

ARTICLES

GENDER DIVERSITY ON CORPORATE BOARDS: SPOTLIGHTING WISCONSIN

*Phyllis King**

TABLE OF CONTENTS

I. INTRODUCTION	1
II. THE BUSINESS CASE	2
III. MINIMIZING RISK	4
IV. THE PHENOMENON OF THREE OR MORE	5
V. GLOBAL ANALYSIS.....	6
A. International.....	6
B. National	7
C. State of Wisconsin	9
VI. PROPOSED REMEDIES	10
A. Legislation	11
B. Individual Actions	11
C. Company Behavior	11

I. INTRODUCTION

Over the past several decades, women have made great strides in the classroom, the labor force, and the income tables. Women earn almost 60% of undergraduate degrees and 60% of all master's degrees. Forty-four percent of these master's degrees are in business and management.² Women account for 47% of the total employment in the United States.³ They are well-established in professions such as banking, law, and medicine.⁴ More women are making it to top leadership positions in prominent companies, including Pepsico, Yahoo, and General Motors.⁵ Yet an arena where a gap remains is corporate boards. Progress in this area has been glacially slow. Men hold over 80 percent of all S&P 500

* Phyllis King is the Associate Vice Chancellor for Academic Affairs for the University of Wisconsin-Milwaukee, a Professor in the College of Health Sciences, The Associate Director for the Center for Ergonomics and the Director of Campus Ergonomic Services.

2. Judith Warner, *The Women's Leadership Gap: Women's Leadership by the numbers*, CTR. FOR AM. PROGRESS (March 7, 2014), <https://cdn.americanprogress.org/wp-content/uploads/2014/03/WomenLeadership.pdf>.

3. *Id.*

4. *Id.*

5. *Id.*

board seats.⁶ As of 2016, 5% of CEOs in the S&P 500 are women. Only 19.9% of board seats, 25.1% of executive officials, and 36.8% mid-level managers are women.⁷

Boards of directors make decisions that impact all levels of the community.⁸ Boards of directors are responsible for choosing CEOs of their respective companies. Board of directors, “make decisions about executive compensation, whether to buy, sell, or merge with other companies, where corporate offices close and relocate, and how much priority a company gives to issues other than profits, such as social responsibility.”⁹ Effective corporate leadership requires the consideration of different points of view, from groups of diverse backgrounds.¹⁰ With the growing pool of applicants and the increase of women in senior leadership positions, it makes economic sense for companies utilize that talent pool.¹¹

Women bring new solutions to problems facing today’s corporations. The belief has long been held that “diversity of thought results in better decision-making.”¹² Shareholders, employees, and customers are increasingly scrutinizing the makeup of corporate board of directors in an effort to ensure the composition is representative of their company.¹³ “A diverse board provides a competitive edge. It is better positioned to thrive in today’s global economy where the pace of change is accelerating and rapidly changing economic realities require nimble, strategic and well informed directors.”¹⁴ Perhaps most compelling is the business case for increasing the number of women on boards.

II. THE BUSSINESS CASE

1. A plethora of research is available substantiating the business case for more women on corporate boards. Catalyst, a U.S. non-profit agency, found higher financial performance for companies with higher representation of women board directors in three important measures:
 - a. Return on Equity: On average, companies with the highest percentages of women board directors outperformed those with the least by 53 percent.

6. *Pyramid: Women in S&P 500 Companies*, CATALYST, (March 1, 2017), <http://www.catalyst.org/knowledge/women-sp-500-companies>.

7. *Id.*

8. *Why Gender Diversity Matters*, 2020 WOMEN ON BOARDS (2011), <https://www.2020wob.com/learn/why-gender-diversity-matters>.

9. *Id.*

10. *Id.*

11. *Id.*

12. *Id.*

13. *Id.*

14. *Why Gender Diversity Matters*, 2020 WOMEN ON BOARDS (2011), <https://www.2020wob.com/learn/why-gender-diversity-matters>.

- b. Return on Sales: On average, companies with the highest percentages of women board directors outperformed those with the least by 42 percent.
- c. Return on Invested Capital: On average, companies with the highest percentages of women board directors outperformed those with the least by 66 percent.¹⁵

A Credit Suisse study showed that companies with at least one woman board member saw an average return on equity of 14.1 percent from 2005 to 2015; all-male boards' average returns were 11.2 percent.¹⁶ Another Credit Suisse Research Institute report found that for “companies with market capitalization of more than \$10 billion, the share prices of those with women board members outperformed the share prices of those without women board members by 26% over the previous 6 years.”¹⁷ “For smaller companies, the shares of those with women on the board outperformed the shares of those without women by 17%.”¹⁸

A survey conducted by the Peterson Institute in 2016 included 21,980 publicly-traded firms from 91 countries. This survey found greater board diversity significantly correlated with measures of financial success.¹⁹ “Stock in the 12 Fortune 500 companies with women CEOs rose 50 percent on average in 2009 compared to the S&P 500 at a 25 percent average rise.”²⁰ A report from Rothstein Kass Institute found that between January 2007 and May 2013 women-run hedge funds returned 6 percent gains compared to 4.2 percent for those run by men.²¹ Erhardt, Werel and Shrader²² and Carter et al.²³ further confirmed that

15. Lois Joy et al., *The Bottom Line: Corporate Performance and Women's Representation on Boards*, CATALYST (2011), http://www.catalyst.org/system/files/The_Bottom_Line_Corporate_Performance_and_Women's_Representation_on_Boards.pdf.

16. *The CS Gender 3000: Women in Senior Management*, CREDIT SUISSE RES. INST., Sep. 2014, at 16, <https://www.calpers.ca.gov/docs/diversity-forum-credit-suisse-report-2015.pdf>.

17. Corrie Driebusch, *Gender-Diverse Boards Draw Investors*, WALL ST. J., (Feb. 9, 2014), <https://www.wsj.com/articles/SB10001424052702304549504579318283326502974>.

18. *Id.*

19. *Id.*

20. *Avon Named One of The Top 50 Companies for Executive Women*, AVON MEDIA CTR., Mar. 2, 2010, <http://media.avoncompany.com/index.php?s=10944&item=7498>.

21. *Women in Alternative Investments: A Marathon Not a Sprint*, ROTHSTEIN KASS INST., (Dec. 2013), <http://naicpe.com/wp-content/uploads/2015/12/research-women-in-alternative-investments.pdf>.

22. Niclas L. Erhardt et al., *Board of Director Diversity and Firm Financial Performance*, IOWA ST. U. (2003), <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.1013.3464&rep=rep1&type=pdf>.

23. David A. Carter et al., *Corporate Governance, Board Diversity, and Firm Value*, THE FIN. REV. 33 (2007), <http://library.pcw.gov.ph/sites/default/files/corporate%20governance,%20board%20diversity.pdf>.

greater gender balance among corporate leaders is associated with higher stock values and greater profitability.

The business case for gender diversity on boards can be depicted by four key dimensions: improving performance, accessing the widest talent pool, being more responsive to the market, and achieving better corporate governance.²⁴ Companies in the top quartile for gender diversity are 15% more likely to have financial returns above their respective national industry medians. Aaron Dühr, at York University's Osgoode Hall Law School, conducted a qualitative interview-based study of "23 male and female Norwegian corporate directors who were appointed to boards both before and after the 40% quota was implemented."²⁵ Dühr wanted to determine how the quota would affect the board's decision making. The findings revealed that introducing at least 3 women to a board allowed for diverse perspectives, experiences and strategies that were unique from the male counterparts.²⁶ Female leaders were more likely than males to "probe deeply into the issues at hand" through questions, enhancing decision-making.²⁷ Women were also more likely to ask others for their opinions allowing everyone a voice, and avoiding favoritism. Furthermore, the study found seven advantages: "improved communication, enhanced decision-making and recognition of value of dissent, improved crisis management and risk mitigation, positive changes in boardroom culture, positive changes to men on the board's behavior, a more ordered environment, and more tightly monitored management."²⁸ One disadvantage was noted. It took longer to make decisions and directors experienced more conflict.²⁹

III. MINIMIZING RISK

In a study done by Abbott, a positive correlation was found between gender diversity and company performance. Appearing in the December 2012 issue of the American Accounting Association journal *Accounting Horizons*, this study examined how the presence of at least one woman on an otherwise male board affects the "tone at the top" as measured by frequency of financial restatements.³⁰ The researchers found that gender diversity is associated with a reduced incidence of financial restatement that is almost 40% less than the likelihood for a company without a woman on its board.³¹ The study also found that gender

24. *Women on Boards*, GOV'T EQUALITIES OFF., Feb. 2011, at 8, <http://www.raeng.org.uk/publications/other/women-on-boards-february-2011>.

25. Paul Greatrix, *Higher Ed Governor Diversity: All Above Board?*, WOHNKE, <http://wonkhe.com/blogs/higher-ed-governor-diversity-all-above-board/>.

26. *Id.*

27. *Id.*

28. *Id.*

29. *Id.*

30. Abbott J. Lawrence et al., *Female Board Presence and the Likelihood of Financial Restatement* (2012), *Accounting Horizons In-Press*, <http://aaapubs.org/doi/abs/10.2308/acch-50249>.

31. *Id.*

diversity on a company's board is twice as effective as the strategies for minimizing this type of financial risk which are to require a board's audit committee to consist entirely of independent directors, require at least one of them to be a financial expert, and require the audit committee to meet at least four times annually.³² The study supports the belief that gender diversity benefits group decision-making by facilitating communication and the exchange of different and potentially better solutions. Boards with more women surpass all-male boards in their attention to audit and risk oversight and control.³³

Companies lacking board diversity tend to suffer more governance-related controversies than average.³⁴ More gender-balanced boards were more likely to identify criteria for measuring strategy, monitor its implementation, follow conflict of interest guidelines and adhere to a code of conduct.

IV. THE PHENOMENON OF THREE OR MORE

A Conference Board of Canada study found return on equity and net profit margin of companies with at least 3 female directors were significantly stronger than for companies with less diverse boards.³⁵ According to Brown et al., 74 percent of boards with three or more women explicitly identify criteria for measuring strategy; only 45 percent of all-male boards do; and 94 percent of boards with three or more women explicitly monitor the implementation of corporate strategy; 66 percent of all-male boards do.³⁶ Ninety-four percent of boards with three or more women ensure conflict of interest guidelines, compared with 68 percent of all-male boards.³⁷ A study by Catalyst in 2011 found that Fortune 500 companies with 3 or more female board members in at least 4 of 5 years significantly outperformed those with no female board members in at least 4 of 5 years.³⁸

The correlation between strong business performance and women's participation in leadership is undeniably strong. Although correlation does not always equal causation, the correlations make a compelling case that indicates when companies commit themselves to diverse leadership, they are more successful.

32. *Id.*

33. *Id.*

34. *Id.*

35. David A.H. Brown et al., *Women on Boards: Not Just the Right Thing . . . But the "Bright" Thing* (2002), The Conference Board of Canada, at ii, <http://utsc.utoronto.ca/~phanira/WebResearchMethods/women-bod&fp-conference%20board.pdf>.

36. *Id.* at 5.

37. *Id.*

38. Lois Joy et al., *The Bottom Line: Corporate Performance and Women's Representation on Boards*, CATALYST (2011), http://www.catalyst.org/system/files/The_Bottom_Line_Corporate_Performance_and_Womens_Representation_on_Boards.pdf.

V. GLOBAL ANALYSIS

A. *International*

Companies in European countries have instituted formal mandates, raising female board representation to 21.2 percent in 2015 from 11.9 percent in 2010. Shareholders are calling companies out for not having more women on their boards and urging them to change. In 2003, Norway became the first country to legislate gender balance on corporate boards. By 2008, no board there with more than nine members could have fewer than 40 percent of its seats filled by either sex. Norway reached the 40 percent threshold in 2007.³⁹ Germany, Belgium, Finland, France, Italy, the Netherlands, Spain, India, Malaysia and Israel now have some form of quota. In the U.K., the 30% Club was formed in 2010 to press companies to add women to their boards. In 2015, the proportion of women on FTSE-100 boards was 26 percent.⁴⁰ In June 2014, all-male boards became extinct among the FTSE 100.⁴¹ Women remain virtually absent from boards in the Asia-Pacific area, holding on average 9.4 percent of seats in a 2015 study of 100 companies throughout the region.⁴²

In the MSCI ESG Research global director universe, which is a compilation of companies from around the world and includes 4,218 companies, the percentage of women on boards globally stood at about 15% in 2015, up from 12.4% only a year earlier.⁴³ In its recent research, it discovered that among MSCI World Index companies (1,621 companies), women held 18.1% of all directorships as of August 2015, up from 15.9% in 2014.⁴⁴ At MSCI USA Index companies, women held 19.1% of directorships as of August 2015, up from 17.9% in 2014.⁴⁵ The countries with the highest percentage of board seats filled by women are Norway (40.1%), Sweden (33.7%), and France (33.5%). An MSCI ESG Research report released in 2015 highlighted interesting impact

39. Nicola Clark, *Getting Women into Boardrooms*, N.Y. Times (Jan. 27, 2010), <http://www.nytimes.com/2010/01/28/world/europe/28iht-quota.html>.

40. KPMG, CENTRE FOR DIVERSITY POLICY RESEARCH AND PRACTICE OXFORD BROOKES UNIVERSITY, CHANGING PLACES; WOMEN ON BOARDS, *Changing Places: Women on Boards* (2016), https://30percentclub.org/assets/uploads/UK/30__Club_Reports/CRT062811_OB_small_sco tt_v5_WEB.pdf.

41. Sean Farrell, *Glencore, Last All-Male FTSE 100 Board, Appoints Patrice Merrin as Director*, THE GUARDIAN, June 26, 2014, <https://www.theguardian.com/business/2014/jun/26/glencore-male-board-patrice-merrin-woman>.

42. The countries examined in the study included Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore and South Korea. Korn Ferry, *Study Links Gender Diversity in Asia Pacific Boardrooms to Better Company Performance* (Mar. 6, 2015), <http://www.kornferry.com/press/study-links-gender-diversity-in-asia-pacific-boardrooms-to-better-company-performance/>.

43. Linda-Eling Lee et al., WOMEN ON BOARDS: GLOBAL TRENDS IN GENDER DIVERSITY ON CORPORATE BOARDS, MSCI (Nov. 2015), <https://www.msci.com/documents/10199/04b6f646-d638-4878-9c61-4eb91748a82b>.

44. *Id.* at 21.

45. *Id.*

findings of greater gender diversity on boards. Augmented female leadership in companies generates a return on equity of 10.1% relative to 7.4% in those companies without. Less governing board diversity correlates to more governance-related controversies than average.⁴⁶

The European Commission made women in leadership a part of the political agenda in 2010 when women in the largest public companies comprised only 11.9% of board members. This has resulted in a significant increase to 21.2% today. In 2012, the European Commission proposal set a quantitative objective of a 40% presence of the under-represented sex among non-executive directors of companies listed on stock exchanges by 2020. Companies with particularly low representation were forced to apply gender-neutral criteria in selecting candidates. Qualification and merit remain the dispositive criteria for board member positions however: priority is given to members of the underrepresented sex only when they are equally qualified to the opposite sex.

The Directive offered considerable flexibility in choosing the means to achieve that progress. EU countries retained legislative autonomy in implementing programs to incorporate women on governing corporate boards. The companies establish the criteria and Member States may implement existing programs or design their own programs to achieve gender balance. So long as original approaches delivers results, the Commission's exact procedural requirements are not mandatory.⁴⁷

B. National

The first female directors were elected in the U.S. as early as 1900, while the average year companies in the Fortune 250 put a woman on a board was 1985. Today, 19 % of Fortune 500 board seats are currently held by women.⁴⁸ In 2005, the pace of women entering Fortune 500 boards slowed to 2% yearly after consistent 5% annual growth in the preceding decade.⁴⁹

In 2014, women comprised about 16 % of board seats in the S&P 500. Elsewhere, the makeup of boards has hardly changed. The United States technology sector is particularly lagging: one-third of Silicon Valley companies had no female directors when surveyed in 2015.⁵⁰ In the 810 active GDI (gender diversity index), women hold 19.7% of board seats. Women hold 18.8% of board seats of companies in the 2016 F1000 list – the largest U.S. companies ranked

46. *Id.* at 4.

47. European Commission, *Gender Balance on Corporate Boards*, Oct. 2015, http://ec.europa.eu/justice/gender-equality/files/womenonboards/factsheet_women_on_boards_web_2015-10_en.pdf.

48. 2020 WOMEN ON BOARDS, 2016 GENDER DIVERSITY INDEX KEY FINDINGS, <https://www.2020wob.com/companies/2020-gender-diversity-index>.

49. Rachael Soares et al., *2013 Catalyst Census: Fortune 500 Women Board Directors*, Catalyst 2013 (2013), http://www.catalyst.org/system/files/2013_catalyst_census_fortune_500_women_board_director.pdf.

50. DAVID A. BELL, CORPORATE GOVERNANCE SURVEY- 2015 PROXY SEASON, Fenwick and West LLC (Dec. 10, 2015), <https://www.fenwick.com/publications/pages/corporate-governance-survey-2015-proxy-season-results.aspx>.

by total revenue. Larger companies score better on boardroom diversity than smaller companies. Findings from Spencer Stuart's 2016 proxy analysis reveal:

1. A decline in board turnover: A decline in the number of independent directors elected to S&P boards during the 2016 proxy year has been experienced, from 376 in 2015 to 345 in 2016.
2. 32% of new independent directors on S&P 500 boards are serving on their first outside corporate board, an increase from 26% in 2015.
3. 32% of new independent directors are women. This is the highest rate of female representation in nearly 20 years.
4. More independent directors were investors in 2016 than in previous years, 12% in 2016 relative to 4% in 2011.
5. Less CEOs served on outside boards, 43% in 2016 relative to 55% in 2006.
6. Increased compensation for board members: The average director compensation rose 3% to \$285,065.
7. One percent of the total S&P 500 boards have no female directors, a decline from 2006, when 11% of boards did not have a woman.⁵¹

In a 2016 report by the US Government Accountability Office (GAO), the GAO reported that representation of women on the boards of U.S. publicly-traded companies has been increasing, but greater gender balance could take many years. The GAO reports it may take more than four decades for there to be equivalent gender representation.⁵² Also in 2016, the Thirty Percent Coalition called on chief legal officers to help achieve more diversity on boards by doing the following:

1. Ensuring that board selection and recruitment committees regularly include female candidates in recruitment pool.
2. Encouraging recruitment search beyond CEOs and to consider C-Suite officers, diverse applicants, and officers from government, universities and non-profit organizations.
3. Identifying senior executive women within companies as potential board candidates while developing and assisting these women to be competitive as applicants to corporate boards.
4. Ensuring that search firms are committed to recruiting women and ethnically diverse candidates.⁵³

51. Spencer Stuart, *2016 Spencer Stuart Board Index: A Perspective on U.S. Boards* (2016), https://www.spencerstuart.com/~media/pdf%20files/research%20and%20insight%20pdfs/spencer-stuart-us-board-index-2016_1mar2017.pdf.

52. U.S. GAO, *Corporate Boards: Strategies to Address Representation of Women Include Federal Disclosure Requirements*, U.S. GOVERNMENT ACCOUNTABILITY OFFICE (Dec. 2015), <http://www.gao.gov/assets/680/674008.pdf>.

53. 30 Percent Coalition, *Driving Demand for Gender Diverse Corporate Boards*, THIRTY PERCENT COALITION, <https://www.30percentcoalition.org/> (last visited Apr. 22, 2017).

In June 2016, 2020 Women on Boards, which is a national campaign to increase the percentage of women on US company boards to 20% or greater by the year 2020, released a report titled *Boardroom Diversity: When Women Lead*.⁵⁴ The following are some of the key findings of the report:

1. When women are in positions of authority or recruitment, boards tend to be more gender diverse.
2. Among Fortune 1000 companies with female leadership in the company or board, 88% of them have reached 2020 Women on Board's goal of 20% women on the board, compared to only 42% of overall companies.
3. Among Fortune 1000 boards with female directors, 75% are devoted to a single board.
4. Twelve women serve on at least four Fortune 1000 boards and come from a variety of professional backgrounds, including politics, law, academia, and non-CEO executive positions as well as the C-suite.

“Over the next decade, women will control two thirds of consumer wealth in the U.S. and be the beneficiaries of the largest wealth transference in our country's history. Estimates range from \$12 trillion to \$40 trillion.”⁵⁵ In 2007, the MassMutual Financial Group found that women 50 and older control 75% of the nation's wealth and have a net worth of \$19 trillion.⁵⁶ It makes good business sense to demographically align the workforce to reflect the market the company serves.

C. *State of Wisconsin*

A group of professional women determined to change the face and quality of leadership in the Wisconsin business community, known as Milwaukee Women inc (MWi), formed a nonprofit 501(c)(3) organization in Milwaukee, Wisconsin in 2003 with the mission of increasing the number of women corporate directors and executive officers in the state of Wisconsin. The organization conducts annual research and produces a report on the gender diversity of the boards of Wisconsin's 50 largest public and private companies in an effort to raise awareness among the business community, and ultimately stimulate action toward increasing diversity on boards and growing a stronger economy and a more attractive environment in which to do business. In addition, MWi's over 80 members provide education to companies, the media and the community about the importance of women on boards and in leadership. They provide resources for both companies looking to place women on their boards and for women interested in serving on boards.

54. 2020 Women on Boards, *Boardroom Diversity: When Women Lead* (2016), <https://www.2020wob.com/sites/default/files/2020GDI-2016Report.pdf>.

55. *Marketing to Women Quick Facts*, SHE-ECONOMY, <https://she-economy.com/facts-on-women> (last visited Apr. 22, 2017).

56. Dillon Railey, *The Marketing Power of Baby Boomer Women*, SAGON-PHIOR BLOG (Mar. 15, 2015), <http://www.sagon-phior.com/blog/the-spending-power-of-baby-boomer-women/>.

The most recent MWi research report, completed in 2016, found the number of women on Wisconsin public company boards increased for the third consecutive year.⁵⁷ In the WI 50, Wisconsin's 50 top publicly traded companies, women held 76 director seats in 2016, amounting to 16.9%.⁵⁸ This was an increase from the 71 director seats that women held in 2015 out of a total 451 seats.⁵⁹ More companies in Wisconsin have three or more women directors than ever before. In 2007, only five companies had three or more women directors, and in 2016 eight companies had three or more women directors.⁶⁰ In 2016, Wisconsin reached the nation's median for the percentage of women on public company boards.⁶¹

MWi also examined 47 board of directors among Wisconsin's 50 largest private companies.⁶² Private companies had significantly less gender diversity on their board of directors. Although women held a comparable 15.7% of board seats relative to public companies,⁶³ only 23% of private boards had two or more women directors,⁶⁴ and 45% had no women on their boards whatsoever.⁶⁵

Other highlights from the 2016 MWi research report include:

Nearly half of Wisconsin 50 companies (23/50) now have two or more women as

board members, compared to only three companies in 2008.

84% (42/50) of the Wisconsin 50 companies have at least one woman on their

board, a significant increase from 32 companies in 2008.

One Wisconsin 50 company – Alliant Energy – has a board composition that is

more than 50% women.⁶⁶

VI. PROPOSED REMEDIES

Knowing the enormous gap in women on corporate boards and the cited benefits, concerted efforts for change are called for not just by women but by institutional investors, governance experts, academic scholars, business organizations, regulators and champions of diversity in corporate leadership. All have identified board diversity as a business imperative. Doing so could lead to improved risk management and audit control, increased ethical oversight, more

57. Milwaukee Women inc. *Releases 2016 Research on Gender Diversity on Wisconsin Public and Private Corporate Boards*, MILWAUKEE WOMEN INC., <http://www.milwaukeewomeninc.org/news-resources.html>, (last visited Apr. 22, 2017).

58. *Id.*

59. *Id.*

60. *Id.*

61. *Id.*

62. Milwaukee Women inc. *Releases 2016 Research on Gender Diversity on Wisconsin Public and Private Corporate Boards*, MILWAUKEE WOMEN INC., <http://www.milwaukeewomeninc.org/news-resources.html>, (last visited Apr. 22, 2017).

63. *Id.*

64. *Id.*

65. *Id.*

66. *Id.*

accurate assessments of a company's success, wiser corporate governance practice, and greater profitability.

A. *Legislation*

The development of quotas has been legislated in European countries. In the U.S. stakeholders prefer voluntary strategies for increasing gender diversity on corporate boards, yet large investors and most stakeholders interviewed supported improving SEC disclosure requirements on board diversity. SEC requires disclosure of proxy statements to help investors make investment and voting decisions. Publicly-traded companies are required by the SEC to disclose to their shareholders certain corporate governance information for shareholder meetings if action is to be taken with respect to the election of officers. In December 2009, the SEC published a rule that requires companies to disclose certain information on board diversity in proxy statements filed with the Commission if action is to be taken with respect to the election of directors, including whether and if so how, boards consider diversity in the director nominating process.⁶⁷ Also, if boards have a policy for considering diversity when identifying director nominees, they must disclose how this policy is implemented and how the board assesses the effectiveness of its policy.

B. *Individual Actions*

There are actions to be taken by individuals as well as expressed through company policies and cultures that have been purported to facilitate the advancement of women onto corporate boards. At the individual female executive level, recommendations such as participation in board readiness training and education, creating a board profile, networking up to and across to CEOs, finding advocates and sponsors, taking risks, advocating for themselves, registering in databases, working to get on a government commission or committee, seeking out acquaintances who own their own companies, volunteering to start or serve on advisory boards, and developing a reputation for excellence and leadership in her main job and industry have been promoted.

C. *Company Behavior*

Companies have a significant role to play in encouraging the advancement of women on corporate boards. Increasingly, companies everywhere are realizing that gender diversity is an economic issue. Many are becoming more transparent about their actions and the progress they are making on diversifying their boards as well as their leadership pipelines. Several organizations, sometimes working with executive search firms, have compiled directories and databases of female candidates for the boardroom. Some are looking at board turnover and succession planning as a strategic way to increase diversity. They take the long-term view that affords the chance to be more thoughtful in board succession planning and maximize the opportunity to add directors who bring

67. 17 C.F.R. Parts 229, 239, 240, 249, and 274.

more than one skill-set or perspective, including functional skills, industry expertise, and diversity. Beyond the board, for gender diversity measures to be effective, they must be fully implemented across the whole organization, with key performance measures and HR policies to help ensure that women are systematically included in recruitment and promotion pipelines. For example, many US companies have instituted formal and informal policies and practices such as flexible working hours, flexible locations and job-sharing opportunities. In addition to leadership pipeline programs, a variety of other strategies are employed by companies, such as CEO sponsorship, the development of women's networks and mentoring programs.

The skills and productivity of a country's workforce determines how globally competitive that country will be.⁶⁸ Diversifying boards can lead to more independence, innovation, and good governance and maximize a company's performance.

68. *The Global Gender Gap Report 2013*, WORLD ECONOMIC FORUM 31 (2013), http://www3.weforum.org/docs/WEF_GenderGap_Report_2013.pdf.