Lab, Inc.

Jill Klein—Research Coordinator, Assistant Dean at Kogod School of Business at American University

Charlotte Pelliccia—Editor, Women in Technology, Corporate Board Committee

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Increasing Women on Corporate Boards

The Leadership Foundry is looking for women who check the boxes of the criteria listed below.

- Demonstrate notable or significant achievements in business, education or public service
- Possess the requisite intelligence, education and experience to make a significant contribution to a board
- Bring a range of skills, diverse perspectives and backgrounds and have the highest ethical standards.
- Show a strong sense of professionalism
- Demonstrate an intense dedication to serving the interests of shareholders

We know you are busy because you are on the path to serving on a board. Here is what we will expect from you.

- an average of three to four hours per month in addition to a dinner with board member executive development activities followed by a full day of training with NACD
- participation in monthly group meetings and at least two networking events
- dedicated time on your own to build your competencies and make appropriate networking connections

Together we will increase the number of women serving on corporate boards. We will make a difference!



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Applications for the class of 2018 will be accepted starting April 2017.

For more information contact us at theleadershipfoundry.org.

