

A woman in a dark blazer is standing at the front of a modern boardroom, pointing at a whiteboard. She is addressing a group of people seated around a large wooden conference table. The room has a glass wall on the left and a wood-paneled wall behind the whiteboard. The scene is dimly lit, with the primary light source coming from the room's recessed ceiling lights.

McDERMOTT  
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WHITE PAPER

# WOMEN IN THE BOARDROOM

JULY 2020

# NOW IS THE TIME FOR CHANGE.



Today, we recognize that values are not only important internally to guide a company, but they are also important externally to engage with customers and shareholders. Some values may include diversity, equity, and inclusion, and this paper focuses on gender diversity. We will address the following questions as we dive deeper into this topic.


**1** / Did you know that women hold only 5.3% of board chair positions and 4.4% of CEO roles globally? <sup>i</sup>

**2** / Why is it important to have women on your board of directors?

**3** / What steps have been taken toward gender parity?

**4** / How can corporations increase women representation?

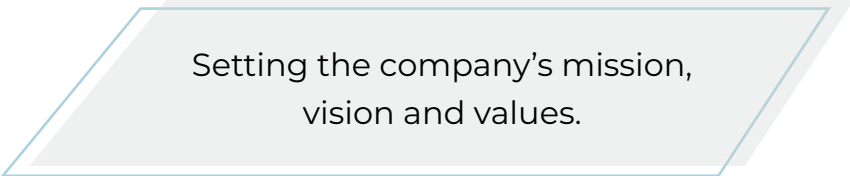




Change is starting to happen with an increased number of women finding seats on corporate boards. However, there is still more work to be done. Underrepresentation of women on boards remains a key area of focus for stakeholders, investors, customers, and employees.

The way companies conduct business and market themselves, both internally and externally, is getting examined in these changing times. With racial and gender equity at the forefront of everyone's minds, there is no better time to evaluate your board of directors and consider how best to improve its efficacy.

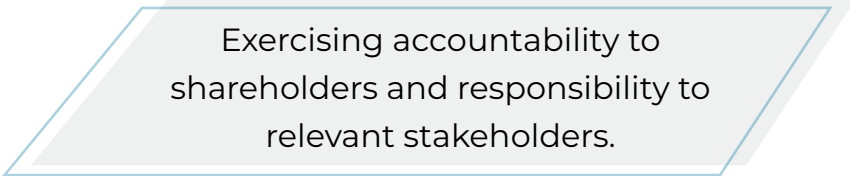
The function of this executive body has several roles, including:



Setting the company's mission, vision and values.




Setting strategy and structure.



Exercising accountability to shareholders and responsibility to relevant stakeholders.

Whether you are the CEO of a public or private company, you are likely thinking about diversity and inclusion throughout your team, your board, and your stakeholders. Increasing gender diversity in the boardroom is a great way to improve talent retention, enhance corporate governance, increase returns, and embrace your values.





**"Diversity is more important than ever. Research has shown that adding women to boards results in higher company performance, but in fact, it goes way beyond that. It results in the creation of highly successful, more conscious companies that meet the needs of all stakeholders. It's not just a question of meeting a quota, it's a question of bringing real solutions to the table at this time of accelerated change and transformation, and it is imperative that we partake in it."**

Magda Marquet  
Co-Founder + Co-CEO  
Alma Life Sciences



## DID YOU KNOW THAT WOMEN HOLD ONLY 5.3% OF BOARD CHAIR POSITIONS AND 4.4% OF CEO ROLES GLOBALLY?

Reports from several resources highlight the following statistics on global boardroom diversity:



12.7%

Women hold 12.7% of CFO roles globally – nearly three times that of CEO positions.<sup>ii</sup>



3.5%

Only 3.5% of women on S&P 1500 boards are women of color.<sup>iii</sup>



45%

While women make up 45% of the workforce at S&P 500 companies, they make up only 4.6% of those firms' CEOs.<sup>v</sup>



13%

In an International Labour Organization's study, only 13% of the surveyed companies have gender balanced boards of between 40% and 60 % women.<sup>iv</sup>



1/5

Fewer than one in five members of corporate boards at major companies are women, according to a new census of board members by Catalyst, a non-profit organization that promotes women in business leadership.



16.9%

Women hold 16.9% of board seats worldwide, a 1.9% increase from a previous edition of Deloitte's "Women in the Boardroom".

# WHY DO WE NEED WOMEN ON OUR CORPORATE BOARDS?



## THE BUSINESS CASE

Numerous independent research studies have shown that public corporations with women on their boards outperform those with only men, as measured by profitability, productivity, and workforce engagement. A study released in October 2016 by European Corporate Governance Institute (ECGI), an international scientific nonprofit, examined corporate boards of 1,691 firms from 1997 to 2011. The study found "evidence that firms with a larger fraction of female directors on their board have greater dividend payouts." Conversely, you can also find studies that suggest that putting women on your board will have a short-term negative effect. This is based on the perception that women think about the company's social performance while men think about the bottom line. While many companies with a gender-diverse board have increased performance, it is difficult to directly correlate this with adding women to your board. That said, increasing gender diversity adds value to the company and draws support from stakeholders and customers.

## LEVERAGING TALENT AND WORKPLACE CULTURE

Research has shown that a diverse board is critical to meeting new talent demands. Female board directors help lead the pathway to the next generation of women. A study conducted by Women on Boards demonstrated that there is a strong positive correlation between women in leadership positions and gender diversity on boards. <sup>vii</sup>

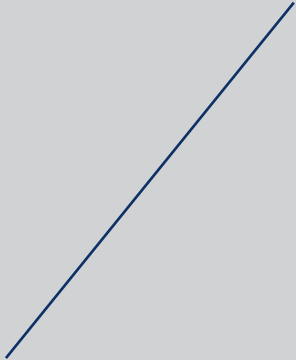


Having women on your board is a step toward gaining and maintaining a positive workplace for women. Diversity leads to an improvement in corporate culture, employee morale, staff retention, and an increase in creativity. By showing a commitment to identifying, attracting, and retaining individuals regardless of gender, ethnic background, education, or religion, boards can tackle issues from a multitude of angles and focus on the company's long-term strategy. In a 2019 McKinsey & Company and Leanin.org study "Women in the Workplace", we learned that companies have made progress in gender diversity and that it is a top priority for the future. Furthermore, employees tell us that they are happier and more likely to stay longer when their company is committed to gender diversity.

## **INCREASE IN BRAND VALUE AND REPUTATION**

Companies should have a board that reflects the broader demographics of today. This will influence more effective communication that addresses disparate sensitivities, viewpoints, and aspirations. Moreover, exposure to new ideas, cultures, and perspectives gives way to optimum development. As a result, it will enhance client and customer relationships, adding value to your brand. Lastly, addressing diversity at the leadership level points to the values of your company.





**“We have known for some time that boards perform best when there is diversity in the boardroom. My personal experience has shown me that the benefits go beyond the bottom line. Diversity in the boardroom also leads to better conversations, better governance, more creative ideas and a better board culture.”**

Karin Eastham  
Independent Director





## WHAT STEPS ARE BEING TAKEN TO REACH GENDER PARITY?

As mentioned earlier, with gender and racial equity at the forefront of corporate strategy and planning, current trends suggest there is no better time to consider how best to improve the effectiveness of a board. As we look ahead toward steady improvement, it is important to recognize where we have seen change.

According to the Equilar Gender Diversity Index (GDI), which tracks corporate governance data, the percentage of women attaining 20% representation in companies on the Russell 3000 Index has risen from 20.9% in Q3 2019 to 21.5% in Q4 2019. In large part, this is due to increased demand from shareholders as well as changes to several state and international legislatures. Some states now have laws, either in effect or proposed, that require public company boards to have specific minimums for gender diversity. Other states require the disclosure of gender, race, and ethnicity data.

California led the way in the United States in enacting legislation (SB-826) requiring public companies that are either incorporated in California or whose principal executive office is located in California, to have a minimum of at least one female on the board of directors by Dec. 31, 2019. Though there has been some pushback, we have already seen strong results from this initiative.

Additionally, The New York legislature enacted a law that requires the Department of State and the State Taxation and Finance Department to study the number of female directors who serve on boards for companies licensed to do business in New York.

Congress has also taken action on the subject. “The House of Representatives has passed a bill requiring companies to disclose the gender, race, ethnicity, and veteran status of their sitting directors, Board nominees, and executive officers, and it authorizes the SEC to create an advisory group on Board diversity,” explained Susan Angele, Senior Advisor at KPMG’s Board Leadership Center.

Lastly, in a push from the private sector, Goldman Sachs recently announced that companies must have at least one diverse board member in order to go public. The firm has stated that it will begin its focus on women.<sup>viii</sup> As one of the largest financial and investment management firms in the country, Goldman Sachs is playing a key role in moving toward boardroom diversity and equality, which may yield great results in the coming years.

# HOW CAN CORPORATIONS INCREASE FEMALE REPRESENTATION?

## CREATE A PIPELINE

As corporations begin to think about diversity on their board, we look to the pipeline of potential female board members. Some say the pipeline is small, but, in reality, there are plenty of very qualified women prepared for the role. Companies can build a pipeline by attracting and promoting qualified, talented women and developing a gender diversity strategy that fits the company and industry needs.

As companies think about composing a board with the right mix of skills, experience, and diversity, it is important to expand the thinking around how and where to find diverse board members. Companies must look beyond candidates they know who may not be qualified; candidates who serve on other boards for a “safe” hire but who may not be a fit in culture or skill set; and limited candidate pools looking at only C-suite job titles. Board diversification is not a token initiative. It starts with the board and CEO, and it is a strategic directive of the organization to drive growth and revenue. Here are some suggestions on how to plan for expanded board diversification.

1

Use the company’s strategic lens to establish board diversity goals. Construct a board matrix that considers multiple dimensions of diversity, e.g. skill sets, background, and decision-making style. Seek a diverse slate for every board director search.

2

Accountability is not enough. Leadership must be involved in managing diversity; it starts at the top.

3

Appoint more female CEOs so that they can use their networks and help recruit female board members.

4

Target other titles. Many boards require their members to serve as CEO before serving on a board. Broaden your scope to both C-suite and other candidates, such as vice presidents, managing directors, and rising stars. Include executive directors from the non-profit sector and deans from academia. This will increase the pool of qualified candidates.

5

Expand current networks through executive search and internal referral programs to reach new candidates.

6

Think about implementing term limits on your board to allow diversity and growth.

7

Assess board performance. The National Association of Corporate Directors has encouraged boards to use evaluations not only as a tool for assessing board director performance, but also to assess board composition and gaps in skill sets.

## EMBRACE THE CHANGING TIMES

There are clear business imperatives, as well as moral ones, for board diversity. It is time to leave the homogeneous board of groupthink and move toward a more inclusive board. We must meet this pivotal moment and harness diverse perspectives and life experiences to expand a board's collective skill set, education, and power to take on any challenges that arise.

As corporations plan for growth and innovation, there must be a continuous effort to incorporate women in leadership and reflect a company's values. Strides have been made to bring women onto boards, and we will continue to champion women's presence in corporate leadership.







## ABOUT THE AUTHOR

Sue Waterbury serves as Managing Director in the New York office, where she leads East Coast business development, with a practice focused on the Non-Profit Sector including Credit Unions, Family Offices, and Family Foundations. She has become a trusted advisor to senior executives and trustees on hiring leaders and developing corporate culture. Prior to her career in search, Sue spent two decades in senior sales positions for Deutsche Bank and as Vice President at Goldman Sachs.

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Sue and Linda co-lead the females on boards initiative at McDermott + Bull. They are champions for women and diversity in the workforce and on corporate Boards.

## ABOUT MCDERMOTT + BULL

### EXECUTIVE SEARCH THAT EMPOWERS CHANGE.

Leveraging deep vertical experience, innovative thinking, and proven time-saving methodologies, we challenge the norm and thrive in the recruitment of difficult-to-find VP to C-Suite executive talent.

We value a personalized service model while having the resources and capabilities of the world's largest search firms. With experienced partners in Canada, the United States, and Europe, we are the trusted retained search advisor for empowering change on behalf of private and public companies, nonprofit organizations, private equity firms, and their operating companies.

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