



Advancing Women

TO THE CORPORATE BOARDROOM

2019 Women Board Directors in Maryland, Virginia
and Washington, DC

Prepared by:
The School of Professional & Extended Studies,
American University

Prepared for:
Women in Technology

Project Directors:
Lori DeLorenzo
Sr. Vice President, Cavan Solutions, Inc.
Jill Klein
Interim Dean and Executive in Residence, School of Professional
& Extended Studies, American University

American University Research Associates:
Elizabeth Gunggoll, MS Analytics 2019
Sasha Sewell, MS Analytics 2019

From the President

Women in Technology (WIT) proudly introduces The Leadership Foundry's 2019 report: *Advancing Women to the Corporate Boardroom*, demonstrating our commitment to support the professional aspirations of our membership and increasing awareness of the role women must play in today's corporations.

From obstacles to opportunities, The Leadership Foundry seeks to inform its members and the Greater Washington business community and to join others in the clarion call for board gender diversity. Since 2010, our report has introduced new evidence and ideas to stimulate the conversation by counting the number of women directors serving on public corporate boards, assessing the economic impact of board gender diversity, considering the role legislative action serves to improve overall corporate performance, and more. This year, the report examines the drivers for gender diversity on boards: legislation, board refreshment and board power positions.

With over 130 graduates of The Leadership Foundry, the number of board candidates available to Maryland, Virginia and Washington, DC, companies is healthy and growing. To date, more than 20 board seats have been filled by our graduates. The talented, professionally diverse women of The Leadership Foundry's class of 2020 will continue to advance our advocacy and outreach efforts. We will also continue to raise public awareness of the benefits of board gender diversity through this report and advocacy events. We look forward to partnering with local companies to accelerate board gender diversity by introducing them to women who offer the potential to contribute to better corporate performance.

WIT and The Leadership Foundry extend our appreciation to our study leadership team, including Project Directors Lori DeLorenzo, Sr. Vice President at Cavan Solutions, Inc., and Jill Klein, Interim Dean and Executive in Residence at American University's School of Professional & Extended Studies. A special thank you to the American University graduate student research assistants, Elizabeth Gunggoll, MS Analytics '19 and Sasha Sewell, MS Analytics '19.



Carrie Drake
President, Women in Technology

Executive Summary

The Leadership Foundry's 2019 annual research report identifies three critical areas that are instrumental in driving board gender diversity.

The first area of impact is surrounding legislation that supports change in corporations around female leadership. Women in Technology welcomes the passage of legislation in California and Maryland on Diversity and Board Leadership and acknowledges that this represents significant progress toward board gender diversity and creates a strategic communications opportunity. Corporations can further build on this by intentionally developing governance policies that align with gender diversity. Accordingly, term limits, mandatory retirement age and board member performance reviews should be re-examined by corporations to achieve best practices as evidenced by European corporate policies.

Following on the work of the 2018 Report, The Leadership Foundry continues to acknowledge the importance of women obtaining leadership positions on boards as a crucial tactic to improve board gender diversity. These positions include: Board Chair, Lead Independent Director, Audit Committee Chair, Compensation Committee Chair, and Governance Chair. Increased female membership and active participation on boards drives success.

This year's report shows a slight decrease in the percentage of women serving on the boards of publicly traded companies in Maryland, Virginia, and Washington, DC. That percentage decreased from 15.80 percent in 2018 to 15.75 percent in 2019. Our experience from the first research report showed a slow but steady upward trend of women serving on the boards of publicly traded companies. We continue to see national and global research reflecting corporate enthusiasm for board gender diversity progress.

The Leadership Foundry remains committed to calling attention to the lack of gender diversity on boards through this report and is proud of its program preparing women for board service.

DRIVING TOWARD BOARD GENDER DIVERSITY

- **Legislation**
Own the Narrative
- **Board Refreshment**
Intentional Governance
- **Power Punch**
Leadership Matters

Gender Diversity Trends—Maryland, Virginia and Washington, DC

The Leadership Foundry began counting the number of women serving on the boards of publicly traded companies in 2010. Our annual report counts the number of women serving on corporate boards and highlights the concept of "critical mass," the effect achieved by having three or more women on a board. Recent research also suggests the roles assumed by women board members may affect their level of influence in the boardroom.

Trend Analysis

The findings from the 2019 study show 15.75 percent of the board positions in the region are held by women, not a meaningful change from 2018.

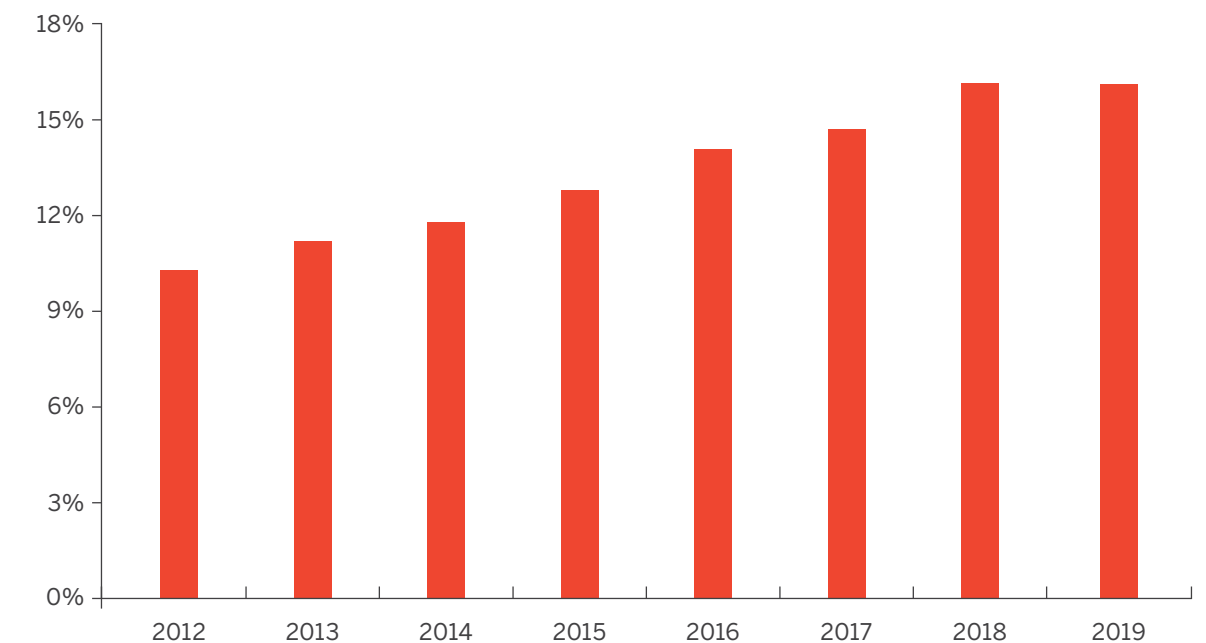
Figure 1 shows flattening improvement in women's representation on corporate boards in the region from about 10 percent in 2012 to close to 16 percent in 2019.

Figure 2 shows a positive trend with a continued decrease in the percentage of companies in Maryland, Virginia and Washington, DC, with no women on their boards. In 2019 firms lacking any women dropped to 20 percent from 37 percent in 2012. While there is progress at the low end, there is a struggle to achieve critical mass, with the number of company boards with two, three, or four women remaining relatively flat.

Figure 3 illustrates the challenges faced with the overall reduction in seats available. This trend drives the stalling of women taking on corporate board positions in Maryland, Virginia, and Washington, DC.

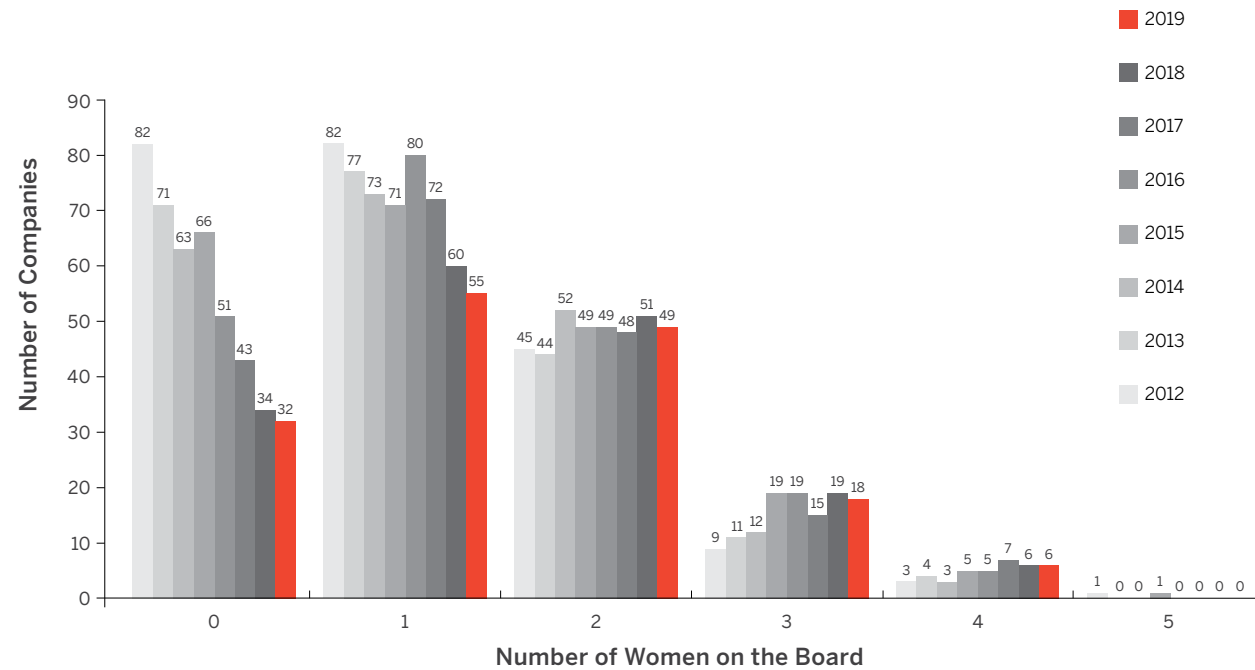
NUMBER OF BOARD SEATS HELD BY WOMEN IN MARYLAND, VIRGINIA AND WASHINGTON, DC, DECREASES SLIGHTLY

Figure 1. Percentage of board seats held by women 2012–2019



CRITICAL MASS (THREE OR MORE WOMEN ON A BOARD) CONTINUES TO LAG

Figure 2. Number of women on individual company boards, over time



AS TOTAL BOARD SEATS DECLINE, WOMEN’S REPRESENTATION STEADIES

Figure 3. Number of public company board seats in Maryland, Virginia and Washington, DC, by year

	2015	2016	2017	2018	2019
Total Number of Companies	211	204	185	170	162
Number of Board Positions	1,958	1,813	1,642	1,538	1,467
Board Positions Held by Women	251	255	241	243	231
Percentage	12.82%	14.07%	14.7%	15.8%	15.75%

Board Gender Diversity Drivers

California Passes Legislation for Board Gender Diversity and Maryland Succeeds in Passing Its Own Bill One Year Later

“We have won anyway, even if no other state passes a bill; we have won the war of public opinion and we have made a huge difference in pointing out how important it is to have women on boards for the investors, if for no one else.”

BETSY BERKHEMER-CREDAIRE

CEO, 2020 Women on Boards; author of *The Board Game: How Smart Women Become Corporate Directors*; LA-area chairman of Women Corporate Directors; board, National Association of Women Business Owners, California; prior advisory boards in Southern California Edison and UCLA Medical Center

In 2018, there were visible changes present in the push for gender equity on corporate boards. One of the most notable changes made within the past year is the passing of SB 826 in California, which mandates that every publicly traded company headquartered in California has at least one woman on its board of directors by the end of 2019, and at least two women by the end of 2021. The work for the bill began in 2012, with heavy opposition due to the question of how many qualified women are ready for directorships and the economic issues that could ensue if companies no longer desired to be headquartered in California because of the mandate.

After a seven-year pursuit, the legislation was filed on January 1, 2018. During the lapse of time between the filing and passing, supporters of the bill rallied together to show how requiring women on boards was an economic issue because companies with diverse boards are proven to perform better. In 2014, Credit Suisse found that companies with at least one woman on the board had an average return on equity (ROE) of 12.2 percent, compared to 10.1 percent for companies with no female directors. Additionally, the price-to-book value of these firms was greater for those with women on their boards: 2.4 times the value in comparison to 1.8 times the value for zero-women boards.¹ This bill was a culmination of a perfect storm: With the renewed interest in gender equality present in Hollywood and politics because of the #MeToo movement, the legislation’s relevance was at an all-time high. After six hearings the bill was passed by a slight majority.

The passing of SB 826 provided a spark to the gender diversity battle, illustrating that legislators are beginning to see and understand the value of having women on boards. The bill is continuing to make waves nationwide, both in the opposition it still faces and in piquing the interest of other states.

While California dominates the news cycle, the State of Maryland passed the Gender Diversity Bill (SB611/HB1116), which was signed into law by Governor Larry Hogan in May 2019. An 11-year effort resulted in a law that urges, but does not mandate, both corporate and non-profit firms with revenues in excess of \$5 million to report on board gender diversity annually, with a stated goal to achieve 30 percent representation of women on boards by 2023. This legislation passed both houses with strong, bipartisan support. The Leadership Foundry looks forward to tracking the impact of the Maryland legislation on companies' and non-profits' board gender diversity.

"It doesn't matter if [other states adopt the same bill] because we have made a huge difference with just the one state. Of course, we are 10 percent of the population of the country and California has more publicly held corporations than any other state. In fact we have more public companies in California than in New York, Connecticut, and New Jersey combined."

BETSY BERKHEMER-CREDAIRE

Companies Must Intentionally Govern: Legislation Alone Does Not Create Board Gender Diversity

Expanded state legislation serves to amplify the voice allocated to board gender diversity, but it is highly unlikely that the United States will adopt the European quota model. In a 2019 study evaluating the effectiveness of quotas on corporate boards in Norway, little evidence was found that the 40 percent requirement of representation of each gender actually provided strong benefits in the boardroom.² Their findings suggest that greater achievements are made when corporate governance practices and policies accelerate board refreshment. Quotas can perpetuate gender stereotypes if highly qualified women cannot be found, resulting in what is called a "patronizing equilibrium." Quotas often reinforce the tendency to question whether or not the women available for board seats are appropriately qualified, and the addition of a woman to the board just for the sake of diversity can harm board reputation and quality. Intentional governance with a practice to create board vacancies (as with refreshment) is key to the acceleration of gender diversity.

Revisiting the 2017 Board Refreshment Trends Study conducted by ISS (see *The Leadership Foundry Report 2017*), we understand that the most effective drivers of board member turnover include:

- Term Limits
- Mandatory Retirement Age
- Director Reviews

In Norway, for example, there is a nine-year term limit and members are no longer considered independent directors at the end of their tenure because they know the ins and outs of the company and behave more like management.³ In the US, by contrast, it is far more common for board members to hold their seats until they age out, resulting in unchanged board composition for many years. Considering these three elements together, corporate boards can create a culture that evolves with the business and encourage a more diverse membership.

"You have to look at the behavior of the companies. You can't legislate good behavior [but] if companies choose [to think] 'wow, thank you for opening my eyes. I've got to go look and see who I am finding,' that's wonderful."

PHOEBE WOOD

Principal, Wood Companies; Current Board Positions at PPL Industries, Pioneer Natural Resources Company, Invesco Limited, Leggett & Platt.

Punching our Way onto Boards: The Importance of Power

Based on the seminal work of K.A. Whitley and D.A. Henretta in the *MIT Sloan Management Review*,⁴ The Leadership Foundry's 2018 report introduced the notion of the "Power Punch," which looked at board positions that have the most influence on board decision making, including determining future board members, hiring and management of the CEO and executive compensation. The power positions include:

- Board Chair
- Lead Independent Director
- Audit Committee Chair
- Compensation Committee Chair
- Nominating & Governance Chair

As our findings consistently illustrate, the number of firms with no women is decreasing at a rapid rate; however, the total proportion of women chairing a committee and those chairing in "power positions" means that women are often assigned to lead committees with less influence, such as corporate responsibility, public policy or patient safety committees, where women held the chair position 38 percent of the time. The results of the Whitley and Henretta research also support the notion that women tend to do more "office housework": less visible and less influential tasks resulting in fewer opportunities for career advancement. It is possible that this concept impacts women not only at lower levels of a company, but in the boardroom as well.

The Whitley and Henretta research further suggests the importance of recruiting women with the right backgrounds to serve on power committees. While many women tapped for a board seat have had illustrious careers, they have not necessarily been dedicated to work that would prepare them for an audit or compensation committee. Former Xerox Corp CEO Anne Mulcahy sums up the progress of board gender diversity succinctly in this study by describing the progress in three layers: "There's the breaking-in part of getting onto boards. Then there is the critical mass part of getting more than one woman on each board. And then there is the influence part of getting women into leadership positions where the real power resides."

The research conducted by The Leadership Foundry since 2010 has followed a very similar progression. Early research focused on the number of women serving on boards, the importance of achieving critical mass with three or more women on a board and, in 2018, looking at the power punch and the difference women in power positions can make on improving the gender balance on corporate boards.

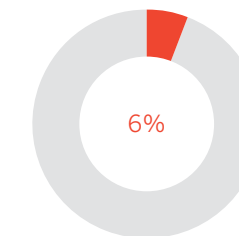
"My first board role was a cold call," recalled Phoebe Wood. "I was a seated CFO in a publicly traded company that was family controlled, and that was precisely the experience required

to serve on the OshKosh board." Wood says that the passage of Sarbanes-Oxley found many CEOs and CFOs in high demand for board service, "given that corporate America [thought] that those two positions know how to run companies. ... So, I think if you sit in one of those two roles in a publicly traded company you're going to be really quite sought after, male or female." Wood's board service includes roles as the Lead Independent Director and chair of Audit, Nomination & Governance and Compensation committees.

Figure 4, Number of Women Directors in Power Positions is the first time we count this information across all of the firms and shows 6 percent of the companies with critical mass (three or more women on the board) have at least one woman in a power position. Eight of these companies, or 33 percent, have two women in power positions.

OUR REGION HAS FEW WOMEN IN BOARD POWER POSITIONS

Figure 4. Percentage of companies with critical mass that have women in the most influential positions on boards in Maryland, Virginia and Washington, DC



Future annual reports will continue measuring female board members' level of influence and advocating for more leadership roles as a critical tactic to advance women to the corporate board room.

Conclusions

Throughout the course of our research, we investigated the influences, barriers and opportunities facing women in obtaining board seats. Early conversations defining gender diversity and its value have shifted to discussions that prompt The Leadership Foundry to focus its reporting on key tactics that drive board gender diversity. Legislative achievements amplify the narrative, intentional corporate governance accelerates board refreshment and placing women in power positions on the board influences selection of new directors.

To date our study of women's representation on publicly traded corporate boards in Maryland, Virginia and Washington, DC has been aimed at tracking the progress toward gender diversity of companies within this region and suggesting actions that may influence and/or speed the inclusion of women on corporate boards. This year's report shows that the growth of women serving on corporate boards has stalled—dropping from 15.80 percent in 2018 to 15.75 percent in 2019. The primary influence here is market consolidation and a reduction in the number of publicly traded companies and associated board seats. Across the past 10 years, increasing numbers of women have entered the corporate boardroom. But as Whitler and Henretta cite, the pace at which women are gaining board seats has slowed. It is important to add to our focus and advocacy that simply being included on a board is not enough, but that we also need to gain positions that influence board decision making. As more women gain corporate board experience and are chosen to be chair of the more powerful committees (Audit, Governance and Compensation Committees), coupled with positions including the Chairman of the Board and Lead Independent Director, the opportunity for these women to have greater influence on adding more women to serve on the board increases.

The Leadership Foundry encourages all women leaders to advocate for themselves and for other women leaders to advance women to the corporate boardroom.

Historical Perspective of Significant Research References on Boardroom Diversity

We decided to summarize the significant research conducted over the course of the last near decade that contributed to our past reports, *The Leadership Foundry Advancing Women to the Corporate Boardroom*. Our thematic focuses over the years reflected research and conversation occurring globally and specifically in the US.

1. Broome, L. (2008). The Corporate Boardroom: Still a Male Club. *Journal of Corporation Law*, 33(3), 665–680.
2. Kristie, J. (2009, 2009 2nd Quarter). An awesome stat. *Directors & Boards*.
3. Kramer, V., Konrad, A., Erkut, S. (2006). Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance.
4. Soares, R. (2012) Report: 2012 Catalyst Census: Fortune 500 Women Board Directors.
5. Schwartz, A. (2014) Here Are All The Quantifiable Reasons You Should Hire More Women. *Co. Exist*.
6. Curtis, M., Schmid C., Struber, M. (2012). Gender Diversity and Corporate Performance. *Credit Suisse Research Institute*. Web. 06 July 2014.
7. Innovation by Design: The Case for Investing in Women. *Anita Borg Institute*. Apr. 2014
8. Examining the Cracks in the Ceiling: A Survey of Corporate Diversity Practices of the S&P 100. *Calvert Investments*.
9. 2020 Women on Boards Gender Diversity Index 2011–2014. Rep. 2020 Women on Boards. 2014. Web. 04 July 2015.
10. Grosvold, J. & Brammer, S. (2011). National institutional systems as antecedents of female board representation: An empirical study.
11. Terjesen, S. & Sealy, R. Board Gender Quotas: Exploring Ethical Tensions from a Multi-Theoretical Perspective.
12. "How Much Board Turnover is Best?" *Harvard Business Review*. 2014. Web. 09 September 2017
13. Institutional Shareholder Services. "Board Refreshment Trends at S&P 1500 Firms" (2017).
14. Whitler, K & Henretta, D. (2018) Why the Influence of Women on Boards Still Lags
15. Bertrand, M., Black, S., Jensen, S., Lleras-Muney, A. (2014). Breaking the glass ceiling? The Effect of Board Quotas on Female Labor Market Outcomes in Norway.

Acknowledgements

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

Denise Hart—Partner, O2 Lab, Inc.; Women in Technology,
The Leadership Foundry Chair

Julie Bloecher—Editorial Supervisor, Board Member at Large, Women
in Technology, Planning Committee for The Leadership Foundry

Marguerete Luter—President, The Process Pro; The Leadership
Foundry Vice Chair

Interviewees:

Betsy Berkhemer-Credaire, CEO, 2020 Women on Boards

Siri Terjesen, Former Professor, Kogod School of Business and Director
of the AU Center for Innovation at American University

Phoebe Wood, Principal, Wood Companies and Corporate Board Member
for multiple firms

References

1. California Senate Bill 826: Corporations – Boards of Directors. https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB826
2. Bertrand, M., Black, S. E., Jensen, S., & Lleras-Muney, A. (2014). Breaking the glass ceiling? The Effect of Board Quotas on Female Labor Market Outcomes in Norway. Cambridge: National Bureau of Economic Research, Inc.
3. Ibid
4. Whitley, K.A and Henretta, D.A., Why the Influence of Women on Boards Still Lags, MIT Sloan Review, Spring 2018, p79–81

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 the Planning Committee for The Leadership Foundry, 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.

FOR FURTHER INFORMATION on The Leadership Foundry, please see theleadershipfoundry.org or contact theleadershipfoundry@womenintechology.org.



SCHOOL of PROFESSIONAL & EXTENDED STUDIES
AMERICAN UNIVERSITY • WASHINGTON, DC