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This is a post-review version of the following article:

Women on Canadian boards of directors: Why skirts in seats aren't enough

Published as:

Women on boards of directors: Why skirts in seats aren't enough

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2012

The final publication is available at Business Horizons via:

http://dx.doi.org/10.1016/j.bushor.2012.07.003

Fitzsimmons, S.R. (2012). Women on Canadian Boards of Directors: Why skirts in seats aren't enough. *Business Horizons, 55*(6), 557-566.

WOMEN ON BOARDS OF DIRECTORS:

WHY SKIRTS IN SEATS AREN'T ENOUGH

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WOMEN ON BOARDS OF DIRECTORS: WHY SKIRTS IN SEATS AREN'T ENOUGH

ABSTRACT

Most organizations focus their attention on simply achieving gender diversity on their boards.

This approach misses the point. There is a complex relationship between board gender diversity

and good governance, where diversity on corporate boards can have negative, positive, or neutral

impact on organizational performance, indicating that organizations may only reap the benefits

of gender diverse boards under proper conditions. This paper examines which conditions allow

gender diverse boards to flourish, and which conditions drive gender diverse boards to fail.

Organizations usually increase female representation on boards of directors in order to achieve

one of two goals: gender parity or improved governance. Each goal is influenced by different

circumstances, and thus the approach to achieving each goal must be different. Three unique

recommendations are offered to organizations trying to achieve each goal. Gender, ethnic and

cultural board diversity all share related justifications and challenges, so organizations that

follow the recommendations in this report will be well positioned to benefit from all three

sources of increased diversity on their boards of directors.

Key words: gender diversity, board of directors, female directors, board member diversity,

women board members

TWO APPROACHES TO BOARD GENDER DIVERSITY

The issue of gender diversity on boards of directors garners a consistent amount of media attention around the world. In 2010, France, Spain, Italy and The Netherlands proposed or passed quota bills for minimum levels of female representation on corporate boards ("Skirting the Issue," 2010). Although the attention builds institutional forces that push organizations to pursue gender diversity on their boards (Hamdani & Buckley, 2011), there is a gap between the lessons pushed by media and practitioner reports, versus those drawn from academic research. Media and practitioner reports focus almost exclusively on one part of the issue: *achieving gender parity*. Most reports imply that gender parity is a goal that ought to be pursued as an end in itself, and if achieved, will naturally result in other benefits.

In contrast, academic research provides evidence that board gender diversity can result in poorer firm performance (Adams & Ferreira, 2009). Even when positive relationships are found between board gender diversity and organizational performance (Soares, Carter, & Combopiano, 2010), it is unclear whether diversity led to performance, or vice versa (Hamdani & Buckley, 2011). Thus, it is difficult to make the argument that gender diversity on boards automatically produces higher performance. Instead, most research focuses on understanding which conditions and hidden dynamics allow gender diverse boards to succeed, versus the conditions and dynamics that are more likely to produce failure (Vinnicombe, Singh, Burke, Bilimoria, & Huse, 2008). I refer to this as the *good governance* goal of increased gender diversity.

This paper examines why it's not enough for companies to merely put women in board positions. Organizations need to put the right conditions in place before they can reap the benefits of gender diverse boards. Ahead, I review the conditions that allow gender diverse

boards to flourish, versus conditions that push them to fail, and recommend unique strategies for pursuing each goal – gender parity and good governance – based on a review of the current research.

CONDITIONS FOR BOARD DIVERSITY SUCCESS

Research studies, white papers and commissioned reports have all grappled with the following questions about board gender diversity:

1) What is holding boards back from diversifying?

2) When do boards succeed after gender diversification?

These two questions relate to the dual goals of board gender diversity, and the answers to each question are unique. That is, the conditions leading to successful board diversification are not necessarily the same as those leading to improved governance drawing on that diversity. Table one presents a summary of the answers to these questions, based on current research findings. Each item is explained in detail, ahead.

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Organizations face two types of barriers on their way to developing high-performing, diverse boards. The first type is barriers to access. Given how slowly women are being appointed to seats on boards, this remains an obstacle, but this problem is also relatively well-understood, because the barriers to women achieving top positions on boards are similar to the glass-ceiling barriers women face when they aim for top positions in any industry. The second type is barriers to utility. Not every company with female board members makes use of this increased diversity as a strategic asset. The barriers to utility are more complex, so they will be reviewed after first discussing four barriers to access.

<div align="center">Barriers to access</div>

Most practitioner-oriented studies of gender diversity on boards of directors try to explain why female representation is low, listing hurdles that organizations must surmount in order to achieve gender parity. The lists usually feature variations on the same set of *usual suspects*. For example, Corporate Knights (Heaps, 2010) and Catalyst (Jenner, Dyer, & Whitham, 2008) each published reports with related three-item lists that explain barriers to access. Following is a synthesis of the most commonly-mentioned barriers.

Stereotypes. Current board members tend to look for new board members who look, act, and think like they do, due to an effect called the similarity bias, where people are psychologically driven to like others who are similar to themselves (Jenner et al., 2008). It follows that given equally qualified male and female candidates, currently male-dominated boards would be more likely to prefer male candidates. However, a lot has changed since the 1970s, when Rosen and Jerdee (1974) first discovered the similarity bias in hiring and promotion decisions. Back then, experiments demonstrated that males did indeed rate other men higher

<div align="center">4</div>

than equally qualified women. In 2005, a similar study found that male recruiters now evaluate female candidates higher than male candidates, although this doesn't translate into more job offers for female candidates (Goldberg, 2005). Disappointingly, males' high evaluation of female candidates can be partially explained by the women's attractiveness (Goldberg, 2005). In contrast, the similarity bias still seems to hold when recruiting across races, such that recruiters still tend to evaluate candidates who are racially similar to themselves higher than those of a different race, and as a consequence, offer more jobs to those of similar race (Goldberg, 2005). Thus, similarity bias seems to be fading over time as a barrier to women's access to board positions, even though it remains a barrier for people from other races (Graves & Powell, 1995, 1996). Based on the studies reported here, current boards may not necessarily offer more jobs to men because they're similar to current board members. Instead, they may actually evaluate women more positively than men, but they are still doing so for the wrong reasons; based on stereotypes about women's role as decorative additions to corporate boards.

Access to networks. Women lack access to old boys' networks (Jenner et al., 2008). This remains a significant problem for women's access to director positions, because so much depends on access to *informal* networks. For example, Kerry commented in a recent Globe and Mail Board Games article (McFarland, Nov 24, 2009), about her opportunity to go on a business trip with a vice president at her organization, giving her access to the type of informal relationship-building situations that often lead to strong networks. However, after returning home, the VP's wife objected to him going on a business trip with a woman, so the offer was never repeated. This would be an easier hurdle to overcome if recruitment for new board directors happened through formal recruitment tactics, but that is often not the case (McFarland, Nov 24, 2009). As of 2009, 73% of Canadian board members reported that the most common

method used to recruit new board members was recommendations by existing directors (Clarkson Centre-PricewaterhouseCoopers, 2009). The second and third most common methods were identification by the board's nominating committee (67%) or by the CEO and other insiders (49%), while using an outside search firm landed in a distant fifth position (23%). Thus, women's access to informal networks remains a barrier for their inclusion on corporate boards.

Limited recruitment pool. A common explanation for the lack of female representation on boards is that there are not enough qualified female candidates (Heaps, 2010). Board members are usually recruited from the same small pool - that also suffers from low female representation - at the highest levels in their organizations (Jenner et al., 2008). This is often called the *pipeline problem.* In fact, in 2007, 20.2 percent of vacant board seats among Canada's Financial Post top 500 firms (FP500) were filled by people who already held at least one FP500 board seat, demonstrating that companies recruit new board members from a small pool of candidates (Jenner et al., 2008). Currently, companies seem to be feeling more pressure to appoint female directors, so the limited pool can be an advantage for women who are already members. For example, a handful of women collected 25 or more director positions after Norway's 40% female quota came into effect ("Girl power," 2008). On the other hand, this barrier may be breaking down, in part due to new guidelines by Sarbanes-Oxley and listing exchanges like the TSX that require companies to appoint more independent board members. Pre-Sarbanes-Oxley, inside director positions were almost a prerequisite to gaining board positions at other organizations, limiting most board appointments to the small group of candidates who already had inside director positions (Dalton & Dalton, 2008). Now that boards are appointing fewer inside directors, that source is drying up, and there is some evidence that companies are broadening their searches to include people who have extensive experience – for

example, at the VP level – but who have never held an inside director position (Dalton & Dalton, 2010). This change would cast a much wider net for qualified female board candidates.

Missing leadership. Two different types of leadership are needed in order to increase female representation on boards (Jenner et al., 2008). First, female role models who have already made it to top positions can pave the way for future candidates as role models and mentors. Among India's top organizations, 45% reported having formal mentorship programs for women (Bagati, 2011). Second, current CEOs and board chairs can demonstrate the importance of seeking gender diversity at the board level by asking nominations committees to seek out female candidates. Managing diverse boards can be more difficult than managing homogeneous boards, because they have increased potential for conflict as a wider range of approaches or perspectives are put forward (Ferreira, 2010), so they require an extra level of commitment from board chairs. For example, this board member from a FP500 firm described his board chair's approach as follows:

> My board chair is adamant … It was interesting because he's turned down a whole number of suggested people that come forward because .. he just kept saying, 'I'm not taking another man from the GTA [Greater Toronto Area]. I refuse to.' (Jenner et al., 2008).

Without both types of leadership, CEOs and board chairs who influence the board nomination process might end up choosing directors who are similar to themselves and to the rest of the board (Westphal & Zajac, 1995).

Barriers to utility

Given the hurdles that women must surmount in order to get access to board seats, most companies focus the majority of their attention on just achieving gender diversity on their boards. However, this approach misses the point. There is a complex relationship between

board gender diversity and organizational performance. Diversity on corporate boards has had negative (Adams & Ferreira, 2009), positive (Roberson & Park, 2004), and neutral (Farrell & Hersch, 2005) impact on organizational performance. Following are the circumstances that impede organizations from benefitting from their boards' diversity.

Types of tasks. Some tasks seem to benefit more from gender diversity than others. For example, a study of Norwegian boards found that gender diversity on boards resulted in improved governance in some areas, but not others. Problems that are particularly complex, such as strategic control, were more likely to benefit from gender diversity than relatively less complex problems, such as operational control (Nielsen & Huse, 2010). Adams and Ferreira (2009) found that some organizations benefited from board diversity, while others didn't. Since they also found that women were tougher monitors of CEO activities, they hypothesize that tough monitoring is helpful in some situations (such as when the CEO is at risk of falling prey to agency dilemmas), and counterproductive in others (such as when business is proceeding as normal). Along a related line of reasoning, a meta-analysis of 10,632 teams across 108 studies found that team diversity led to more task conflict when teams were working on complex tasks, but not when working on simple tasks (Stahl, Maznevski, Voigt, & Jonsen, 2010). Task conflict – an awareness of different views about a task – requires participants to spend more time debating how to solve the problem at hand, and as a result, it often produces better solutions (Stahl et al., 2010). Together, these studies indicate that gender diversity may be especially beneficial for boards pursuing complex, ill-defined tasks, because they bring new ideas to the table, keep a close watch on CEO activities, and force boards to spend more time debating the issues. The following board member and former CEO in Norway reported that he saw women's role in increasing questioning levels as beneficial for his board;

Think of an acquisition or a re-org to take a company more global. When women are in the discussion, they ask questions like: 'Don't just show me the Powerpoint. Who are these people? What are their responsibilities? Matrix type questions. Women tend to see the organization as more of a living thing. (Sweetman, 2009)

The findings reported here indicate boundary conditions on situations when board diversity is useful, and when it isn't. However, since most activities performed by boards of directors are poorly defined and complex, they could benefit from the increased task conflict, wider range of ideas and diversity of problem-solving strategies that gender diverse boards tend to produce (Jackson, Joshi, & Erhardt, 2003).

Focus on quotas. To understand why this is a barrier to utility, consider the reaction of French companies facing a new quota for female representation on their boards. By 2016, French companies must increase female representation from 11% of board positions to 40%, or else face penalties. Already, LVMH (luxury goods) appointed Ms. Bernadette Chirac, wife of Jacques Chirac, to their board, based on her experience as a frequent attendee of fashion shows, and Dassault Aviation appointed the wife of their largest shareholder ("La vie en rose," May 6th, 2010). When forced to appoint women, instead of doing it voluntarily, companies are at risk of increasing the amount of conflict due to diverse perspectives, without benefiting from the new perspectives. They also signal to shareholders that they are hiring women with less experience, in order to comply with the rules, instead of hiring women who will contribute to the board's quality of governance. This shareholder effect explains Ahern and Dittmar's (2009) findings that Norway's mandatory 40% female director quota resulted in an average 2.6% drop in company value, along with further decreases in value during the year that companies appointed new female directors to comply with the law. Firms' loss of value was not due to gender alone. The new female directors' relative lack of experience explained why firms lost value, because

directors were being appointed without the usual qualifications required for board membership (Dittmar, June 17, 2010). If firms appointed the same directors to their boards without a quota in place, shareholders would be more likely to assume that they were appointed because of the unique experience, perspective or skills they contribute, and not because of their gender. The same effect is true for internal board dynamics; when board members are appointed out of compliance with a quota, they enter the board with less credibility than everyone else, and are more likely to be ignored as a result (Westphal & Milton, 2000). This effect is related to tokenism, explained next.

Tokenism. When a board member is appointed *because* she is a woman, and is the only woman on the board, it's easy for her ideas to be swept aside, ignored or generally dismissed (Huse & Solberg, 2006). For example, the record of board appointments from 1990-1999 points to tokenism; boards with one woman rarely appointed another, unless the lone woman left the board, in which case boards were significantly more likely to appoint a new female (Farrell & Hersch, 2005). When boards have only one woman, this can be particularly problematic, as exemplified by the following board member's experience.

> I was the only woman in a room of guys. I'm not shy, but trying to get your voice heard around the table is not easy. You can make a point that is valid. Two minutes later "Joe" says exactly the same thing, and all the guys congratulate him. It is hard, even at our level, to get your voice heard. You have to find a way to wedge in, and they realize you are not going away. (Female director. Konrad, Kramer, & Erkut, 2008)

Konrad and Kramer (2006) conclude that in order for boards to avoid tokenism and to actually derive benefit from the women on their boards, it's important to have at least three women on a board of average size. When a woman is alone on a board, there is a risk of tokenism (Konrad & Kramer, 2006). When there are two women, dynamics improve but tokenism can still exist. Only when boards reach the critical mass of three or more women

directors do they start to make a difference to good governance. There is some evidence of

progress against this barrier: Among Fortune's top 200 global firms, 2009 was the first year

where more firms had two female directors (58), compared to the number with only one (51),

and 15 firms had four or more female directors (Corporate Women Directors International,

2010). In addition, in 2009, 20.7% of American FP500 companies had three or more female

directors, compared to 12.5% with no female directors at all (Soares et al., 2010). These findings

make sense when considered within the context of psychological research on dissenting opinions

within groups. It only takes three people who agree with something that is patently wrong – for

example, that line A is longer than line B when it is not – before another person in the same

room will also agree with the untrue statement (Asch, 1955). This is not meant to say that

female directors will espouse untrue statements, but that a tipping point occurs once at least three

people share a similar perspective, in terms of convincing others to take that perspective

seriously. A male CEO describes how the dynamics on his board changed when they changed

from no women to four female directors:

> As there were more women, the first woman became more active. They were all more
> active as the number of women increased. It's a group dynamic. When you bring on one
> of any demographic group, they're trying to figure out how they fit. With more, that's
> not an issue. They were more vocal, more willing to push their issues when more women
> were added to the board. More relaxed. (Konrad et al., 2008)

This finding might seem to contradict the prior barrier, focusing too much on quotas. However,

the rationale is different. Quotas focus on appointing more females to boards simply because

they are female. Tokenism research advocates for more female board membership because they

will improve the board's functioning more effectively than they could as lone representatives.

As discussed next, the reasons for creating diverse teams affect whether that diversity will result

in better outcomes or not (Ely & Thomas, 2001).

Helpful Circumstances

The discussion to this point has focused on how and why boards are not benefitting from gender diversity. This next section examines the opposite perspective; following are circumstances that allow organizations to benefit from gender diversity in their boards of directors.

Diversity culture. Simply having women on the board is not enough. One of the key benefits of board diversity is the likelihood that people from different backgrounds will think differently about the same problem (Ferreira, 2010), resulting in increased innovation, better problem solving ability and increased ability to recognize the needs of diverse stakeholders (DiStefano & Maznevski, 2000; Lane, Maznevski, Mendenhall, & McNett, 2004). In order to benefit from this diversity of thought, boards need to have a diversity culture – a culture that welcomes perspectives stemming from demographic differences, instead of training everyone to think and act the same way. In contrast, when boards have strong norms that guide directors' behaviour, there is less room to benefit from uncommon or minority voices, and this integral benefit of board diversity may be lost. Diversity cultures reduce the potential to marginalize women and minority members, and instead focus attention on the unique attributes each member brings to the board (Elsass & Graves, 1997). As evidence, a recent meta-analysis (Stahl et al., 2010) and theoretical review (Jackson et al., 2003) of the diversity-performance link in multicultural teams both came to the conclusion that the effects of diversity only emerge under the right set of conditions, including having an organizational culture that values breadth of experience, skills, and attributes. Overall, the research implies that the right type of culture is an essential condition for organizations that want to benefit from board diversity.

Explicitly discuss team processes. Nielson and Huse's (2010) study of Norwegian boards

found that the sheer presence of women doesn't create benefits for the organization. Instead, the

processes women bring to their boards are the mediator through which board diversity benefits

organizations. For example, women resulted in better strategic planning, in part because they

provoked less conflict when working on strategic plans. Huse spent five years interviewing

board members and CEOs, and concluded that the most successful boards paid explicit attention

to their decision-making processes within the board (Huse & Solberg, 2006). For example, these

boards assessed each director's performance annually, wrote and rewrote job descriptions for

directors, developed and revised board mission statements, and consulted each other about the

design and conduct of board meetings. Some boards took the last five or ten minutes of each

meeting to critique the session itself (Huse & Solberg, 2006). The result of this focus on internal

processes is better quality discussions and decision-making that includes all the voices in the

boardroom, not only the loudest (Huse, Minichilli, & Schoning, 2005). Thus, gender diversity

will bring the most benefit to organizations that are committed to discussing their internal

processes.

Diversity as Strategy. Compared to most work teams, boards of directors are especially

well-suited to benefit from increased gender diversity, because their tasks are both complex and

strategic, and problems involve a wide range of stakeholders. For example, board-level gender

diversity can result in improved strategic control (Nielsen & Huse, 2010). However, the reason

why boards become diverse affects the degree to which boards take advantage of their diversity

as a strategic asset. For example, financial institutions with diverse workforces have

significantly higher performance than those without, but only when combined with a business

strategy that values diversity as a strategic advantage (Roberson & Park, 2004). Ely and Thomas

(2001) identified three reasons why organizations diversify: access-and-legitimacy (diversifying because we need to represent our stakeholders in order to gain access to their markets), discrimination-and-fairness (diversifying because it's unfair to restrict board access to particular demographic groups), and integration-and-learning (diversifying because we want to learn from new perspectives and integrate them into the core of our business). Although organizations pursue diversity based on all three perspectives, only the organization that adopted diversity for *learning and integration* reasons benefitted from their diversity. For example, boards using skills matrices to identify current holes that should be filled by new appointments often value diversity because of the new perspectives it brings, compared to boards that recruit for new members who fit well with people already on the board.

> Get the skills matrix up and running and make it a living document because that will send you off in different directions ... looking for people [who] have a particular skill rather than just bringing in yet another retired CEO. (Female Director, Canadian FP500 Company. Jenner et al., 2008).

In contrast, the Maytree foundation (Averill, 2009) recently used the following access-and-legitimacy reasons to persuade boards to increase diversification:

- Public corporation boards should reflect the diversity in the broader population;

- Companies must diversity their boards in order to gain access to new markets in Asia and elsewhere; diverse boards have more legitimacy in the broader community; and

- Diverse board members have access to fundraising dollars that would otherwise be out of reach.

These are all perfectly good reasons to diversify boards, especially for public corporations like the Board of Health. However, they may not lead to performance gains to the same degree that learning and integration reasons will.

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Valuing independent board members. Beyond the value that diversity brings to teams in general, diversity is also particularly useful to boards of directors, especially in a post-Sarbanes-Oxley era. In the United States, Sarbanes-Oxley pushes organizations to compose boards with a majority of independent directors, in order for boards to maintain some distance from management (Dalton & Dalton, 2010). Eighty-four percent of American female directors are independent, in part because they are generally not part of the old boys' network that produces most current directors (Adams & Ferreira, 2009). As a result, they're able to ask the tough questions more easily than directors who are tied to the people they're questioning. For example, when Norway's StatoilHydro's possible corruption practices were brought to the board's attention, one board member reports that "The board did not handle it well. The chairman was informed about possible corruption but gave no reaction. The CEO also failed to act. It was the women members of the board who drove the change." (Sweetman, 2009). The value added by independent directors can be seen as analogous to the value added by female directors. That is, both are valued in part because they bring fresh perspectives to the table. When boards expand the candidate pool beyond the usual suspects, not only do they increase the possibility of nominating a woman, but they also increase the possibility of finding high-quality independent directors (Dalton & Dalton, 2010).

NEXT STEPS

The review up to this point has answered the question, '*Why* aren't boards benefitting from gender diversity?' This last section translates the research into practical recommendations that answer the question, '*How* can boards benefit from gender diversity?' These recommendations are split in two parts (Table Two). First are recommendations for how to get

more women onto the boards of the biggest and most influential companies, in pursuit of the gender parity goal. Many current practices will bring more women on to boards of directors, but they must be pursued with more consistency than at present. Second are recommendations for how companies can benefit from their board gender diversity, in pursuit of the good governance goal. The second set of recommendations is essential if organizations are going to pursue gender diversity for the right reasons, and derive benefit from it.

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Steps to Achieving Gender Parity on Boards

1. **Measure progress**. As the Catalyst surveys are fond of pointing out, without measurement, there will be no progress (Catalyst, 2010). Their bi-annual surveys highlight progress, showcase the organizations that are doing best and worst, and keep this issue in the spotlight. For example, after the 2009 survey was released, the Globe and Mail, Report on Business and Financial Post all ran special articles on the state of gender diversity on Canadian boards (Covert, 2010; McFarland, Nov 24, 2009). Most articles point fingers at the worst organizations and praise the best, adding extra institutional forces pushing organizations to diversify their boards (Hamdani & Buckley, 2011).

2. **Actively search for qualified female candidates**. In order to find highly qualified female candidates to serve on boards of directors, search committees may be required to extend their searches beyond the narrow pool of current and prior CEOs and directors. Because this pool

itself lacks gender diversity, it is not the best source for new female directors. A word of caution on this point; as some countries lag behind others in the percentage of female board members, the laggards run the risk of losing their most qualified female candidates to companies from countries that are more proactive in seeking out female candidates for their boards of directors. For example, Norwegian companies actively sought Swedish female board members after the Norwegian quota took effect ("Girl power," 2008), and American companies (are more aggressive than Canadian companies, in terms of appointing female board members (Corporate Women Directors International, 2009).

3. **Professionalize the search process.** When current boards use their networks to find new directors, it's not surprising that they find people who think, act, and look like they do. Instead of relying on the network, companies would do better to use a search firm that accesses a wider range of possible candidates through a formalized process. If it is not possible to use a search firm, then the search committee should formalize a method that includes wide posting and advertising of positions and protocols that account for biases in the informal network. For example, search committees could ask candidates to provide their own references, instead of asking around within current board members' networks to vet new candidates. Given the barriers women face in accessing informal networks at the top levels of their organizations, any vetting process that relies on the informal network will be biased against female candidates.

Steps to Benefiting from Board Gender Diversity

Boards that follow the three recommendations just listed will increase the number of women on their boards, but this doesn't guarantee improved governance as a result. The board

must provide the right conditions before gender diversity can improve both processes and outcomes. Following are recommendations for how organizations can use their boards' gender diversity as a strategic advantage, and derive performance benefits from it.

1. **Avoid quotas.** Quotas for female representation focus peoples' attention on the numbers themselves, instead of the benefits that are to be gained from increased gender diversity. When organizations are forced to put women on their boards, members and outsiders alike assume they are forced to do so because it is detrimental. As a result, tokenism is common, resulting in no benefit to the organization from increased board diversity. Canada's Institute for Governance of Public and Private Organizations reached the same conclusion in their report on female representation on Canada's boards (2009). Given that boards' purpose is to provide oversight and guidance to organizations, wider breadth of experience and opinions ought to be pursued towards the end of improving governance, not for social justice reasons.

2. **Reach critical mass for the right reasons.** If boards are able to pursue diversity for the right reasons – improved problem-solving, wider breadth of ideas and more director independence – they are more likely to benefit from that diversity as a result (Ely & Thomas, 2001). Boards recognizing the benefits of diversity will appoint more directors who are independent, female or from a variety of cultures, in pursuit of better governance results. Through this process, if boards reach the *critical mass* of at least three women on their boards of directors, then those women are more likely to become fully integrated into the board, and their ideas are more likely to be taken seriously by the rest of the board (Konrad & Kramer, 2006).

3. **Develop a diversity culture.** In order for boards to gain the most advantage from the diversity of their boards, they must first develop an environment that is conducive to diversity of thought. When boards are excessively cohesive, they tend to suppress dissenting opinions, and individuals are more likely to conform to norms already in place. Two recent reviews – one theoretical and one empirical – both concluded that diversity improves performance only under the right set of conditions (Jackson et al., 2003; Stahl et al., 2010). Boards can develop a diversity culture by managing the processes used to make decisions, such as soliciting opinions by multiple methods – email, whole group meetings, and private conversations. It is essential that the board chair manages board interactions, to ensure that minority perspectives are heard and taken seriously.

FINAL THOUGHTS

In this paper, I make the case for boards to consider two interrelated – but not identical – goals for board gender diversity: gender parity and good governance. Boards that include more gender diversity *in order to improve the way they solve complex problems* may be able to improve their organizations' performance. Organizations that take the steps recommended here may also create many of the conditions necessary for other types of board diversity, such as racial or cultural diversity. Although some of the barriers listed here are unique to gender diversity, many of the arguments for cultural and racial board diversity are similar. For example, an organization that develops a diversity culture will be welcoming to unique perspectives that stem from culture, age, occupation, or race, as well as gender. Thus, organizations that follow the recommendations in this report will be well positioned to benefit from all forms of increased diversity on their boards of directors.

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Table One: Conditions for board diversity success

Barriers		Helpful circumstances that allow boards to improve governance with gender diversity
Barriers to access for women	**Barriers to utility after women are appointed**	
• Stereotypes • Access to networks • Limited recruitment pool • Missing leadership	• Types of tasks • Focus on quotas • Tokenism	• A culture of diversity • Explicitly discuss team processes • Diversity as strategy • Placing value on director independence

Table Two: Recommendations

How to achieve gender parity	How to benefit from gender diversity
1. Measure progress	1. Avoid quotas
2. Actively search for female candidates	2. Reach critical mass for the right reasons
3. Professionalize the search process	3. Develop a diversity culture