

Women on Corporate Boards of Directors: A Needed Resource¹

Ronald J. Burke

ABSTRACT. This research reports the results of a study of women serving on boards of directors of Canadian private and public sector organizations. These women (N = 278) were an impressive and talented group (education, professional designations). In addition, they brought a variety of backgrounds and expertise to their director responsibilities. Most were nominated as a result of recommendations from current board members, CEOs, or someone who knew board members or CEOs. Thus personal relationships (the old boy's network) as well as track records and appropriate expertise were important factors in board nominations. Women directors thought they had some influence on women's issues with their boards and board companies. A majority believed that board members should be more diverse, including more women and fewer male CEOs. However they indicated several barriers faced by women in being selected and nominated for board appointments.

Less than five percent of the members of boards of directors of private sector organizations are women, about the same percentage as women in senior management ranks. And though women continue to be appointed to boards, they will remain a distinct minority for the foreseeable future. This manuscript indicates reasons why there are so few women on corporate boards of directors and makes the case for increasing the

number of qualified women on boards as a necessary corporate resource.

Increasing research attention has been devoted to understanding the roles and responsibilities of boards of directors of North American corporations (Gillies, 1992; Lorsch and MacIver, 1989; Fleischer, Hazard and Klipper, 1988). This has resulted from increased interest in corporate governance, a lowering of the veil of privacy accorded CEOs and board members, scrutiny and criticism of board performance because of specific decisions approved by them, and the generally low level of performance of North American organizations in the international marketplace during the 1980s.

The roles and responsibilities of corporate boards build on a body of legal precedent (Lorsch and MacIver, 1989). Two main themes emerge from this writing. First, board members are legally responsible for the management of the corporation. Second, board members are accountable to shareholders. They have a duty to protect the interests of the shareholders (company owners) and provide an adequate return on investment to them. These statements imply a fairly narrow purpose and constituency which board members serve. Since contemporary corporations interact with a wider variety of stakeholders (employees, suppliers, customers, regulatory groups, etc.) board members must at least be aware of, if not sensitive to, a potentially larger array of constituencies if they are to be effective in their roles.

Initially, boards had honorary or at best advisory roles to CEOs appearing as "ornaments on a corporate Christmas tree" (Mace, 1971). They have also functioned as "old boy's clubs" (Leighton and Thain, 1993). Patton and Baker

Ronald J. Burke is currently a Professor of Organizational Behavior, Faculty of Administrative Studies, York University. His research interest include work and family, corporate restructuring and downsizing, occupational and life stress, and career development in organizations. He is a member of the American Psychological Association and the Academy of Management.

(1987) are critical of broad performance, suggesting that board members do not live up to their responsibilities because of a "let's not rock the boat" mentality. They cite several reasons for this. These include: the dual authority often claimed by CEOs as chiefs of management and Board Chairpersons, the large size of corporate boards which makes good discussion difficult, many board members are themselves CEOs who value each others' friendship and want to keep their seats on the board, and board members are too busy to devote enough time to their board responsibilities. There are also not enough qualified male CEOs to go around. It has been reported that CEOs turn down three invitations to join corporate boards for every one they accept. One way to deal with some of the concerns raised about the effectiveness and relevance of corporate boards of directors is to appoint more women who are qualified to them. Women are developing the necessary experience, track records and abilities to qualify for board membership, though they are often invisible to male CEOs (Schwartz, 1980; Mattis, 1993).

If research on corporate boards has been limited, studies that consider women directors have been few (Burke, 1994). The present study of 278 Canadian women directors examined the following questions, among others:

1. What are the personal, educational and career characteristics of these Canadian women directors?
2. How do they perceive their nomination for board memberships?
3. How much influence do they have on issues relating to women on their boards?
4. What are their views on why there aren't more women on corporate boards?

Methods

Respondents

Names and addresses of Canadian women directors were obtained from the 1992 Financial Post *Directory of Directors* (Graham, 1991). Each was sent a questionnaire. The final response (N =

278) represents about a fifty percent response rate.

Procedures

An eleven page survey, to be completed anonymously, accompanied by a stamped, self-addressed return envelope, was sent to each woman at either home or office address, depending on the listing in the *Directory of Directors*. A cover letter explained the purpose of the research. A postcard follow-up reminder was mailed out about one month later. All responses were received within slightly over two months of the initial mailing.

Results

Personal and demographic characteristics

About ninety percent of the sample were university graduates. About one-quarter of the women had one or more professional designations (e.g., CA). A majority were currently married (71%) with a similar percentage having children. They had an average of 2.4 children. Ages ranged from 28 to 81, with the average being 45. Respondents indicated their annual level of compensation (base pay plus bonus pay) at their current employment. Pay categories ranged from \$50 000 or less (N = 21, 8%) to over \$400 000 (N = 9, 4%), the majority fell in the \$100 000–\$200 000 category (N = 116, 46%) or the \$50 000–\$100 000 category (N = 78, 31%).

Respondents indicated, for four types of directorships (private sector, public sector, not-for-profit, other), the number they held (0 through 5 or more). Most served on private sector boards (N = 186, 67%) followed in turn by not-for-profit boards (N = 166, 60%), public sector boards (N = 121, 44%) and others (N = 41, 15%). On average, the sample held 1.3 directorships in the private sector, 1.3 directorships in the not-for-profit sector, 0.6 directorships in the public sector and 0.2, other directorships. When all boards were considered together, women service on anywhere from one (66 women) to

thirteen boards (one woman) with the average being 3.5 boards.

Respondents indicated their primary occupation, aside from their positions as board directors. Only 26 (9%) had no other paid employment. The majority were full-time employees of organizations (N = 157, 57%), owned their own business (N = 39, 13%), or functioned as consultants, outside directors and freelancers (N = 20, 7%).

Women directors indicated, for three broad categories of background or expertise (the professions, not-for-profit or public sector, business disciplines), those areas in which they had significant background or expertise. Considering the professions first, 54 (19%) had accounting credentials and expertise, 45 (16%) had legal training or legal expertise and 22 (8%) had medical or health care credentials or expertise. Considering next not-for-profit knowledge and experience, 58 (21%) had educational institution knowledge and experience and 47 (18%) had government knowledge and experience. Finally, considering various functional areas of business and management, almost half the women directors (N = 134, 48%) indicated general management expertise, and about one-third (N = 99, 36%) indicated financial expertise. About one-quarter reported public relations (advertising/communication expertise (N = 72, 26%), marketing/sales expertise (N = 66, 24%) and human resources expertise (N = 62, 22%).

These personal and demographic characteristics indicated that Canadian women directors were an impressive and talented group (education, professional designations). In addition, they brought a variety of backgrounds and expertise to their director responsibilities. Many areas of functional business expertise were also represented. Finally, these women served on a variety of boards. In the fall of 1976, the chairman of a major Canadian bank remarked that no women served on his board because none were qualified to do so. It is unlikely that such a statement would be made publicly today.

Nomination and selection to boards

Women directors indicated their views on the three most crucial characteristics to attaining directorships from a list of eleven. There was considerable agreement on those characteristics ranked first: a strong track record in one's field or occupation (N = 112, 42%), followed by business contacts (N = 56, 21%) and a good understanding of business (N = 55, 20%).

Women directors also indicated how their names were brought to the attention of the boards on which they serve. The most common method was being recommended by a board member of the company (N = 206, 74%), followed by being recommended by the CEO (N = 162, 58%) and being recommended by someone who knew the CEO or a board member (N = 93, 33%).

Women directors then indicated what they believed was the most important factor from a list of nine in their own board nominations. The most important factor was having the desired areas of expertise and responsibility (N = 158, 34%), holding the appropriate job title or leadership position (N = 81, 17%) and being a woman (N = 58, 12%).

This pattern of findings contained elements suggesting reasons for both optimism and pessimism regarding increasing the numbers of women serving on corporate boards. The optimistic conclusions are based on the importance of a strong track record, business expertise and appropriate position titles in attaining directorships. More and more women are acquiring these credentials. In addition, being a woman was also seen as influencing their appointments to corporate boards. The pessimistic slant on these findings stems from the fact that the nomination process is still pretty much the result of the "old boy's" network. Many qualified women would not be visible to this small, important but insulated group of men.

Impact on company's sensitivity to women's issues

Women directors indicated how much impact they thought they had on five issues: board

sensitivity to issues that affect female employees, shareholders' feelings about investing in the company, female employee's feelings about working for the company, company's ability to recruit women and the representation of women in senior management. In addition, they were asked, in an overall sense, whether they thought they had an impact on their company's sensitivity to issues that affected women.

In general, women directors felt they had limited impact on the five specific issues. They felt that their greatest effect was on making female employees feel more positive about working for the company, followed by increasing board sensitivity to issues affecting female employees.

These conclusions are consistent with findings from the general impact question. Only 25 women (91%) thought they had influenced their companies' sensitivity to a great extent. One hundred and thirty-eight women (52%) thought they influenced their companies' sensitivity to some extent while one hundred and four women (39%) thought they had no impact.

The following comments indicate some of the ways women directors influenced their corporate boards.

I have been told that discussion around the table of board meetings are of a 'higher tone' (6)

After a commentary on women's issues, they often say 'oh yes, that's right' (16)

They are more aware that women bring a different perspective, but not a bad one, rather just another view. (50)

The first women controller was appointed in this company's senior position *because* I had raised the issue of the company's policy regarding women in management. (55)

Creating awareness at the Board level of gender word usage and changes required to be made to infrastructure to ensure equal promotional opportunities. Also inputted advice on different recruitment techniques required to search out qualified women. (77)

The few women serving on corporate boards of directors were already having some impact on board performance on women's issues. And as more women get appointed to corporate boards

their impact will undoubtedly be greater and more far reaching in these areas. It is also likely that more CEOs/Board Chairpersons will come to realize that appointing a greater number of women to their boards is really a business concern with bottom-line implications (Schwartz, 1980). These involve not only enhanced board decision making, creativity and innovation, but also a number of potential benefits both inside and outside the organization. The former include role-modelling for women managers and professionals, the development of a more women-friendly organizational culture (i.e., policies and practices) and career guidance for high-performing women. The latter include becoming, an employer of choice for women, a service-provider of choice for clients, and an investment of choice for potential and current shareholders.

CEOs and Board Chairpersons need to understand the additional proposes women corporate directors can serve, legitimate such activities on the part of women directors, and negotiate such roles and responsibilities with women directors as they are appointed (Schwartz, 1980).

Why are there so few women directors?

This research examined the views of women currently serving on corporate boards as to why so few women held directorships. Their unique vantage point, having been selected to serve on corporate boards, and interacting with other board members – both female and male – offered useful insights.

Women directors first expressed their views on the adequacy of the mix of professional experience and backgrounds currently represented on their boards. If they felt the mix was inadequate, they then indicated which people there should be more or less of, from a list of ten possibilities. One hundred and fifty nine women (60%) thought the current mix of experiences and backgrounds was inadequate. One hundred and eighteen women (43%) believed there should be more women; 51 (18%) believed there should be an increase in board members with different ethnic or racial background; 50

(18%) thought more members should have business experiences, 48 (17%) advocated more heads of small companies, and 45 (165) wanted fewer directors who were CEOs or presidents or organizations.

These comments provide a flavor of some of this sentiment.

Most boards are male-dominated – old boy's clubs – most men feel that women do not contribute at a senior level. It is very difficult to make a difference. (268)

I believe that more companies should have a selection committee for board members and that the selection committee should have a broad mandate so that board members are selected from a wider spectrum of people. Over time, this should help to change the makeup of boards and will eliminate the need for a quota system currently used by some corporations. (29)

Women directors then indicated their beliefs as to why more women were not directors of Canadian private sector organizations. Eight reasons were provided and respondents endorsed as many reasons as applied. The most common reason given was that companies do not know when to look for qualified women (N = 143, 51%). This was followed in turn by: companies are not looking to put more women on boards (N = 134, 48%); companies don't think women are qualified for boards service (N = 126, 45%), companies are afraid to take on women who are not already on boards (N = 121, 44%), qualified women are not making ti known that they are

interested in board service (N = 109, 35%), companies are concerned that women will have a "women's issues" agenda (N = 98, 25%), there are not enough qualified women for board service (N = 70, 25%) and qualified women are not interested in board service. These data are shown in Table I.

Women directors wanted a change in the mix of skills, experiences and backgrounds of board members. In particular women directors wanted more diversity – more women, more ethnic and racial minorities and fewer white male 55 year old CEOs.

Women directors attributed the absence of women on corporate boards primarily to the attitudes of male CEOs and Board Chairmen. Male CEOs were seen as thinking that women were not qualified, they were afraid to take on new and untried women or were fearful that women might have a women's agenda (were feminists?). Some male board members were seen as uncomfortable with women directors (other study data not reported here). In addition, women directors believed that organizations were not looking to put women on their boards or did not know where to look for women. It is almost certain, however, that an organization would know where to look for and how to find someone to fill a senior managerial job in a given function. Women themselves were also seen as shouldering some of the responsibilities for their absence by not making their interests known.

The following comments from women directors illustrate some of their feelings.

TABLE I
Reasons for so few women directors

Reasons	N	%
Think women not qualified	126	45.3
Not enough qualified women	70	25.2
Afraid to take on women not already on boards	121	43.5
Aren't looking to put women on	134	48.2
Don't know where to look	143	51.4
Women did/have a women's agenda	98	35.3
Qualified women not making interests known	109	39.2
Qualified women not interested in serving	10	3.6
Other	67	24.1

It is with great dismay that I note the lack of women directors in the corporate, particularly resource sectors, at a time when it has become painfully obvious that new and creative solutions are needed. The virtual exclusion of 52% of the population from this sector is a matter of serious national concern. It seems to me no accident that the most progressive and vibrant industries are those that have managed to assimilate males and females into productive work teams. (21)

Over the next 5 to 10 years, there will be an increasing number of women available for board positions – I mean women with advanced education and extensive business skills. Will they get the directorships – probably not to the extent deserved. Why? Because their networks and connections are not as strong as their male counterparts. (33)

In my experience, even the most ‘enlightened’ boards don’t know where to look for women directors. There are very few women CEOs, the normal rank from which to draw directors. They are also afraid to make a mistake. The safe route tends to be to focus on the few women who already sit on Boards and who have developed a good reputation. (56)

There doesn’t seem to be any real pressure or perceived need for boards to appoint female directors. Unless a real need is created, I suspect board appointments will continue to primarily via personal/business contacts. (104)

There are a *great* number of women who can make a substantial contribution to corporate Canada and would thoroughly refresh the boardrooms. However, the ‘old boy’s network’ and the ‘young boy’s network’ are great barriers to this. (185)

But women directors, as shown in the following comments, believed that all board appointments should be qualified.

Rightly or wrongly, I choose to serve on boards because of my business background . . . I do not want to be classified as a ‘woman director’; I would rather be a director, who happens to be a woman. I want to serve on a board because I am smart, thorough, well-prepared and because I can make a contribution. (4)

I do not believe in ‘token’ women directors. If they are not participating professionals on a board, they do more harm than good to the image of women directors. (1)

I think you will find that most women directors of large corporations are too busy doing their job to beat the feminist drum or worry about the politically correct landscape. Margaret Thatcher appeals more than Gloria Steinem or Germaine Greer. If you are good, you will succeed. (60)

These findings suggest that women will continue to be relatively absent from the boards of Canadian private sector organizations for some time come. There is no obvious punishment for failing to appoint women. The perceived attitudes of male CEOs and Board Chairmen also remain an obstacle to such appointments. For this picture to change, male CEOs and Board Chairman will have to approach the director selection process differently (Leighton and Thain, 1993; Barrett, 1993). This will obviously involve a more extensive search process. Related to this would be looking at levels below the CEO to find qualified but still invisible women. An important question that remains is what role women currently on corporate boards will or should play in this process.

Note

¹ This research was supported in part by the Faculty of Administrative Studies, York University and the Social Sciences and Humanities Research Council. I would like to thank Mary Mattis and Catalyst for permission to use their survey. Rachel Burke, Doug Turner and Ruth McKay assisted with the collection of the data and Cobi Wolpin helped with data analysis. Bruna Gaspini prepared the manuscript.

References

- Burke, R. J.: 1994, ‘Women on Corporate Boards of Directors’, in J. de Bruijn and E. Cyba (eds.), *Gender and Organizations: Changing Perspectives* (VV University Press, Amsterdam).
- Fleischer, A., G. L. Hazard and M. Z. Klipper: 1988, *Boardgames: The Changing Shape of Corporate Power* (Little, Brown & Company, Boston, Mass.).
- Gillies, J. G.: 1992, *Boardroom Renaissance* (McGraw-Hill, Toronto).
- Graham, J.: 1991, *Directory of Directors* (The Financial Post, Toronto).

- Leighton, D. and D. Thain: 1993, 'Selecting New Directors', *Business Quarterly* **57**, 16–25.
- Lorsch, J. W. and E. MacIver: 1989, *Pawns or Potentates: The Reality of America's Corporate Boards* (Harvard Business School Press, Boston, Mass.).
- Mace, M.: 1971, *Directors: Myth and Reality* (Division of Research, Harvard Business School, Boston, Mass.).
- Mattis, M. C.: 1993, 'Women Directors: Progress and Opportunities for the Future', *Business & the Contemporary World* **5**, 140–156.
- Patton, A. and J. C. Baker: 1987, 'Why Directors Won't Rock the Boat', *Harvard Business Review* **65**, 10–12, 16, 18.
- Schwartz, F. N.: 1980, 'Invisible Resource: Women for Boards', *Harvard Business Review* **58**, 16–18.

York University,
Faculty of Administrative Studies
4700 Keele Street,
M3J 1P3 North York,
Ontario, 401 Canada

Copyright of Journal of Business Ethics is the property of Springer Science & Business Media B.V. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.