

MANAGEMENT & CAREERS

Women's Share of Board Seats Rises to 20%

California law requiring female directors causes ripple effects at companies nationwide

By Rachel Feintzeig

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One-fifth of seats on a broad swath of public-company boards are now held by women, a sign of change as U.S. corporations face increased pressure to diversify.

The share of female board members in the Russell 3000 index, which includes most public companies on major U.S. stock exchanges, increased to 20% in the second quarter of this year from 19% the previous quarter, according to Equilar Inc., a governance-data firm. When Equilar began tracking the measure in late 2016, 15% of board seats were filled by women.

The increases come amid calls for change from big investors and a new California law mandating female representation on public-company boards. In July, the last all-male board among S&P 500 companies—Dallas-based online car-auction company Copart Inc. CPRT -0.11% ▼—added a female finance executive to its ranks.

Other recent high-profile appointments of female directors include Starbucks Corp. executive Rosalind Brewer to Amazon.com Inc.'s board and former Apple Inc. retail chief Angela Ahrendts to Airbnb Inc.'s board. WeWork, recently renamed the We Co., is adding Harvard Business School professor Frances Frei to its board in advance of a planned initial public offering of stock. Google parent Alphabet Inc. named biopharmaceutical executive Robin Washington as a director and Boeing Co. added former U.S. ambassador to the United Nations Nikki Haley.

The California law, signed last September by then-Gov. Jerry Brown, requires all publicly traded companies with headquarters in the state to have at least one woman on their boards by the end of 2019 or face fines. So far, 68% of the 94 public companies in the state with all-male boards when the law passed have added at least one woman, according to Athena Alliance, a nonprofit that helps women land board directorships. They include semiconductor-testing company Cohu Inc., which added executive coach and Hewlett Packard alum Lynne J. Camp earlier this month, and cloud software firm Veeva Systems Inc., which added Mary Lynne Hedley, a pharmaceutical executive, in August.

Roger Villareal, a spokesman for Veeva, said the company had a woman on its board at its founding and for much of its history. “Veeva has always maintained diversity within our leadership and across the company,” Mr. Villareal wrote in an email.

The mandate is having ripple effects beyond those companies that fall within its parameters, recruiters say. Companies outside California are also coming to Jana Rich, the founder and chief executive of San Francisco-based Rich Talent Group, an executive-search firm focused on diverse hiring, in search of women to add to their boards. She said they expect other parts of the U.S. to consider similar legislation soon.

“They’re trying to get ahead of the curve,” she said. Companies preparing for an IPO have also tapped her to diversify their director ranks.

Big investors such as State Street Corp. and BlackRock Inc. have pressed for change, citing research that links more women on boards with better shareholder returns.

Meanwhile, some women joining male-dominated boards have expressed concerns about being the first female directors. They ask, “Am I really going to have a voice at this table?” Ms. Rich said. “How long will I remain the only woman on the board?”

Nearly 42% of new directors appointed in the second quarter to Russell 3000 boards were women, according to Equilar. That is down from 47% during the first quarter of the year. Of the women filling open board seats in the second quarter, 53% were serving on their first corporate board, while the remainder were veterans.

Mike Magsig, who leads the global CEO and board practice at executive-search firm DHR International, says companies have become more open to bringing on first-time female corporate directors.

Meanwhile, employers are increasingly encouraging their female executives to sit on outside boards for career development. That has helped plump up a talent pool of potential female board members that had been “dwindling rapidly,” he said, as female business experts became overburdened with board appointments.

Some companies worry that California companies complying with the state’s mandate—which requires some corporations to have at least three female directors by 2021—will snap up top women candidates. “You’re seeing really savvy private companies aggressively wanting to add women to their boards as well, so that they don’t find themselves in another year or two with a lack of the talent they need,” Mr. Magsig said.

Others are pushing back against the call to diversify. Some companies subject to the California law have told Mr. Magsig they are considering just paying the fines—which start at \$100,000—this year rather than adding a woman to their board, he said.

“They’re saying, ‘We’re not going to let any government authority tell us how to run our company,’ ” he said.

A conservative group, Judicial Watch, last month filed a lawsuit in Los Angeles County Superior Court alleging the law is unconstitutional.

Most companies seem to be banking on more edicts around diversity. Illinois’s governor in late August signed a bill requiring public companies based in the state to report on the composition of their boards, by gender and ethnicity, as well as on how they promote diversity at the board and executive level.

“It’s generally thought that even if the [California] legislation is struck down, it’s going to come back in a different form—and let’s just go ahead and comply regardless of the outcome,” Mr. Magsig said.

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