

THE BUSINESS CASE FOR HAVING MORE WOMEN ON BOARDS

The obvious reason to do anything in business is because of a potential pay-off. Of course there are other reasons for doing things, but in the end it is the bottom line that matters most. In the case of board gender diversity that works extremely well since the business case for having more women on boards is very strong.

Here are excerpts from some of the many articles, books, and studies to explain as thoroughly as possible what the business case for having more women on boards is and why it should matter to Canada's business leaders.

“There is a powerful business case for why corporate Boards should bring more women around the Board table. As the research proves, companies with female Board members can expect significantly higher returns and better overall financial performance.

More female representation also translates into improved risk management and audit control, increased ethical oversight and a broader, more accurate assessment of the company's success.

Equally important, with more female leadership, companies are better able to attract more female talent. They send a powerful message to the women who already work for their organizations that their contributions are valuable – that their voices are heard. They demonstrate to employees, investors and other stakeholders that diversity truly matters to their corporate success.”

Leveraging Diversity to Maximum Advantage: The Business Case for Appointing More Women to Boards

By Carol Stephenson, Dean of the Richard Ivey School of Business
Ivey Business Journal, 2004

As the article suggests, there are three major reasons why board gender diversity matters.

1. It's good for the bottom line.
2. It's a wise corporate governance practice.
3. It helps companies attract and retain female talent.

Good For The Bottom Line

Having more women on corporate boards can have economic rewards.

Fortune 500 companies with the highest percentage of female directors outperformed competitors with the lowest female representation. The key findings:

- 53% higher return on equity (ROE)
- 42% higher return on sales (ROS)
- 62% higher return on invested capital (ROIC)

The Bottom Line: Corporate Performance and Women's Representation on Boards
Catalyst, 2007

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

Women on Boards: Not Just the Right thing...But the “Bright” Thing
The Conference Board of Canada, May 2002

A Wise Corporate Governance Practice

Improved decision-making, greater attention to ethics and corporate social responsibility, and better representation of important business stakeholders are just some of the ways corporate governance practices can improve with more women on boards.

“At the recent World Economic Forum in Davos, Switzerland, some of the most interesting discussions revolved around whether we would be in the same mess today if Lehman Brothers had been Lehman Sisters. The consensus...is that the optimal bank would have been Lehman Brothers and Sisters.... Wall Street is one of the more male-dominated bastions in the business world....Aside from issues of fairness, there's evidence that the result is second-rate decision-making.”

Mistresses of the Universe
By Nicholas D. Kristof
The New York Times, February 8, 2009

“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.

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.

Being a women, 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.”

“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.”

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

Women on Boards: Not Just the Right Thing...But the “Bright” Thing
The Conference Board of Canada, May 2002

“...boards that include women tend to reach better decisions...on ethical matters, because women have a better sense of what’s “right” in a particular set of circumstances because they are more interested than men in ethical and corporate social responsibility issues or because the presence of women on the board limits the power of male “group think” to nod through ostensibly value-creating proposals or policies that are ethically questionable.

...women directors may have a part to play in the improvement in the standards of corporate governance that the public at large are demanding.”

A Woman’s Place is in the Boardroom
By Peninah Thomson and Jacey Graham
Palgrave Macmillan, United Kingdom, 2005

“Women...are important business stakeholders – as consumers, employees, employers and shareholders – whose interests must be known and represented on the boards of companies who sell products and services to them, who employ them, or who contract with some of them for services or products, and whose shares are held by many of them.

With women now comprising not a market niche but a market majority, it would be important to have expertise that knows how to appeal to them, understands their priorities and concerns.”

Women and Corporate Boards

By Irene Natividad.
Corporate Women Directors International. 2006

Helps Companies Attract And Retain Female Talent

“The question for *this* century is not what is wrong with women. It is what is wrong with companies that fail to attract, retain, and promote the majority of today’s educated Talent pool....”

How Women Mean Business: A Step by Step Guide to Profiting from Gender Balanced Business

By Avivah Wittenberg-Cox
John Wiley & Sons, England, 2010

“Gender is a business issue, not a ‘women’s issue’. The under use of women’s talent has an impact on the bottom line. Taking action to address this will require sustained courage and conviction from today’s corporate leadership. This is an opportunity that must not be missed. It is time for CEOs to get serious about sex.”

Why Women Mean Business: Understanding the Emergence of Our Next Economic Revolution

By Avivah Wittenberg-Cox and Alison Maitland
John Wiley & Sons, England, 2008.

“If firms are to recruit and retain skilled employees, corporate managers and future executives, they must consider women as an important part of their labor pool. Women constitute one-half of the workforce, half the number of college graduates, and half of those in graduate schools. Women are being trained for, and aspire to, senior level positions. They no longer are content to occupy staff positions that don’t lead to important line experience. So it follows that paying attention to the best and brightest women, since they constitute a growing percentage of the labor pool, is important. Companies that have women on their boards send a message that women are valued in their firms. Conversely, when potential female employees and key existing employees see no woman on a board, it raises questions about the corporate culture and a woman’s chances for advancement.”

Women on Corporate Boards Make Good Business Sense

By Judy B. Rosener
Directorship, May 2003