



# Advancing Women

TO THE CORPORATE BOARDROOM

2017 Women Board Directors in Maryland, Virginia  
and Washington, DC

Prepared by:  
Kogod School of Business, American University

Prepared for:  
Women in Technology

Project Directors:  
Lori DeLorenzo  
Vice President, Cavan Solutions, Inc.  
Jill Klein  
Executive in Residence, Kogod School of Business,  
American University

Editorial Supervisor:  
Julie Bloecher  
Director, Security Partners, BT

Kogod School of Business Research Associates:  
Hannah Hoffman, MBA 2017  
Heather Randall, MBA 2017

## From the President

**Women in Technology (WIT)** proudly introduces The Leadership Foundry's 2017 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.

Looking back on what is now our inaugural 2010 report, WIT noted the remarkably low participation of women serving on corporate boards in our region and chose to act, launching The Leadership Foundry. From obstacles to opportunity, The Leadership Foundry seeks to inform its members and the Greater Washington business community, and joins others in the clarion call for board gender diversity. Each year, our report introduces new evidence and ideas to stimulate the conversation; from collecting data, to assessing the economic impact of board gender diversity, to considering the role legislative action could play in improving overall corporate performance. This year, the report examines implementation of age and term limits designed to accelerate board refreshment. We are committed to continue reporting on regional progress in coming years.

With 96 graduates of The Leadership Foundry, the number of board candidates available to Maryland, Virginia and Washington, DC companies is healthy and will continue to grow. The Leadership Foundry has just kicked off a new program year with a cohort of board candidates in the Class of 2018. We will continue to focus our efforts on advocacy and outreach to ensure that local companies are aware of and have access to this strong group of candidates. 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 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 their appreciation to our study leadership team, including Project Directors Lori DeLorenzo, Vice President at Cavan Solutions, Inc. and Jill Klein, Executive in Residence, Kogod School of Business at American University, and Editorial Supervisor, Julie Bloecher, Director of Security Partners at BT. Thank you also to the Kogod MBA student research associates, Hannah Hoffman and Heather Randall.



Trish Barber  
President, Women in Technology



## Women in Technology and The Leadership Foundry

**Women in Technology (WIT) is a catalyst for change in the DC region**, promoting the future of female leaders from the classroom to the boardroom through networking, mentoring and professional development. 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 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.



## Introduction

**Just as WIT continues to track the progress of gender diversity** on corporate boards within Maryland, Virginia and Washington, DC, 2020 Women on Boards continues to track the progress of board diversity related to the Fortune 1000 companies. This year's 2020 Women on Boards report, 2020 Gender Diversity Index 2011-2016, shows women hold 19.7 percent of Fortune 1000 board seats while Maryland, Virginia and Washington, DC, companies have achieved only 14.7 percent.<sup>1</sup> As we continue to explore ways to change board composition, it becomes increasingly clear that board turnover or board refreshment provides the greatest opportunity for women to attain board seats.

A 2014 Harvard Business Review article summarizes a study by George M. Anderson of Spencer Stuart and David Chun of Equilar. In this study of S&P 500 companies from 2003–2013, they tracked the turnover across rolling three-year periods. Their analysis revealed that:

- “Companies that replaced three or four directors over a three-year period outperformed their peers, suggesting an optimal amount of turnover.
- Most boards miss this optimal zone: In our study, board turnover fell outside it about two-thirds of the time.
- The worst performers tended to be companies with either no director changes at all in three years or five or more changes.”<sup>2</sup>

<b>Travelzoo</b> New York, NY	<b>Navient</b> Wilmington, DE	<b>Boston Private  Financial Holdings, Inc.</b> Boston, MA
Current board composition: Four women, one man (80% female directors)	Current board composition: Six women, five men (55% female directors)	Current board composition: Five women, seven men (42% female directors)
Each year shareholders vote to reappoint or select new members. At the May 22, 2017 meeting, four directors (three men, one woman) were not reappointed and two new directors were appointed.	“The Board has determined that individuals will not be nominated for election to the Board after the earlier to occur of (i) their 75th birthday or, (ii) beginning with nominations for election to the Board in 2018 and each year thereafter, the 20th anniversary of their appointment to the Board or the boards of the Corporation’s predecessor companies (other than board service on the government sponsored enterprise, the Student Loan Marketing Association).” <sup>3</sup>	“...the board decided: Directors should serve no more than 20 years and should retire at the age of 74.” <sup>4</sup>

## Gender Diversity Trends: Maryland, Virginia and Washington, DC

WIT and Kogod School of Business at American University began studying the progress of gender diversity in 2010. The annual six-month study includes an in-depth analysis of the inclusion of women board members for publicly traded companies in Maryland, Virginia and Washington, DC. Based on data we collected for 2017, reaching gender parity on corporate boards in Maryland, Virginia and Washington, DC, will take another 38 years using an average annual growth rate over the lifetime of our study. This means gender equality on corporate boards will not be reached until 2055 unless major changes are made to board governance and recruitment. We also followed up on research from last year’s report on legislation for corporate board diversity in four U.S. states: Ohio, California, Illinois and Massachusetts. Three of the four states—California, Illinois and Massachusetts—have enacted legislation encouraging women’s representation on corporate boards. Ohio considered gender quotas but has not enacted anything. We found that legislation has been stagnant over the past year, resulting in negligible impact to board gender diversity. Despite this challenge, there is preliminary evidence that more frequent board refreshment may provide increased opportunities for women to serve.

The findings from this year’s study did not show much improvement from last year, in which women made up 14.0 percent of the corporate boards in Maryland, Virginia and Washington, DC. Figure 1 shows slow but continued growth in women’s representation on corporate boards in the region from about 8 percent in 2010 to 14.7 percent in 2017.

**Figure 1. Board Seats Held by Women Slowly Increasing**

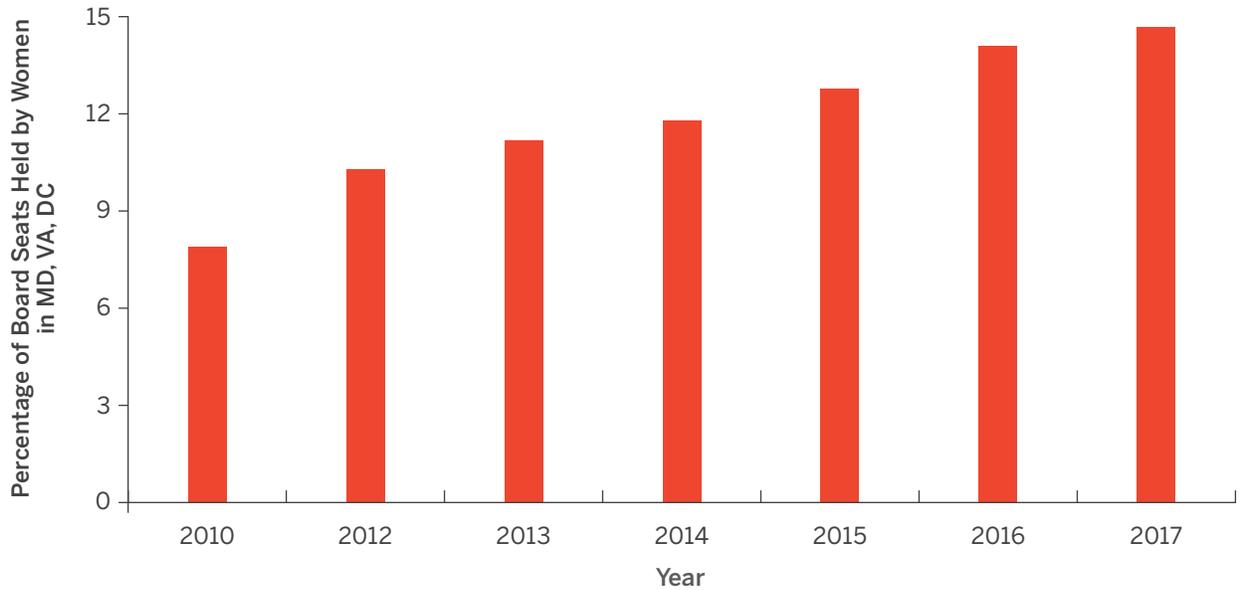
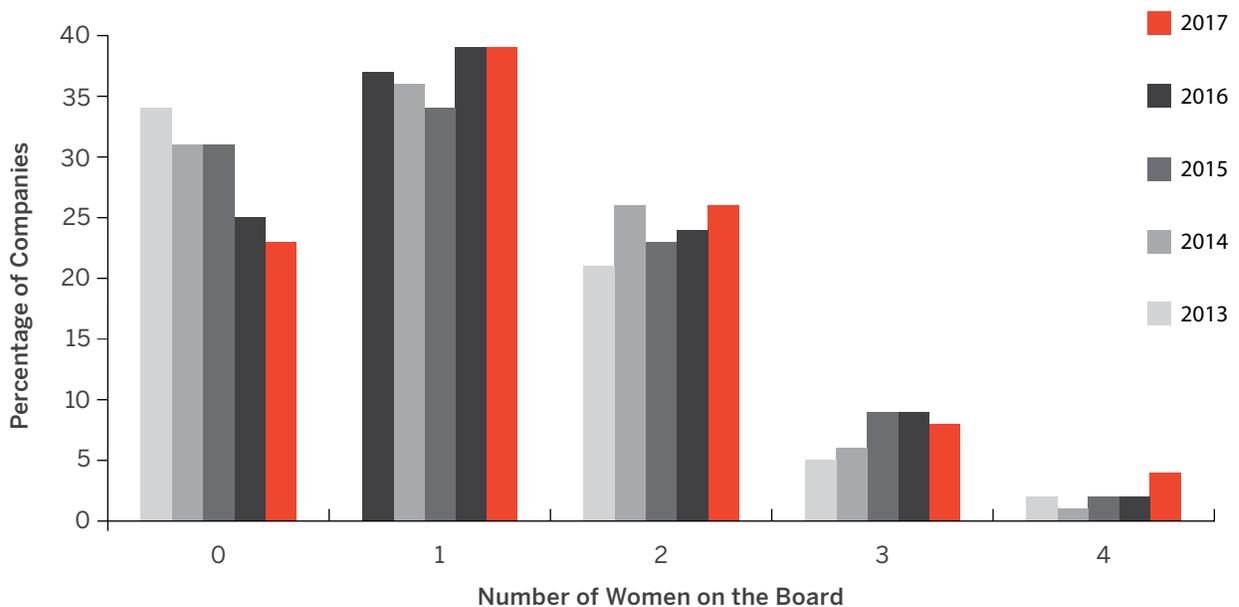


Figure 2 shows a decrease in the percentage of companies in Maryland, Virginia and Washington, DC, with no women on their boards, and the percentage of companies including two or more women continues to increase by 1.8 percent. Additionally, the percentage of boards with four or more women directors increased by 1.3 percent.

**Figure 2. Percentage of companies studied in this region with women on their boards continued to grow from 2013–2017**





## Trends in Women's Leadership

Since our initial study in 2010, we have included a different thematic focus on aspects of the qualitative and quantitative value of women's representation on corporate boards including the impact of critical mass (three or more women on a board), the critical lagging indicators of financial performance (return on equity and market value added) and role of legislation, which requires long timeframes to have impact, and remains unchanged in the US. This year, we examined approaches to accelerate the appointment of women to board positions through the implementation of age and term limits and board member evaluations.

According to the 2020 Women on Boards study, over half the 967 Fortune 1000 companies studied changed the composition of their boards in 2016. One hundred twenty companies added women, accounting for 133 board seats. Over the same period, 170 companies added men, accounting for 229 board seats. Men lost 300 seats in 216 companies compared with women who lost 59 seats in 52 companies. The net result is a net gain of 74 board seats for women, while men had a net loss of 71 seats. Of the companies that added women to their boards, 70 did so by increasing the size of their boards rather than waiting for men to vacate their seats.<sup>5</sup> Board turnover or board refreshment provides the greatest opportunity for women to attain board seats.

Several associations and research groups, including Institutional Shareholder Services (ISS) and Spencer Stuart Board Services, have conducted studies aimed at understanding board member effectiveness and have found that term limits, director evaluations and mandatory retirement ages are the main drivers of turnover.

The ISS produced both a 2017 Board Refreshment Trends Study and a 2017 Global Policy Survey. The Global Policy Survey, conducted in August 2016 with 120 institutional investors, returned telling results regarding board refreshment. When asked which tenure-related factors would raise concern over board refreshment policy, 68 percent of respondents cited long tenure and 58 percent cited lack of newly appointed directors as cause for concern.<sup>6</sup>

The 2017 Board Refreshment Trends Study conducted by ISS evaluated several aspects of board member composition in S&P 1500 companies and revealed that firms with mandatory term limits produce a higher proportion of new and recent directors than firms without term limits. In 2016, women were chosen to fill 24.4 percent of the vacated and new board seats within the S&P 1500 boardrooms. This is a sizable increase since 2009 when women occupied 12 percent of new board seats. The percent of firms in the S&P 1500 that have gone without board refreshment (new nominees) has steadily dropped over the years from 69.7 percent in 2008 to 48.6 percent in 2016.<sup>7</sup>

Data also show that companies that conduct board member evaluations have a higher turnover rate than companies that do not conduct evaluations. Thus, these directors serve for shorter periods on average. According to the ISS study, companies with "Annual & Individual" and "External Assessment Every Three Years" evaluations had the lowest director tenure of 8.3 years. Tenure of directors at companies that do not conduct any type of evaluation averaged 11.4 years. Director retirement ages are also contributing factors to board refreshment. Four in every ten boards feature a mandatory retirement age, with the most common ages being 72, 75, and 70, respectively.<sup>8</sup> Ultimately, the use of board member evaluations and

implementation of term limits and mandatory retirement ages result in shorter director tenure and more frequent vacancies. These vacancies provide opportunities for increasing gender diversity on corporate boards.



## Conclusions

**This year's WIT report shows that growth has continued to be extremely slow** in terms of increasing board gender diversity, with less than 1% increase over 2016. Women remain underrepresented on corporate boards, and mandatory director retirement ages may play an important role in the increase of women's presence on corporate boards.

William P. Lauder, Executive Chairman, The Estée Lauder Companies Inc., is quoted in the 2020 Women on Boards' Gender Diversity Index report as saying, "A company that seeks out the best people, wherever they come from or wherever they may be, and empowers them to succeed will be more competitive. For us, diversity drives creativity and fuels innovation, helps us to be more locally relevant, and provides a stronger connection to our consumers." Our study of women's representation on publicly traded corporate boards in Maryland, Virginia and Washington, DC, is aimed at tracking the progress toward gender diversity of companies within this region and postulating actions that may influence and/or speed the inclusion of women on corporate boards.

## Contact Information

For further information on Women in Technology  
and The Leadership Foundry

please visit:

**[www.theleadershipfoundry.org](http://www.theleadershipfoundry.org)**

or contact Marguerete Luter:

**[mluter@theprocesspro.net](mailto:mluter@theprocesspro.net)**

## Acknowledgements

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

Marguerete Luter—President, The Process Pro; Chair, Corporate Board Committee for The Leadership Foundry

Julie Bloecher—Director, Security Partners, BT; Editorial Supervisor, Corporate Board Committee for The Leadership Foundry

Lori DeLorenzo—Vice President, Cavan Solutions, Inc.; Co-Project Director, Corporate Board Committee for The Leadership Foundry

Denise Hart—President, O2 Lab, Inc.; Board Member at Large, Women in Technology, Corporate Board Committee for The Leadership Foundry

Jill Klein—Executive in Residence at Kogod School of Business, American University; Co-Project Director, Corporate Board Committee for The Leadership Foundry

## References

1. "Gender Diversity Index 2011–2016." Rep. 2020 Women on Boards. 2017. Web. 09 September 2017. Retrieved from <[https://www.2020wob.com/sites/default/files/2016\\_GDI\\_Report\\_Final.pdf](https://www.2020wob.com/sites/default/files/2016_GDI_Report_Final.pdf)>.
2. "How Much Board Turnover is Best?" Harvard Business Review. 2014. Web. 09 September 2017. Retrieved from <<https://hbr.org/2014/04/how-much-board-turnover-is-best>>.
3. "Board Governance Guidelines for Navient Corporation." Retrieved from <<https://www.navient.com/assets/about/investors/corp-governance/Navient-BoardGuidelines.pdf>>.
4. "Term Limits Key to Diversifying Boards," Shirley Leung, Boston Globe. Retrieved from <<https://www.bostonglobe.com/business/2015/12/03/term-limits-key-diversifying-mass-boardrooms/9BxE1A1kcMmkCuMNYZpWhJ/story.html>>.
5. "Gender Diversity Index 2011–2016." Rep. 2020 Women on Boards. 2017. Web. 09 September 2017. Retrieved from <[https://www.2020wob.com/sites/default/files/2016\\_GDI\\_Report\\_Final.pdf](https://www.2020wob.com/sites/default/files/2016_GDI_Report_Final.pdf)>.
6. Institutional Shareholder Services. "Board Refreshment Trends at S&P 1500 Firms" (2017).
7. *ibid.*
8. *ibid.*
9. Women on boards—Factsheet 1: The economic arguments. [http://ec.europa.eu/justice/gender-equality/files/womenonboards/factsheet-general-1\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/womenonboards/factsheet-general-1_en.pdf).

### Callout Box Sources

Travelzoo

Jones, Charisse. "Only this company has a board that is 80% female." *USA Today* (2017). <https://www.usatoday.com/story/money/2017/06/19/only-company-has-board-80-female/102894932/>.

Navient

Thirty Percent Coalition. "Case Study: Navient—Achieving a Gender Diverse Board" (2016). <https://www.30percentcoalition.org/resources/case-studies/158-case-study-navient-achieving-a-gender-diverse-board>.

Boston Financial Holdings

Leung, Shirley. "Term Limits Key to Diversifying Boards." *Boston Globe* (2015). <https://www.bostonglobe.com/business/2015/12/03/term-limits-key-diversifying-mass-boardrooms/9BxE1A1kcMmkCuMNYZpWhJ/story.html>.



