

The Value of Women on Boards of Directors – Looking Beyond Results

We continue to see and hear of instances where the “call to duty” of the nomination and governance committee of public and private company boards of directors is to seek out more diversity of skills, gender, ethnicity and nationalism in selecting director candidates. This “call to duty” has heightened in recent years to include mandates from countries around the globe and especially from northern and continental European countries. Mandates extend from legislated quotas to published diversity guidelines found in proxy advisory services such as Glass Lewis and Institutional Shareholder Services (ISS).

So, investors are and will continue to be advised to be aware of the value that the diversification of Boards of Directors has for increased success of their companies.

We have seen the results of having the dynamics of women on boards of directors in the success of financial results of pioneering companies. For example, companies with three or more women on their boards of directors have far greater financial success than their peers with none or fewer women directors.

As this trend continues, it is important for companies to be very clear in their intent and actions to identify and put forth qualified women candidates for selection as directors. The value of having women contribute to board activities is articulated in researched characteristics women bring to the board room. Clearly articulating the value women bring to the board is a foundational step in identifying qualified women candidates.

The characteristics nomination and governance committee members should be looking for by considering women for nomination are those characteristics that result in improved financial performance for those companies with women on their board of directors.

Some characteristics of women that drive successful performance do not have direct impact of the financial performance of companies. However, those characteristics that do not directly affect financial performance add to the overall performance and functioning of boards.

There exists a cluster of characteristics that women have which have been corroborated over time through observations of women in “C” suite positions and women in board positions in companies across many economic sectors. Characteristics arise from the experiences of women in leadership positions that have been shaped by cultural and social mores as well as by repetitive behaviors that have proven to work for women in leadership.

Knowing and searching for these characteristics is the beginning of the process of selecting qualified women candidates for nomination as directors.

When considering the need to have boardroom skills and experiences that focus on having deep working knowledge of strategic imperatives, impediments to achieving goals and the nature of stake and shareholders, consideration of these characteristics manifested by women along with individual skills and knowledge specific to the company add to the veracity of the candidates put forth to the board, stakeholders and shareholders for board membership.

The following ten leadership characteristics peculiar to women provide a compelling reason to identify and nominate qualified professional women for director roles. The first four of the following characteristics

1. Women are prone to “speaking truth to power” – in order to make points and add value to decisions, women have developed a characteristic of using logic and facts in addressing positions held by those with dominant opinions
2. Women are team players – team players are those who are inclusive, they invite other thoughts and opinions and they orchestrate discussions that use varying thoughts and opinions in their conclusions
3. Women are persuasive – women use facts and less observations in their contributions to discussions and, thus, have an edge in creating persuasive arguments in discussions
4. Women seek ways to challenge effectively – women’s interest in inclusivity and presenting factual positions often allow them to create and present challenging and opposing positions
5. Women generally have a positive impact on board tasks, particularly those of a qualitative nature. Multiple studies show that they are adept at fostering strategy development, improving corporate social responsibility related issues and highly effective in monitoring management. ¹
6. Women’s presence on boards can contribute to cohesiveness. ²
7. Studies show that women spend more time preparing for board meetings, have better attendance records for board meetings than men, and improve the attendance behavior of male board members. ³
8. Women additionally have a significant positive effect on board development activities such as board instructions and board evaluation. ⁴
9. Women may champion difficult or controversial issues and help broaden discussions to better represent the concerns of a variety of stakeholders. ⁵
10. Studies have further found that women can contribute to the creativity or innovation of board discussions and of solutions considered in the board meetings. ⁶

As well, diversity is not only about bringing different perspectives to the table. Simply adding social diversity to a group makes people *believe* that differences of perspective might exist among them and that belief makes people change their behavior.

Separate from these ten leadership characteristics that are unique to women, it is helpful to keep in mind that including women on boards provides a statement to the investing and consumer communities that you are sensitive to utilizing the full spectrum of talent available in your communities.

Women’s Leadership Foundation

NOTES:

Characteristics 8 through 13 are found in research supported by the Conference Board and published September 2014

“Women on Boards: Beyond Quotas”
by Barnali Choudhury, B.Comm., LL.B., LL.M., Ph.D.

- 1 See, e.g. Richard A. Bernardi, Susan M. Bosco, and Katie M. Vassill, “Does Female Representation on Boards of Directors Associate With Fortune’s ‘100 Best Companies to Work For’ List?” *Business & Society*, 45, no. 2, June 2006, p. 235; Stephen Bear, Noushi Rahman, Corinne Post, “The Impact of Board Diversity and Gender Composition on Corporate Social Responsibility and Firm Reputation,” *Journal of Business Ethics*, 97, no. 2, December 2010, p. 207; Amy J. Hillman and Thomas Dalziel, “Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives,” *Academy of Management Review*, 28, no. 3, July 2003, p. 383.
- 2 Nielsen and Huse, “The Contribution of Women on Boards,” p. 145
- 3 Nancy Fondas and Susan Sassalos, “A Different Voice in the Boardroom: How the Presence of Women Directors Affects Board Influence Over Management,” *Global Focus*, 12, 2000, p. 13; Morten Huse and Anne Grethe Solberg, “Gender-Related Boardroom Dynamics: How Scandinavian Women Make and Can Make Contributions on Corporate Boards,” *Women in Management Review*, 21, no. 2, 2006, p. 113; and Adams and Ferreira, “Women in the Boardroom,” pp. 291, 296, 298.
- 4 Nielsen and Huse, “The Contribution of Women on Boards,” p. 140; Daniel Ferreira, “Board Diversity,” in *Corporate Governance: A Synthesis of Theory, Research, and Practice*, eds. H. Kent Baker and Ronald Anderson (John Wiley and Sons, 2010) p. 233; Schwartz-Ziv, “Does the Gender of Directors Matter?”, p. 17.
- 5 Huse and Solberg, “Gender-Related Boardroom Dynamics,” pp. 9–10; Kramer, Konrad, and Erkhut, “Critical Mass on Corporate Boards,” p. 224; Nancy McInerney-Lacombe, Diana Bilimoria, and Paul F. Salipante, “Championing the Discussion of Tough Issues: How Women Corporate Directors Contribute to Board Deliberations,” in *Women on Corporate Boards of Directors: International Research and Practice*, eds. Susan Vinnicombe et al. (Edward Elgar Publishing, 2008) p. 123.
- 6 Toyah Miller and Maria del Carmen Triana, “Demographic Diversity in the Boardroom: Mediators of the Board Diversity–Firm Performance Relationship,” *Journal of Management Studies*, 46, no. 5, July 2009, pp. 755, 775; Morten Huse, Sabina Tacheve Nielsen, and Inger Marie Hagen, “Women and Employee-Elected Board Members, and Their Contributions to Board Control Tasks,” *Journal of Business Ethics*, 89, no. 4, November 2009, p. 581.