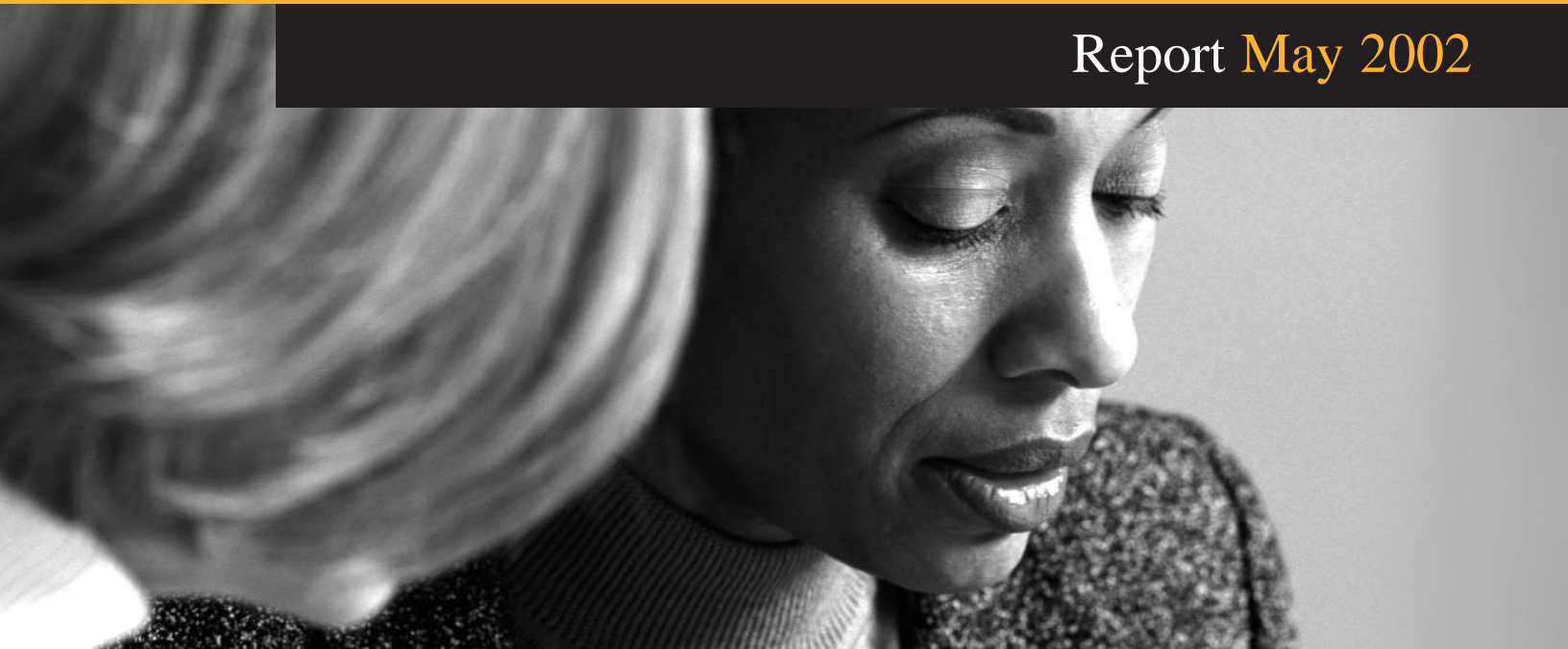


The Conference Board of Canada
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Report **May 2002**



Women on Boards
Not Just the Right Thing . . .
But the “Bright” Thing

ORGANIZATIONAL EXCELLENCE



Women on Boards: Not Just the Right Thing . . . But the “Bright” Thing
by David A.H. Brown, Debra L. Brown and Vanessa Anastasopoulos

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The Conference Board of Canada is the foremost independent, not-for-profit applied research organization in Canada. We help build leadership capacity for a better Canada by creating and sharing insights on economic trends, public policy issues, and organizational performance. We forge relationships and deliver knowledge through our learning events, networks, research products, and customized information services. Our members include a broad range of Canadian organizations from the public and private sectors. The Conference Board of Canada was formed in 1954, and is affiliated with The Conference Board, Inc. that serves some 3,000 companies in 67 nations.

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Preface

Women on Boards: Not Just the Right Thing . . . But the “Bright” Thing is an exciting example of the insights that can be generated when two strong lines of research come together: Governance and Women in Leadership. The Conference Board of Canada has done just that by combining research staff from our governance research program with our Centre of Excellence for Women’s Advancement area.

We present compelling new data on women’s participation on boards of directors in the report. By investigating the impact of women’s contributions in six key areas of good governance practice, we show that board processes differ when diverse perspectives are brought to the boardroom table. And these differences in process lead directly to differences in outcome.

The report highlights the value of *inner diversity* in viewpoint, talents, and ideas, and builds the business case for greater outer diversity in board members, demonstrating that women’s participation is also the “bright” thing to do.

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Women on Boards

Not Just the Right Thing . . . But the “Bright” Thing

The issue of “women on boards” really comes down to two questions: “**Why should we have more women on boards?**” and “**How can we have more women on boards?**” Unfortunately, most of the writing on the subject addresses the “how,” and all too rarely the “why.” This research report is intended to help fill that gap.

We focus on women as a proxy for diversity and boards as a proxy for the governance of organizations. Better representation of women is a means toward an end and not an end in itself. It should never overshadow skills and qualifications. The larger issues are whether diversity has a legitimate place in governance and, if so, exactly how it should be treated.

Our research clearly shows that there are both symbolic and practical reasons to have women on boards.

Symbolically, a signal is sent to all stakeholder groups, most of which have very diverse membership, indicating that their voices will be heard at the top and that their perspectives are important to the organization. As our society, our labour force, and our corporate shareholders themselves become more diverse, this will become a more personal and compelling issue.

Until now, the term “diversity” has often been interpreted as the promotion of outward, or visible, diversity. But at a practical level, it is inward, invisible diversity that matters: the range of different gifts, skills, experiences, views, and perspectives that individuals possess in every culture and organization. The use of outer differences as an indicator of inner diversity, though imperfect, can prove useful in wise hands.

The number of women on boards has increased steadily over the past 30 years, but, since 1998, has plateaued at low levels. This mirrors a loss of momentum in the adoption of improved corporate governance practices among Canada’s major firms following a quantum leap in governance initiatives during the 1994–1997 period. This plateauing has occurred despite the acknowledgement of most CEOs that women are not well represented on their boards.¹

Recent and intriguing data link corporate performance to the number of women on boards. A November 2001 U.S. study shows that the Fortune 500 firms with the best record of promoting women to senior positions, including the board, are more profitable than their peers. The 25 firms with the best promotion record post returns on assets 18 per cent higher, and returns on investment 69 per cent higher, than the Fortune 500 median of their industry.²

Conference Board research lends some support to these results. We tracked corporations and found that those with two or more women on the board in 1995 were far more likely to be industry leaders in revenues and profits six years later, in 2001.³

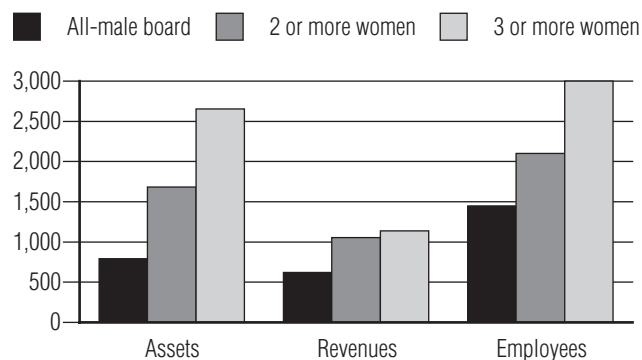
In fact, the profile of organizations in our research differs dramatically, segmented by the number of women on their boards (see Chart 1).

All of this does beg the question of cause and effect: Do women on boards lead to improved corporate performance, or does improved corporate performance lead to more women on boards? Anticipating that question, we went beyond results, delving into processes, to see if changes occur inside organizations as women take leadership positions.

Chart 1

Women on Boards and Organizational Scale

(millions of dollars for assets and revenues; number of employees)



Source: *Canadian Directorship Practices 2001* research, The Conference Board of Canada.

We found striking differences in governance patterns between organizations that have women on their board and those that do not (see box below).

Interestingly, the main governance practices that are affected by the presence of women are those associated with more active and independent boards of directors. The strongest published studies have found these two

factors to be the elements of board governance that contribute to improved organizational performance, whether in sales growth, long-run return, or industry leadership.

The research therefore supports these conclusions:

- Diversity on boards, here represented by the presence of women on boards, does change the functioning and deliberative style of the board in clear and consistent ways.
- “Diversity”—both the inner range of experiences and the outer visible self—is both an enabler and essential precursor of “board unity.”
- Board unity, activism and independence are core elements of “good governance.”
- Good governance improves organizational performance over the long term, financially and non-financially.

This report concludes with a series of self-assessment questions that will enable organizations to evaluate their readiness for women on boards. As part of a gap analysis, the same indicators point to actions that can be taken to do not only the right thing, but the “bright” thing, too.

Organizations whose boards have 2 or more women

- board averages 2.65 of 5 accountability practices
- board reviews 5 or more non-financial performance measures regularly
- board explicitly assumes 94 per cent of responsibilities recommended by TSE
- gender representation is number 2 selection criterion for board

Organizations with all-male boards

- board averages 1.51 of 5 accountability practices
- board reviews 2.5 non-financial performance measures regularly
- board explicitly assumes 72 per cent of responsibilities recommended by TSE
- gender representation is number 9 selection criterion for board

1 The Conference Board of Canada's The Centre for Excellence for Women's Advancement.

2 Roy D. Adler, Pepperdine University, quoted in the *Harvard Business Review* (Nov. 2001), p.30.

3 *Canadian Directorship Practices 2001* research, The Conference Board of Canada.

Women on Boards

Not Just the Right Thing . . . But the “Bright” Thing

TWO TRUE AND TWO FALSE?

A **culture** is really defined by the behavioural norms of a group. Members of a culture generally know how other members are going to act in certain circumstances, at least within a certain acceptable or expected range of actions.

They know this because each culture is shaped by a similar set of primary experiences: parenting, playing, schooling, religion, partying, dating, etc., that range from personal symbolic rituals to shared experiences of traumatic global events.

Maxims are generally accepted norms of a culture. They are usually accepted, not because they are true or false, but because the culture senses that, in practice, they work for the good of all.

Here are four commonly accepted maxims of our business culture:

1. Good governance contributes to strong organizational performance.
2. Board unity contributes to good governance.
3. Diversity is an obstacle to board unity.
4. How different individuals appear is the main measure of diversity.

This report will test these four maxims, reinforcing two as true and exposing two as false. Further, it will propose replacing the false two with truths, and begin to weave these four into a single business case and model designed to enhance performance and success.

The four restated norms would be:

1. Good governance contributes to strong organizational performance.
2. Board unity contributes to good governance.
3. Diversity fosters board unity.

4. Diversity is the range of gifts, skills, experiences and perspectives already present in every culture; how different individuals appear is just a single, useful but imperfect indicator of true diversity.

THE HOLY GRAIL OF GOVERNANCE

People have been trying to demonstrate that good governance contributes to strong organizational performance ever since Adam Smith penned *An Inquiry into the Nature and Causes of the Wealth of Nations*¹ more than 200 years ago. This quest is sometimes considered to be “the holy grail” of governance.

Somewhat irreverently, we have summarized Smith’s insights in this area:

- as societies develop, individuals **specialize** in the area of their gifts, skills or experience;
- **owners** are a specialized class of individuals who essentially have more capital than ideas;
- **managers** are a specialized class of individuals who have more ideas than capital;
- if this were not so, society would peak at entrepreneurship: every owner would be his/her own manager, every manager would be his/her own owner, and every business would be a sole proprietorship;
- **agency cost** occurs when a manager’s idea uses capital without accomplishing what the owner had in mind;
- **capitalism** is all about how best to transfer excess capital from owners to managers . . . and get it back again, once the ideas have produced more capital (enough to yield returns to owners, with managers hanging on to some of it, too);
- **corporations** are the structures created by western law that best accomplish capitalism;
- **boards of corporations** exist to govern this two-way flow of capital, to effectively act on the owners’ behalf within the corporation, to act on the corporation’s behalf for the owners, and so, reduce agency costs.

Most efforts at proving a link between governance and performance have fallen short of the goal, mostly through methodological or typological fissures.²

At least three major studies, however, have come close to finding the grail. Not coincidentally, these are probably the three most extensive of the many studies examined:

- In 1994, Megginson et al found that the involvement of private investors led to stronger governance and results. Megginson et al stated that “after being privatized, firms increase real sales, become more profitable, increase their capital investment spending, improve their operating efficiency, and increase their workforces.” Their conclusion was that “privatization itself—the involvement of private investors in a firm’s ownership structure—critically impacts a firm’s operating and financial performance.”³
- In 1997, The Conference Board of Canada demonstrated “a strong link between organizations with high governance index scores and those with high three-year revenue growth, high five-year profit growth and recognition as leaders in their respective industry sectors.” The governance index comprises measures of board activism, independence and functioning.⁴
- In 1998, Millstein and MacAvoy “demonstrated a statistically significant relationship between an active, independent board and superior corporate performance.” Finding hundreds of millions of dollars in incremental economic value added (EVA) among well-governed companies, they conclude “the superior performance is a result of activist corporate governance.”⁵

These findings are relevant to the question at hand because if good board governance doesn’t contribute to stronger organizational performance, then who sits on the board or how the board operates is of no practical value. If this is true, having women on boards may be of symbolic value, which is of more than passing interest, but may not be of practical value.

However, if it is demonstrated that good governance does indeed contribute to organizational performance, then it behooves corporate leaders to pay attention to who is sitting on the board and how the board is operating. Having women on boards may turn out to have both practical and symbolic value.

If we accept this maxim, we need to explore what constitutes good governance, and whether having women on boards plays a role.

GOOD BOARD, BAD BOARD

The three research studies cited above not only demonstrate the link between good governance and performance, they reveal the elements that constitute good governance as well. The characteristics of governance tested in these studies are those that most closely correlate with strong organizational performance:

- an **active** board of directors: explicitly assuming responsibilities for leadership, stewardship, monitoring and reporting; and
- an **independent** board of directors: confidently thinking and acting independently of management.

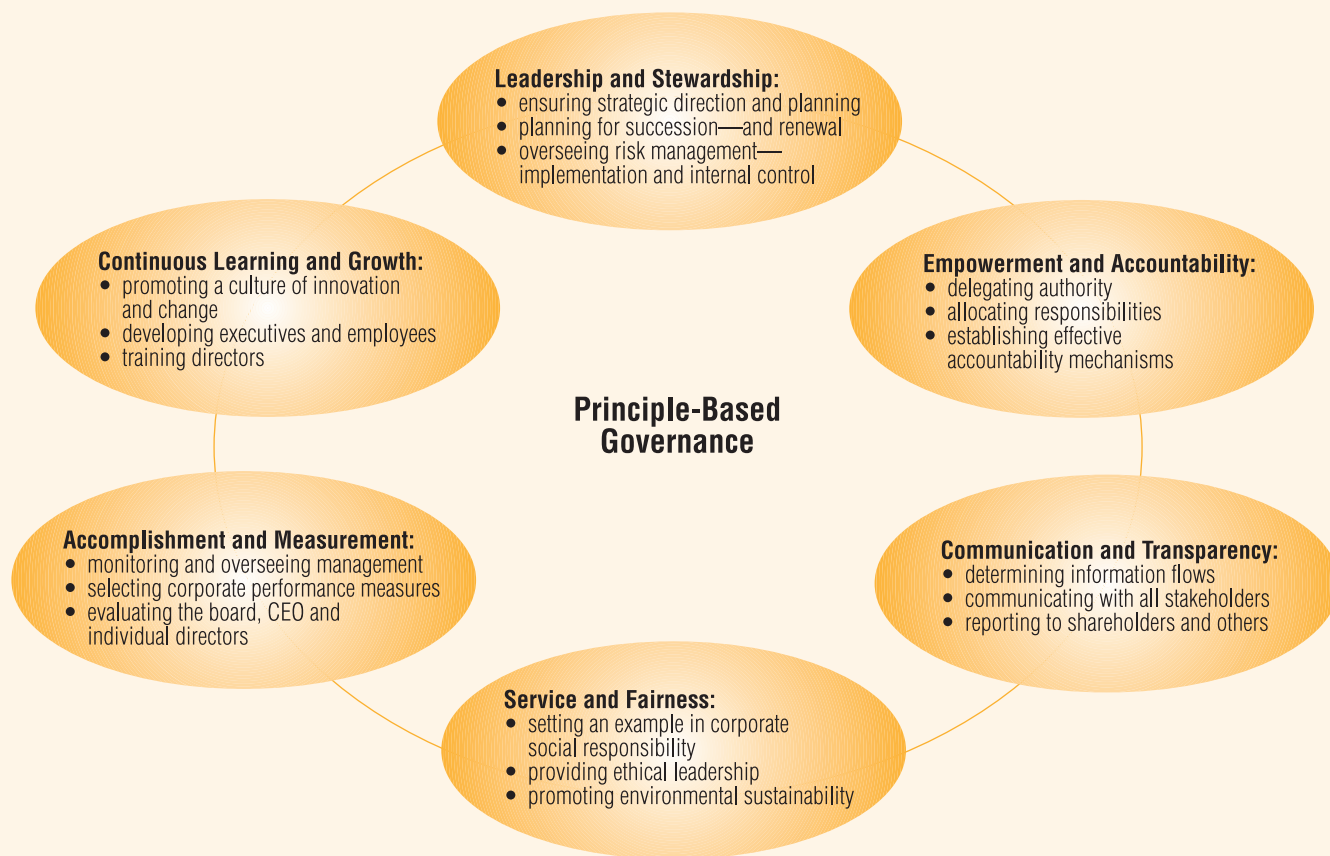
These components of good board governance are described in some depth in the Conference Board’s principle-based governance model (see Exhibit 1). This model, elaborated in various publications,⁶ synthesizes the conclusions of 28 years of proprietary directorship research and 10 years of leading governance research from around the world, including the U.K. watershed reports (Cadbury, Greenbury and Hempel), Canadian guidelines (Dey, Treasury Board) and transnational efforts (Organization for Economic Co-operation and Development, International Monetary Fund/World Bank). This framework is used throughout the remainder of this report as a template to examine the question of women on boards.

Core principles and values are overarching: they transcend national boundaries, corporate traditions and legal frameworks. These principles guide national and sectoral leaders in the development and enforcement of governance guidelines, and guide corporate and organizational leaders in the implementation and evaluation of specific governance practices appropriate to their place and time.

Good governance, then, consists of boards excelling in six principle areas (see Exhibit 1), and those that do can expect to contribute to stronger organizational performance.

Concerning the ingredients of good governance, unity is quite rightly understood to be an essential element. Indeed unity is fundamental to the effective functioning of all teams. The importance of unity—in

Exhibit 1
Principle-Based Governance



Source: David A.H. Brown and Debra L. Brown, *Governance Gone Global* (Ottawa: The Conference Board of Canada, 1999).

purpose, values, goals, strategies, measures, and rewards—fills the literature of the business world and the research of academic gurus.

Unity in particular is seen as a fundamental strength of an effective board of directors. Also called board collegiality or solidarity, this long-standing tradition has become completely ingrained in the western culture of governance. Specifically, it refers to the importance of:

- the board as a whole, rather than individual directors, having authority and taking decisions;
- all directors actively supporting the decisions of the board, once taken;
- fostering an atmosphere of trust, respect, and confidence among all members of the board; and
- dissenting voices being heard inside the boardroom walls, and being silent outside the boardroom.

Anecdotally, the number one reason given by decision-makers behind closed doors as the justification for all-male boards is the perceived advantage that a homogeneous team can more easily attain board solidarity.

And yet, empirical research does not support this perception. Encouraging frank debate among board members with differing views brings up the question of diversity—not as political correctness, but as a feature essential to unity, and therefore to leadership and stewardship.

LEADERSHIP AND STEWARDSHIP: “THE 11TH OLDER WHITE MAN”

Strategic thinking and a strong ability to foresee and manage risk are enhanced by ensuring a varied set of perspectives around the boardroom table. Not only will the board more accurately mirror the diverse owners and stakeholders of the organization, it will lead to better strategic decision-making and planning.⁷

The Principle of Leadership and Stewardship means boards and CEOs must excel in:

- ensuring strategic direction and planning
- planning for succession . . . and renewal
- overseeing risk management—implementation and internal control

Significant changes have occurred in our society which capitalize on the inherent diversity that is present. Today, women are much more likely to play major roles in citizenship, the workforce, management and, to a lesser degree, on governing boards. But, while the proportion of women in the workforce has steadily approached the proportion of women in Canada's citizenry, the gains of women in management and on boards have been much slower in coming.

In their 2001 census of Canadian boards, Catalyst reports that women held 9.8 per cent of directorships in the Financial Post 500 companies (which now include Crown corporations, financial institutions, and insurance companies). Catalyst's figures for Fortune 500 companies show that women had even higher representation in the United States, where they hold 12.4 per cent of board seats.⁸

This disparity is mainly attributable to differences in size of company and size of board. As we show later in this report, and as the Catalyst figures demonstrate, larger companies tend to have larger boards, and therefore, proportionately more women board members. Spencer Stuart points out that the 500th Canadian firm is nowhere close to the size, scope and reach of the 500th U.S. firm.

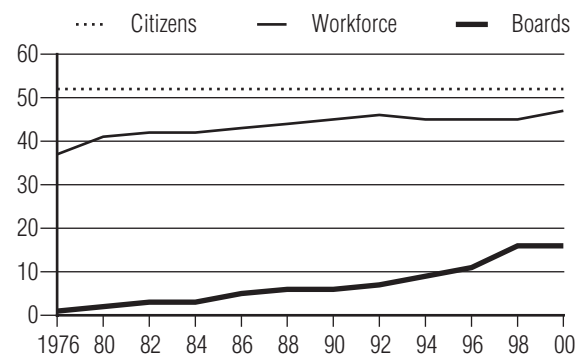
Indeed, Spencer Stuart has demonstrated that the number of women directors in the 42 largest Canadian firms is similar to, or even slightly ahead of, that in comparable U.S. firms. It is in the next tier, private sector firms with revenues between \$1 and \$5 billion, that Canadian firms begin to lag behind.⁹

True diversity is inner diversity: the range of inward, invisible qualities of individuals.

Our own research base goes beyond the Financial Post 500 to include Canadian public sector enterprises and not-for-profit organizations, where we consistently find higher representation of women. In fact, in 2000, women accounted for 16 per cent, or one in six of the board members in this more diverse sample of boards (see Chart 2).

Something strange has happened to the concept of diversity in the past 100 years and, in particular, the

Chart 2
A Quarter Century of S-l-o-w-l-y Closing the Gender Gap
(percentage of women in each group)



Source: The Conference Board of Canada; Statistics Canada; Federal Reserve Bank *Economic Quarterly*.

past 25. For many people today, diversity is widely perceived as something that stands in the way of accomplishment, something to be tolerated as “the right thing to do,” but not yet widely seen as “the bright thing to do.”

A typical board in Canada comprises 11 individuals. When searching for the 11th member of a board in 2001, it is still not at all unusual for an “older white man” to be selected. The average age of directors is 57—only three per cent are younger than 50. Individually, 84 per cent of board members are male, but two in seven Canadian boards are still all-male.

Critics of diversity argue, “what’s wrong with that? What’s wrong with being older, white or a man?” The answer is, there is nothing inherently wrong with being older, white or a man. That simply is not the point.

A lot of large organizations attempt to replicate the leadership characteristics of their current senior executives, a trend that Alcatel’s Hubert de Pesquidoux calls “cloning leaders.” His criticism:

“It is unfortunate that attempts at cloning leaders still go on at a time when globalization and the internationalization of the workforce make it possible for us to seek different leadership characteristics. Every time you seek to clone leaders, you will restrict your competitive edge,” argues Mr. de Pesquidoux.¹⁰ This hasn’t always been the case.

Indeed, the concept of leadership diversity dates back centuries to Assyrian karums—permanent commercial

offices established in foreign lands—and boards of Hebrew elders. Ancient Hebrew tradition permits the founding of a new synagogue by no fewer than 10 individual believers. Collectively, 10 different believers almost certainly possess a wide range of gifts, leadership and learning styles, ideas, and perspectives.

Diversity is about enriching the leadership palette with different perspectives. Think of the competitive advantage an organization would gain by having leadership team members with five different frames of reference—structural, relational, social, conceptual, and systematic, for example—over an organization whose leaders see the world through only one or two of these lenses.¹¹

There is an immediate and apparent application to risk management: how well will 11 board members with similar experiences and backgrounds be able to ensure that the full range of strategic risks facing their organization have been identified? How will board members with similar perspectives and frames of reference truly add value to risk management and oversight?

If we could look inside a person and accurately assess their potential, it would be easy to select the 11 best individuals to govern our organization. But that isn't possible. The next best alternative is to select tangible indicators that are predictors of a person's potential, gifts, skills, style, and ideas.

There is a parallel in the field of performance measurement. Since most of the really important success factors in an organization cannot be seen or measured directly, we need to select performance indicators that reflect the underlying processes at work. Employee satisfaction and customer satisfaction are two of the most popular performance indicators. The rationale is that employee satisfaction gives an indication of what lies beneath: management and operations that are functioning smoothly. And employee satisfaction is a good predictor of customer satisfaction. Similarly, customer satisfaction reflects the perceived value and quality of the product or service.¹²

True diversity is inner diversity: the range of inward, invisible qualities of individuals. Divergence in views—leading to constructive debate behind the boardroom door—encourages diligence in decision-making. Diversity—inner diversity—makes for more active and independent, better boards.

Inner diversity enables constructive dissent that leads to board unity.

When all board members are “cut from the same cloth,” the board can become an “old boys network”—widely-acknowledged as a major contributing cause to ineffective boards, poor governance and some of the most spectacular failures we've witnessed in both corporate and public sectors over the past decade.¹³

Being a woman, young or a visible minority, is an external indicator that perhaps there is a different internal set of gifts, skills, experiences, and perspectives at work. The external characteristics are only indicators—useful but imperfect—of the inner diversity that often promotes creative tension in the boardroom.

In short, outer diversity is one proxy for inner diversity; inner diversity enables constructive dissent that leads to board unity; board unity is essential to setting a clear strategic direction and to overseeing risk and resources . . . in essence, to leadership, stewardship and governance.

Empirical data support this conceptual framework. Two dramatic examples are:

- 74 per cent of boards with three or more women explicitly identify criteria for measuring strategy; only 45 per cent of all-male boards do; and
- 94 per cent of boards with three or more women explicitly monitor the implementation of corporate strategy; 66 per cent of all-male boards do.¹⁴

Boards with more women are also more likely to use committees, particularly an executive committee and a strategic planning committee. The sense is that these boards are taking a more active role in setting the strategic direction and weighing long-term priorities. Far from focusing on traditionally ‘soft’ areas, boards with more women surpass all-male boards in their attention to audit and risk oversight and control.

SERVICE AND FAIRNESS: CULTURAL CHANGE AND BRAIN GAIN

As the social context in which organizations operate changes, board composition should also reflect stakeholder interests and concerns.

The Principle of Service and Fairness means boards and executives must excel in:

- setting an example in corporate social responsibility
- providing ethical leadership
- promoting environmental sustainability

Today, everything is changing. Change itself is changing, a process that is rarely iterative or predictable, typified today by quantum leaps and wholly unpredictable shifts. The face of Canada is also becoming more heterogeneous.

Being a leader not only means accepting change, but anticipating it and capitalizing upon it. Organizations need to take the steps necessary in a fluid landscape to move corporate culture in the direction of future success.

The governing board and executive team ought to be more visibly diverse in order to better reflect the changed face of an organization's stakeholders—its employees, its customers, its shareholders, and its communities. With this change, a message is sent that the organization takes the diversity of its members seriously, as these different perspectives and viewpoints are given a voice at the very top.¹⁵

Boards with more women surpass all-male boards in their attention to audit and risk oversight and control.

Institutional shareholders hold an increasingly larger share of Canada's private sector companies. These sophisticated and activist owners invest a great deal of money in governance, and one of the things they look for is board diversity. They are convinced that good governance and board diversity make a difference to share value, and they make their decisions accordingly.¹⁶

Our research demonstrates major differences in board leadership in the area of ethics and conduct:

- 94 per cent of boards with three or more women ensure conflict of interest guidelines, compared with 68 per cent of all-male boards, and
- 86 per cent of boards with three or more women ensure a code of conduct for the organization, compared with 66 per cent of all-male boards.¹⁷

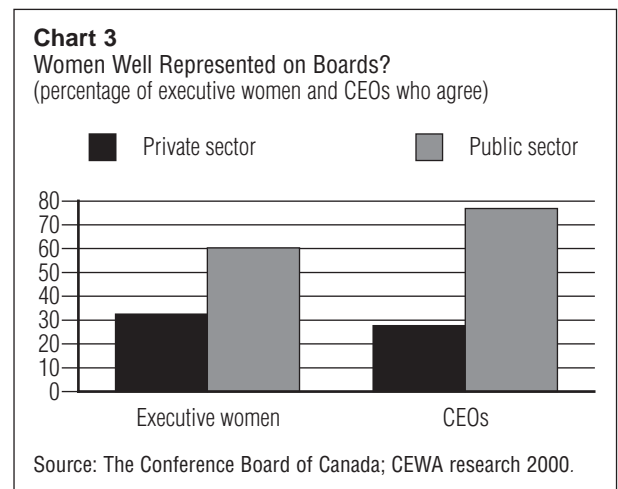
Consumers, of course, drive business sales and profits. For most businesses, women constitute the vast majority of consumers, or at least those who make the buying decisions. Clearly, the business case for women on boards is even more evident when an organization has a large constituency of female consumers—and employees.¹⁸

The single biggest challenge facing Canada's organizations today is attracting and retaining skilled employees: turning the "brain drain" into a "brain gain".¹⁹ Ranked ahead of higher compensation (typically the 4th or 5th exit reason), the main reasons people leave firms are a lack of empowerment, respect, and work-life balance.²⁰ Gender and visible diversity on the board and senior management team is often seen as a magnet to attract and retain diverse talent. CEOs report that having women on boards contributes to positive attitudes among female employees.²¹

Corporate leaders would, of course, be wise to be responsive to changes in all of these stakeholder groups and in the culture as a whole.²² The Centre of Excellence for Women's Advancement (CEWA) research shows that executives perceive women as demonstrating a particular ability to take the needs of various stakeholders into account, as part of their decision-making process.

CEWA asked senior executives "are women well represented on your organization's board?" Only 42 per cent of respondents agreed that women are well represented on their board. This perception confirms that there is still a long road ahead on this journey.

Private sector women executives and CEOs are noticeably less satisfied than their public sector counterparts with the representation of women on their boards (see Chart 3).



Why? The boards of organizations mirror those whom their leaders perceive to be key stakeholders. All levels of government see society at large—taxpayers, voters, and citizens—as key stakeholders, and have subsequently made gender representation a priority for a number of years now.

Indeed, both the results and processes of public sector boards are very different from those of corporate boards in the private sector (see Table 1).

As private sector corporate leaders recognize the importance of societal changes, non-owning stakeholders, and corporate citizenship in conducting business in today’s economy, we can expect to see an upward trend in diversity and functioning across the board.

Similarly, the practice of naming women to boards varies a great deal by industry, with services and knowledge-based industries much more likely to encourage this (see Charts 4 and 5).

Larger organizations are much more likely to name women to their boards than smaller ones (see Chart 6). Empirical research also shows that large international investors often influence governance practices.²³

These findings naturally lead to the question: What steps are practical and appropriate for organizations to take to change the face of the governing board and executive team?

LEARNING AND GROWTH: A TIDE TO RAISE ALL SHIPS

There is a double benefit to having a board that excels at promoting learning and growth. Not only will it foster better organizational performance, but it also creates a context—a cultural mindset—that contributes to developing women’s potential as senior executives and board members.

The Principle of Continuous Learning and Growth means boards and CEOs must excel in:

- promoting a culture of innovation and change
- developing executives and employees
- training directors

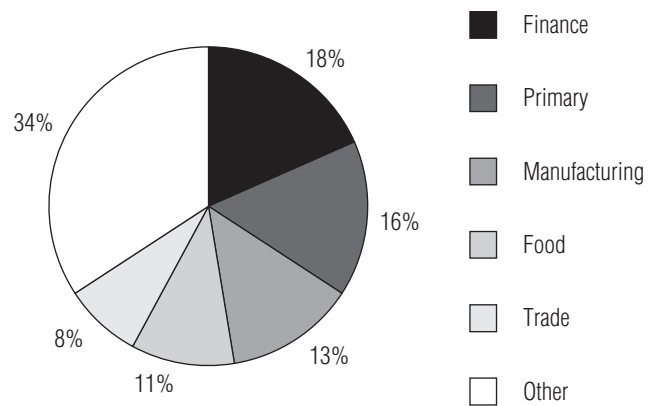
Author John Maxwell talks about the “leadership lid.”²⁴ He argues that an organization’s potential for success is limited by the potential of its leaders.

Table 1
A Dramatic Difference (by Sector)

	Widely held private sector	Public sector
Women on board	1.25	3.37
Women on executive team	1	2.5
CEOs are also board chair (%)	48%	4%
Executives on board	2	1
Who leads selection process?	management and chair	shareholder
Average tenure on board	7.6 years	3.8 years

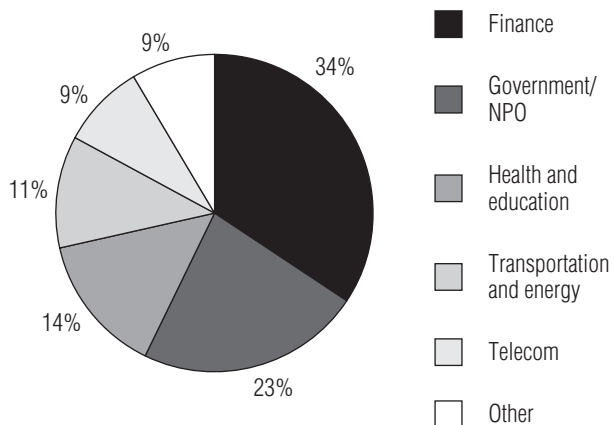
Source: The Conference Board of Canada.

Chart 4
Industry Profile of All-Male Boards
(percentage of organizations in each industry)



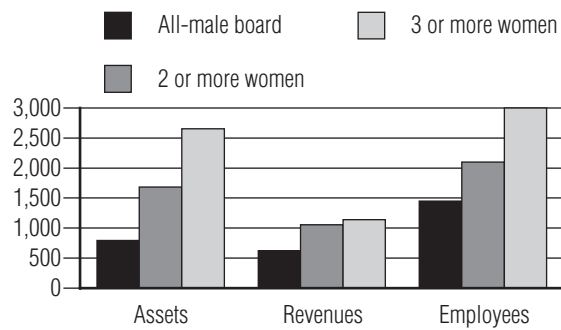
Source: Canadian Directorship Practices 2001 research, The Conference Board of Canada.

Chart 5
Industry Profile of Boards with 3 or More Women
(percentage of organizations in each industry)



Source: Canadian Directorship Practices 2001 research, The Conference Board of Canada.

Chart 6
Women on Boards and Organizational Scale
(millions of dollars for assets and revenues; number of employees)



Source: *Canadian Directorship Practices 2001* research, The Conference Board of Canada.

If the leaders are bright, passionate, able, and strategic, they will attract and retain followers who will learn, grow and perform at levels approaching the leaders. To the extent leaders are limited in their intellect, passion, abilities or style, they will have trouble retaining high-potential followers, and the organization’s potential performance will be equally limited.

The ideal board then, comprises individuals with the greatest potential, the best minds, the stoutest hearts, and the most abilities.

Where do we find such individuals? Board members are drawn, almost exclusively, from the ranks of executives and senior management of organizations. It is here that they gain the experience and hone the skills needed for corporate boards.

Research does, indeed, show that there is a strong correlation between the proportion of women on the board and the proportion of women in senior management (see Table 2).

Table 2
Women on the Board and Executive Team
(per cent)

Women on the Board	Women on the Executive Team
All boards . . .	16
At least 1 woman . . .	18
At least 2 women . . .	20

Source: *Canadian Directorship Practices 2001* research, The Conference Board of Canada. The executive team includes the CEO and direct reports only. These conclusions corroborate the work of Daily, Certo & Dalton in Burke (2000) and of Karen Hughes (2000).

Throughout this research, clear linkages have been found, but the causal effect isn’t always as apparent. We might expect that a higher number of women in senior management would lead an organization to select more women for the board.²⁵ Perhaps not. Our experience suggests that cause and effect might be in the reverse order: as more women are selected to the board, more women are appointed to senior management. Our research shows, for example, that organizations with women on their boards in 1995 had 30 per cent more women executives in 2001 than organizations that began with all-male boards in 1995.²⁶

Let’s pause to reinforce this finding. If there is still a barrier against advancing women to the highest ranks of management, then one step to reduce this is to actively recruit more women to boards. This is a persuasive argument in favour of Canadian organizations appointing more women to their boards of directors. Advocates of women in leadership now recognize this connection and are focusing their energies and resources on breaking through the board ceiling first.²⁷

Breaking through the board’s glass ceiling will require significant organizational change. The best way to cope with this kind of uncertainty and change is to create an environment where continuous learning and growth are not merely tolerated, but encouraged. Changing corporate culture is both challenging and necessary, according to Shandwick International, which cites four methods as effective in transforming culture:²⁸

- **Stories:** illustrating new winning culture with employee examples;
- **Symbols:** using symbols to unite in the workplace, in training, and throughout the organization. (Sun Tzu, in *The Art of War* is also enthusiastic about the use of “flags and banners” as a way to unify an organization.);
- **Slogans:** to demonstrate commitment, focus employees, and build morale; and
- **Rites of Passage:** celebrating promotions, achievements, awards, and rewards during events as diverse as social activities and annual performance evaluations.

It is worth noting that there is considerable symbolic value in ensuring women and other previously less-enfranchised groups are well represented in boardrooms and executive suites.

However, one should clearly distinguish between tokenism and symbolism. **Tokenism** means selecting and promoting individuals based solely on their outer diversity. This approach may experience brief moments of success but cannot be sustained because it contains no solid foundation. **Symbolism** can mean celebrating diversity in order to take a stand, focus attention, and educate others. If education occurs, symbolic change can lead to substantive, sustained change.

To promote the achievement of women and others, organizations must begin by fostering the full potential present in all people. Since we can't effectively discern the critical inner qualities that will mark the leaders of the future, the strategy is to create a tide that will "raise all ships" by instilling a culture of continuous learning and growth in the organization. As all learn and grow, so those with the highest potential will also rise, until their accomplishments become visible to those around them. Then they can assume leadership positions, thereby raising the leadership level and potential for everyone else.

In practice, this means supporting the development of every employee in the firm, regardless of their current position or potential. The firm invests in programs that hone team and communications skills at every level, that determine and evaluate potential, and that align the goals of the organization with those of the team and the individual.

There is a different reason for this final development theme. The primary focus of these development programs is to "raise all ships", to inculcate the organization with a culture of learning and growth, where mistakes are expected, not punished, and where risks are seen as much as opportunities for gain as for loss.

By fostering a culture of learning and growth in our organizations, we are encouraging iron to sharpen iron among our employees and managers. By shining light deliberately on the whole subject of selection, composition and operation of organizational teams, any residual ignorance is illuminated. Harassment, discrimination and prejudice are most effectively reduced through education.

And whichever direction the new culture takes, a learning organization is poised to succeed. Whatever mix the new board needs to have, a learning organization is poised to feed it.

EMPOWERMENT AND ACCOUNTABILITY: BEING INTENTIONAL

Formal frameworks provide a mechanism for managing dissent—turning it into positive outcomes. Further, they facilitate the involvement of relative newcomers to the game, making the rules clearer and fairer for everyone.

The Principle of Empowerment and Accountability means boards and CEOs must excel in:

- delegating authority
- allocating responsibilities
- establishing effective accountability mechanisms

Frank McKenna, former Premier of New Brunswick and currently a director on leading boards, has seen "the Stockholm Syndrome" on some boards, where board members become so enamoured with the position, the corporation, the perks, and the management, that they gradually stop asking tough questions. Diligence and dissent give way to passivity and dependence, just as hostages often become sympathetic to their kidnappers (the origin of the syndrome²⁹).

Diligence and rigour in board functioning begin with being diligent and rigorous in selecting board members.

Diligence and rigour in board functioning begin with being diligent and rigorous in selecting board members, followed by delegating authority, allocating responsibilities, and establishing accountability. We call this "being intentional."

A recognized step in due diligence has always been external verification. Outsiders, by their very presence, add another voice, and an outside firm will bring expertise, a wider net and an explicit process of recruitment and search.

While the board, management, and chair are the most influential in both cases, boards with two or more female directors differ from those with fewer than two female members, with regard to the influence of outside search firms (see Table 3):

- Boards with two or more female directors place a considerably higher importance (a rank of 4th out

Table 3
Who Selects New Board Members?

Rank	Ranking for boards with 2 or more female directors	Ranking for boards with fewer than 2 female directors
1	board as a whole	board as a whole
2	management	management
3	board chairperson	board chairperson
4	outside search firm	major shareholders
5	major shareholders	governance committee
6	governance committee	outside search firm
7	nominating committee	nominating committee

Source: *Canadian Directorship Practices 2001* research, The Conference Board of Canada. All-male boards rank similarly to boards with fewer than 2 women.

of 7) on outside search firms than do boards with fewer than two female directors (a rank of 6th out of 7).

What is clearly implied is that outside influence in selecting board members is a major contributor to breaking the “old boys network” and the “Stockholm Syndrome.”

Rigour doesn’t end with who influences the selection of board members, but instead, continues with how they are chosen: the selection criteria (see Table 4).

Some of the criteria employed in the selection process of board members do differ between boards with two or more female directors and boards with fewer than two female directors, notably:

- **Gender representation** jumped from being ranked 9th most influential (of 10 criteria) by boards with

fewer than two female directors to being ranked second most influential by boards with two or more female directors.

- **Geographical representation** was ranked as less important by boards with fewer than two female directors (6th) than by boards with two or more female directors (4th).
- Two of the experience items, **experience in the industry** and **experience in similar organizations**, were consistently ranked as more influential in the selection process of boards with fewer than two female directors (3rd and 4th) than in boards with two or more female directors (6th and 7th).

The simplest way to find women to serve on the board is to go looking for them.³⁰ Ensure gender representation is added to necessary qualifications and skills when board profiles are prepared. If profiles are prepared with due diligence, this ought to be the case, since they would begin with needs, test them against current board members to reveal gaps, and from these gaps, build a wish list profiling prospective board members.³¹

The simplest way to find women to serve on the board is to go looking for them.

The opposite is also true; if gender representation is not a priority for the board, don’t be surprised if the process doesn’t turn up qualified women.

The same research exposes as a myth one of the most common excuses against affirming diversity on the board; that selecting women to boards sacrifices financial knowledge. Both “financial knowledge and experience” and “specific complementary skill set” are equally influential in the board member selection process, regardless of the number of women on boards.

One way to look at this is that financial knowledge, specific experience, and skills are the primary criteria used, appropriately, to determine the most qualified candidates to serve on boards. Representation factors, including gender, are a secondary filter through which to run the candidates to determine which ones are the best fit for a given organization.

Table 4
How Are New Board Members Selected?

Rank	Ranking for boards with 2 or more female directors	Ranking for boards with fewer than 2 female directors
1	financial knowledge and experience	financial knowledge and experience
2	gender representation	character and personal qualities
3	character and personal qualities	experience in the industry
4	geographical representation	experience in similar organizations
5	specific, complementary skill set	specific, complementary skill set
6	experience in the industry	geographical representation
7	experience in similar organizations	high profile person
8	high profile person	international experience
9	political affiliation	gender representation
10	international experience	political affiliation

Source: *Canadian Directorship Practices 2001* research, The Conference Board of Canada. All-male boards rank similarly to boards with fewer than 2 women.

This is akin to the ongoing discussion over whether political affiliation ought to play a part in the selection of public sector board members. As long as skills, experience, and character are assessed first, there is nothing wrong with the shareholder choosing individuals who are aligned with its purposes. The point is to get the order right, and to include as many legitimate criteria as can practically be done.

This reiterates the relationship between outer and inner diversity discussed earlier: representation criteria are outer proxies that ought to lead to constructive divergences and fresh contributions in the boardroom. Accountability frameworks provide a platform to enable this.

Intentionalism in empowerment—here personified by new board members—is complemented by intentionalism in accountability. For the purposes of our research, we developed a composite score for board accountability, comprising an aggregate of five governance practices:

- a position description or mandate statement for the board as a whole;
- formal written limits to authority levels for the board as a whole;
- a formal orientation program for the board as a whole;
- a formal education program for the board as a whole; and
- a performance evaluation of the board as a whole.

Another myth is exposed here: that boards with more women are somehow less accountable. Research shows that they are more accountable: 72 per cent of boards with two or more women conduct formal board performance evaluations, compared with 49 per cent of all-male boards (see Table 5).

Two of these five practices are **statistically significant** in predicting the number of women on boards:

	Boards with 2 or more female directors	All-male boards
Board accountability score	2.65	1.51

Source: *Canadian Directorship Practices 2001* research, The Conference Board of Canada.

- Organizations that provide the board of directors with formal, written limits to authority have a greater percentage of women on their boards than do organizations that do not provide formal limits to authority.
- Organizations that provide their board of directors with formal orientation programs have a greater percentage of women on their boards than do organizations that do not provide such programs.

The most important factor in promoting women in leadership is the commitment of the CEO.

Active steps in empowerment, accountability, and education are all important to developing a more diverse and representative board, without sacrificing the skills, experience, and character essential to success.

Being intentional begins with the CEO, the Chair, current members of the board, and the executive team. These are the people who hold the key to the boardroom door. In-depth CEWA research has demonstrated unequivocally that the single most important factor in promoting a greater role for women in leadership is the commitment of the CEO.³² Nothing else compares to it.

ACCOMPLISHMENT AND MEASUREMENT: SO WHAT?

Boards with more women examine a wider range of management and organizational performance indicators. The board's own performance in diversity is itself an indicator of organizational health; research suggests it is linked to bottom-line results.

The Principle of Accomplishment and Measurement means boards and CEOs must excel in:

- monitoring and overseeing management
- selecting corporate performance measures
- evaluating the board, CEO, and individual directors

The core question remains, “why should we have more women on boards?” or, put another way, “do women have transparent, visible effects on organizational processes or outcomes?”

This is a good place to note that we chose two women on a board as a benchmark for comparison, because numerous studies have shown that only one

woman on a board is unlikely to change style, process or results, and, in fact, may be indicative only of a token commitment.³³ To be fair, there is no compelling research to demonstrate what number of women on a board equates to “critical mass,” sufficient to change process, and therefore, outcomes and results. Critical mass theory is one of those ideas that has been successfully—if tentatively—transferred from the pure sciences to the social sciences.³⁴

Research into attitudes of men towards women in management indicates that a critical mass of 35 per cent may be necessary before male subjects’ attitudes change.³⁵ At times, then, one, or even two, women on an 11-person board may not be sufficient to promote change, and even this level of commitment may be only of a token nature.

One piece of research in the field does demonstrate that the Fortune 500 firms with the best record of promoting women to high positions are more profitable than their peers.³⁶ The 25 firms with the best promotion record, for example, post returns on assets 18 per cent higher than the Fortune 500 median of their industry, and returns on investment—a critical measure of success—a whopping 69 per cent higher than the median. The number of women on boards is one of the indicators used in this study to identify the top 25.

Our own empirical research has turned up a similar correlation. We tracked firms with two or more women on their boards in 1995 to see where they stood six years later. Our findings show that these firms are much more likely than firms with all-male boards to be in leadership positions in their industry, when ranked by revenues or profits (see Table 6).

Table 6
Industry Ranking and Women on Boards
(average ranking in industry in 2000)

Status in 1995	Industry Rank by Profit (ROB 2000)	Industry Rank by Revenue (FP500 Industry Lists: 2000)
Two or more women on board	10	17
All-male board	17	40

Sources: *Canadian Directorship Practices 1995* research, the *Report on Business* (profit leaders) and *Financial Post* (by revenues) annual rankings by industry, 2001.

Report on Business magazine benchmarks companies by profits in comparing industry peers. Those with all-male boards in 1995, ranked an average of 17th in their industry (in terms of profits) five years later, while those with two or more women on their boards finished an average of seven places higher, at 10th.

The results are even more marked for ranking by revenue, grouped by industry, as published in the *Financial Post 500*. All-male boards in 1995 ranked an average of 40th in their industry (by revenue) five years later—a very low rank. Those with two or more women on the board in 1995, however, ranked an average of 17th (in terms of revenues) in their industry in 2000.

These correlations do not necessarily show causality; it is possible that industry leaders and more profitable firms feel more comfortable in “risking” innovative governance practices, such as increasing diversity on boards, just as it is possible that increased diversity contributes to higher profits, revenues, and assets. Clearly, more research is needed in the area of cause and effect, particularly in gauging how women affect organizational outcomes and results.

Throughout our research, however, we have found considerable evidence supporting the notion that the presence of women on the board of directors leads to changes in processes at the top of the firm.

Taking an overall look, we can reasonably propose that having women on the board contributes to a change in leadership style and in how the board deliberates and reaches decisions. We found some clear distinctions in board functioning when three or more women serve on boards (see Table 7).

COMMUNICATIONS AND TRANSPARENCY: CASTING A WIDER NET

Transparency and communicating to broader constituencies can be enhanced by more diverse boards, by better understanding stakeholder perspectives and by bringing different communication styles to the top of the organization.

The Principle of Communications and Transparency means boards and CEOs must excel in:

- determining information flows
- communicating with all stakeholders
- reporting to shareholders and others

Table 7
The Heart of the Matter?
(overall score out of 19; others: per cent)

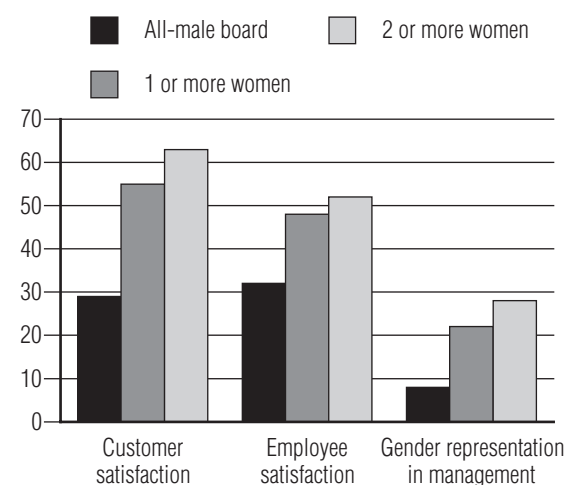
	Boards with all-male directors	Boards with 3 or more female directors
Overall Board Activism: number of responsibilities explicitly taken by board (out of 19)	13.5	16.5
Which Responsibilities? (percentage that explicitly take responsibility for ...)		
approach to governance issues?	76	91
verify integrity of audit information?	74	91
assess management's success in meeting objectives?	74	86
ensure effective communication between corporation and stakeholders?	71	86
ensure conflict of interest guidelines?	68	94
ensure a code of conduct for corporation?	66	86
monitor implementation of corporate strategy ?	66	94
set objectives to measure management performance ?	58	80
identify criteria for measuring strategy ?	45	74

Source: *Canadian Directorship Practices 2001* research, The Conference Board of Canada.

As Table 7 shows, boards with three or more women are much more likely to ensure effective two-way communication between the organization and its stakeholders than all-male boards (86 per cent vs. 71 per cent).

The biggest difference shown by the research in board functioning is the significantly increased use of non-financial performance measures by boards with more women (see Chart 7).

Chart 7
A Wider Net
(percentage of boards that regularly review these measures)



Source of unsegmented data: *Beginning at the Top* (Ottawa: The Conference Board of Canada, 2001).

Boards with more women are also more likely to consider measures of innovation and of social and community responsibility.

This is the most incontrovertible evidence that the presence of women on boards has a noticeable effect on the functioning of the board, and that this effect has to do with broadening the focus of the board—from activities to results, from finances to strategy, from owners to all stakeholders. In

essence, the board is casting a wider net. The governance factors that have been shown to directly contribute to organizational performance are precisely those shown here: board activism and board independence.³⁷

The business case for women on boards is significantly bolstered by this conclusion: the factors that appear to be influenced by more women on boards are precisely those that have the most impact on corporate results.

A CALL TO ACTION

Governance performance in Canada has been plateauing since its quantum leap between 1992 and 1997 (see Chart 8).

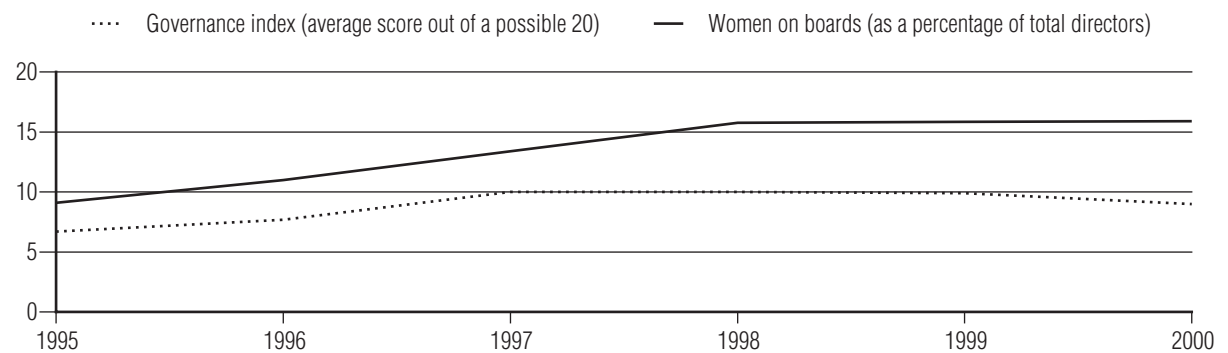
Comparing this chart to the rise of women on boards (see also Chart 2), one sees a similar pattern: a period of rapid improvement until 1997–98, and then a flattening out after that.

Many practitioners ascribe the recent plateau to the unprecedented strong economic times, which dull the effect of governance improvements. If Adam Smith is correct—and our research does support his theory—then good governance contributes to organizational performance by reducing agency costs.

When profits are at all-time highs, the reduction of agency costs is more difficult to discern, measure, and

Chart 8

Governance in Canada: A Quantum Leap, Then a Plateau

Source: Brown and Brown, *Plateau or Springboard?* (Ottawa: The Conference Board of Canada, 2001).

therefore act upon. It is during the downswings, troughs, and early upswings in economic markets, that agency costs represent a much higher proportion of profits and returns, indeed sometimes making the difference between failure and sustainability.

The “so what” in all of this is that, as a result of economic downturns, the squeeze in profits means that incremental differences in board governance will have a greater effect (Smith’s agency theory).

There has never been a better time to diversify the board and to promote the service of women, among others, at the top of the organization.

We have acknowledged that unity is critical to the success of a board. This has been shown anecdotally and empirically. Unity means “singleness of purpose or action”³⁸ and is needed not only in the boardroom, but throughout a successful organization.

Diversity means “capable of various forms.”³⁹ Anecdotal and specific empirical research point to the conclusion that diversity, far from hindering unity, is a key ingredient in unity.

By bringing distinct perspectives to the attention of the organization’s board and executive, diverse board members serve to create constructive dissent and to ensure due diligence. It is the homogeneous board that lacks both diversity and unity because it lacks meaningful dissent or deliberation.

With these findings in mind, The Conference Board has developed the following self-assessment questions

to encourage organizations to evaluate their own board diversity practices.

PREPAREDNESS FOR A DIVERSE BOARD: SELF-ASSESSMENT TOOL⁴⁰

1. To what extent does the current board mix reflect the diversity of our owners?
2. . . . our customers?
3. . . . our employees?
4. . . . our communities?
5. How knowledgeable, skilled, and understanding are our current board members in working equally comfortably and competently with diverse stakeholders?
6. Does the board actively seek out and integrate issues related to diversity in their decision-making?
7. Is the CEO personally committed to having women serve on the board?
8. Do we actively encourage women in leadership (mentoring, speaking, networks)?
9. Do we maintain and update a roster or pool of potential board candidates?
10. Does the organization use an outside search firm in the board selection process?
11. Do we have a development program in place concerning diversity/gender issues?
12. How many different stakeholder groups (e.g., owners, customers, employees, partners, communities) are explicitly mentioned in the organization’s mission/vision/values?
13. What proportion of the executive team⁴¹ is women?
14. What is the average length of service of the current board members? [median is six years]

15. Who leads the board selection process? [board committee vs. management]
16. Where is gender representation among the criteria used to select board members? [median is 5th: 2nd among those with two or more women; 9th of 10 among all-male boards]
17. How many non-financial performance measures does the board regularly receive? [median is 3.5]
18. Does the board ask management to provide measures of gender/diversity representation in management at each level?

CONCLUDING THOUGHTS

A lot of ink has touched paper on the subject of women in leadership in general and of women on boards, in particular. The vast majority has been anecdotal. This report is intended to fuse new empirical data with recent anecdotal findings. The preponderance of literature on the subject has also concentrated on barriers to women's entry to boards and strategies to overcome those barriers. This report touches only briefly on the how, so ably dealt with elsewhere,⁴² choosing instead to focus more on 'why there should be more women on boards.'

These data support twin conclusions: that the service of women on boards is symbolically important, particularly as the face of culture, society, and the workplace change so rapidly, and that the service of women on boards makes a practical difference to how

the board functions, the strength of its governance, and how this contributes to better overall performance.

In short, women on boards is not only the "right" thing to do, it is also the "bright" thing to do.

Service of women on boards makes a practical difference to the strength of its governance.

Having said this, much work remains to be done. Empirical research in Canada and beyond should be able to track exactly:

- how well outer diversity (e.g., gender, heritage) reveals inner diversity;
- what specific qualities women bring to boards;
- which changes in leadership style occur as women join boards;
- how many women cause these changes;
- how much of the effect is actually cause, not effect (strong governance leading to more women on boards);
- and finally, perhaps the "holy grail" of women on boards: what specific performance results can be attributed to increased diversity on the board?

The Conference Board of Canada is committed to following up on this research, to validating and expanding on its implications in our ongoing effort to serve our members—organizations based in Canada—as we compete in an increasingly changing global culture.

1 Originally published in 1776 by the University of Chicago Press, pp. 264–65.

2 Jeanne Patterson, *The Link Between Corporate Governance and Performance*, concisely summarizes (New York: The Conference Board Inc., #1215-98-RR original 1998 report, and #1276-00-2000 update).

3 Sixty-one companies from 18 countries and 32 industries were studied during the period 1961–1990. Megginson et al, pp. 27–28, cited in Jeanne Patterson, *The Link Between Corporate Governance and Performance* (New York: The Conference Board Inc., #1276-00-2000).

4 Sixty-five corporations headquartered in Canada were tracked in David A.H. Brown, Debra L. Brown and Kimberley Birkbeck, *A Quantum Leap: Canadian Directorship Practices* (Ottawa: The Conference Board of Canada, 1997); 53 of these were followed in *Success in the Boardroom* (Ottawa: The Conference Board of Canada, 1998).

5 A total of 154 firms from the 300 largest U.S. equity holdings of CalPERS, were tracked from 1991 to 1995, in terms of their EVA; Ira M. Millstein and Paul W. MacAvoy, "The Active Board of Directors and Performance of the Publicly Traded Corporation," *Columbia Law Review*, Vol. 98, no. 5 (June 1998), p. 1295.

6 In particular, David A.H. Brown and Debra L. Brown, *Governance Gone Global, Who Does What? and Planning to Prevail* (Ottawa: The Conference Board of Canada, 1999 and 2000).

7 This report does not delve into whether or not women generally have different leadership styles than men. However, research does show that women are widely perceived to be consensus-builders, more inclusive, and to provide different perspectives that balance the views of their male colleagues. See Barbara Orser's *Creating High Performance Organizations: Leveraging Women's Leadership* (Ottawa: The Centre of Excellence for Women's Advancement (CEWA), The Conference Board of Canada, 2000).

8 Catalyst conducted research into women on boards of major corporations in Canada and the U.S. in *2002 Catalyst Census of Women Board Directors of Canada* (New York: Catalyst, 2002).

9 *2001 Canadian Spencer Stuart Board Index* (Toronto: Spencer Stuart and the Rotman School, 2001), p. 17.

10 Quoted in: Prem Benimadhu and Judith Gibson, *Leadership for Tomorrow* (Ottawa: The Conference Board of Canada, 2001), p. 10.

11 These are generic terms for frames of reference, rather than referring to a specific field of thought. The same case may be made for diversity in learning styles and personality types on a board or leadership team.

- 12 David A.H. Brown and Debra L. Brown, *Beginning at the Top* (Ottawa: The Conference Board of Canada, 2001).
- 13 See, for example, *The Dey Report: Where Were the Directors?* and *The Saucier Report: Joint Committee on Corporate Governance* (both, Toronto: The Toronto Stock Exchange; Dey: 1994, Saucier: 2001).
- 14 David A.H. Brown and Debra L. Brown, *Canadian Directorship Practices 2001* (Ottawa: The Conference Board of Canada) [research circulated internally and not published].
- 15 David A.H. Brown and Debra L. Brown, *When Leaders Serve* (Ottawa: The Conference Board of Canada, 1999), p. 3.
- 16 See, for example, McKinsey's quarterly survey of investors' expectations (summary available on-line at www.mckinsey.com); Annual investors' survey (*The Global Investor and Corporate Governance: What Do Institutional Investors Want?*) New York: The Conference Board Inc., last published August 2001. Annual meeting summaries (International Corporate Governance Network, 2000: available through www.davisglobal.com); Karen D. Hughes, *Women and Corporate Directorships in Canada* (Toronto: Canadian Policy Research Networks, 2000: www.cprn.org) and *The New Balance Sheet* (Toronto: The Commission on Democracy and Corporate Accountability, chaired by Avie Bennett and Ed Broadbent, 2002).
- 17 David A.H. Brown and Debra L. Brown, *Canadian Directorship Practices 2001* (Ottawa: The Conference Board of Canada) [research circulated internally and not published].
- 18 Gibb-Clark, "How Women Place on the Board," *Managing* (Nov. 1998), and "Women Corporate Directors in the United States" by Mary C. Mattis in *Women on Corporate Boards of Directors: International Challenges and Opportunities*, edited by Ronald J. Burke and Mary C. Mattis (Dordrecht; Boston: Kluwer Academic Publishers, 2000).
- 19 The Conference Board of Canada's *Performance and Potential* series and annual CEO survey for 1999, 2000 and 2001 (Ottawa: The Conference Board of Canada, 1997–2001, annual publication).
- 20 See, for example, PriceWaterhouseCoopers' annual studies on employee retention (available at: www.pwcglobal.com). For a recent example, see *High Tech Worker Survey Report: Attracting and Retaining IT Talent in a Changing Economy* (PriceWaterhouseCoopers, December 2001).
- 21 Diana Bilimoria, "Building the Business Case for Women Corporate Directors," pp. 25–40, in *Women on Corporate Boards of Directors: International Challenges and Opportunities*, edited by Ronald J. Burke and Mary C. Mattis (Dordrecht; Boston: Kluwer Academic Publishers, 2000).
- 22 See Barbara Orser's *Creating High-Performance Organizations: Leveraging Women's Leadership* (Ottawa: The Conference Board of Canada, 2000), p. 9.
- 23 David A.H. Brown and Debra L. Brown, *Success in the Boardroom* (Ottawa: The Conference Board of Canada, 1998).
- 24 John C. Maxwell, *Developing the Leader Around You: How to Help Others Reach Their Full Potential* (Nashville: Thomas Nelson, Inc., 1995).
- 25 The hypothesis of Catherine M. Daily, S. Trevis Certo and Dan R. Dalton, "The Future of Corporate Women: Progress Toward the Executive Suite and the Boardroom?" pp. 11–23, in *Women on Corporate Boards of Directors: International Challenges and Opportunities*, edited by Ronald J. Burke and Mary C. Mattis (Dordrecht; Boston: Kluwer Academic Publishers, 2000).
- 26 David A.H. Brown and Debra L. Brown, *Canadian Directorship Practices 2001* (Ottawa: The Conference Board of Canada) [research circulated internally and not published].
- 27 Recent deliberations and summits of organizations such as the Conference Board's CEWA, Canadian Women in Communications, and Catalyst, almost invariably turn to this challenge.
- 28 Quoted by David A.H. Brown and Debra L. Brown in *Planning to Prevail* (Toronto: The Conference Board of Canada, 2000), p. 21.
- 29 Frank McKenna speaking at *The Directors' Roundtable* (Ottawa: The Conference Board of Canada, 1999).
- 30 Two major databases of potential women directors were developed and are maintained by Canadian Women in Communications (Toronto), and the Ivey School of Business at the University of Western Ontario (London).
- 31 David A.H. Brown and Debra L. Brown, *Replacing a Few Good Men* (Ottawa: The Conference Board of Canada, 2000).
- 32 Studies conducted by The Centre of Excellence for Women's Advancement (Ottawa: The Conference Board of Canada, 1999–2001).
- 33 *Working Woman* magazine's first criterion was at least two women on the board, for example (cited by Diana Bilimoria, "Building the Business Case for Women Corporate Directors," pp. 25–40, in *Women on Corporate Boards of Directors: International Challenges and Opportunities*, edited by Ronald J. Burke and Mary C. Mattis (Dordrecht; Boston: Kluwer Academic Publishers, 2000).
- 34 Pamela E. Oliver and Gerald Marwell are leading authors on the sociological applications of critical mass theory. See, for example, *Sociological Theory*, Vol. 19, no. 3 (Nov. 2001), pp. 292–311.
- 35 Natalie Rinfret and Monique Lortie-Lussier report on testing R. M. Kanter's 1977 hypothesis in *Applied Psychology: An International Review*, Vol. 45, no. 4 (Oct. 1996), pp. 353–370.
- 36 Roy D. Adler of Pepperdine University, as quoted in the *Harvard Business Review* (November, 2001), p. 30.
- 37 Studies by David A.H. Brown, Debra L. Brown and Kimberley Birkbeck, *A Quantum Leap: Canadian Directorship Practices* (Ottawa: The Conference Board of Canada, 1997) and *Success in the Boardroom* (Ottawa: The Conference Board of Canada, 1998), and Ira M. Millstein and Paul W. MacAvoy "The Active Board of Directors and Performance of the Publicly Traded Corporation," *Columbia Law Review*, Vol. 98, no. 5 (June 1998), p. 1295.
- 38 See *Britannica World Language Edition of Funk and Wagnall's Standard Dictionary* (New York: 1958).
- 39 Ibid.
- 40 Selected questions are drawn from *Kaleidoscopic Organizations* (Toronto: The United Way of York Region, 2001). The remaining questions were developed by David A.H. Brown and Debra L. Brown for this research report.
- 41 Executive team = the CEO and direct reports only.
- 42 See, for example, compilations such as Karen D. Hughes' *Women and Corporate Directorships in Canada: Trends and Issues* (Edmonton: University of Alberta; Calgary: CP Foundation; and Toronto: Canadian Policy Research Networks, 2000: www.cprn.org).

Selected Research

Research relied upon in this report consists largely of the following: The Conference Board of Canada *Canadian Directorship Practices* series, board governance research based on comprehensive surveys conducted every two years from 1973 through 2001.

- 2001 results are used throughout the report. These are from 141 organizations in a broad range of industries and sectors: 75 per cent of organizations surveyed are privately owned (whether publicly traded or privately held) and the remainder (25 per cent) are publicly owned (government). Of the organizations whose boards had fewer than two female directors, 93 per cent are private sector. Of the organizations whose boards had at least two female directors, 55 per cent are private sector.
- 1995 data are used as the baseline for time series comparisons.

The Centre of Excellence for Women's Advancement research surveys of members, of women executives, and of CEOs, conducted in 1999 and 2000. The 2000 results, previously unpublished, indicate:

- **Strong consensus that. . .**
 - women are not well represented on boards of directors.
 - Canadian organizations should exert more effort in appointing women to their boards of directors.
 - the incidence of women directors reflects the length of time that women executives have been in the management pipeline.
- **Split views on whether. . .**
 - women and men make different but equally valuable contributions to an organization.
 - senior women executives in different industries have the public and industry profile, or professional networks/contacts, necessary for a board appointment.

- most women have not yet obtained the executive management experience required for a senior board appointment.

A comprehensive literature review, including:

- Hughes (2000): Canadian Pacific Foundation-sponsored *Women and Corporate Directorships in Canada: Trends and Issues*, a compilation of recent research.
- Burke and Mattis (2000): a summary of perceptions, including why women seek board office.
- *Kaleidoscopic Organizations*, The United Way of York Region; 2001.
- *Where Were the Directors?* Report of the Committee on Corporate Governance, TSE: 1994.
- Catalyst census results suggest boards of the largest Canadian corporations lag behind even the minimal diversity evident on U.S. boards: women account for 7.5 per cent in the top 560 Canadian firms, compared to 11.2 per cent in the U.S. Fortune 500.
- Women's Executive Network: *An Introduction to Corporate Boards*.
- Canadian Women in Communications Board of Directors Initiative.
- Roy D. Adler, Pepperdine University, quoted in the *Harvard Business Review* (November 2001).
- John C. Maxwell, *Developing the Leaders Around You: How to Help Others Reach Their Full Potential* (Nashville: Thomas Nelson, Inc., 1995).
- Richard Ivey School of Business (University of Western Ontario) seminars and program concerning women on corporate boards.

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