

THE  
LEADERSHIP  
FOUNDRY

ADVANCING WOMEN TO THE  
CORPORATE BOARDROOM



Women Board Directors in Maryland, Virginia and Washington, DC  
September 2014

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Women in Technology

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## From the President

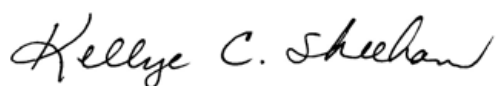
Since 1994, Women in Technology (WIT) has supported the professional aspirations of our members, now nearly 1,000 strong, through our mission to advance women “from the classroom to the boardroom.” In 2010, WIT began its collaboration with the American University’s Kogod School of Business to study gender diversity on the boards of publicly traded companies headquartered in Washington, DC and Virginia. In 2012, we extended the study to include Maryland. After the publication of the 2010 research findings, WIT launched The Leadership Foundry to train, mentor and provide networking opportunities to a selected group of executive women to prepare them for their first corporate board seats.

Each year, we expand our study to cover new areas and strengthen the evidence related to the benefits of including women on corporate boards. Looking back at our progress, we see that in 2010 and 2012 we counted and established a baseline for our study. In 2013, we looked at how to make inclusion really count by analyzing the benefits of critical mass (3 or more women on boards). This year we have identified a methodology for financial analysis to provide some quantitative metrics related to including women on corporate boards.

During this same time, there have been many ongoing activities studying this subject around the world. While these studies are looking at the broader scope of the gender diversity issue, they are often limited to a specific segment of corporations. Our focus remains on all publicly traded companies providing the economic base for our region. This includes Fortune 500 companies as well as companies with recent Initial Public Offerings (IPOs). These young companies provide the growing base of our economy and the largest body of open board seats with the greatest potential for the inclusion of women.

As WIT grows the cohort of women trained through The Leadership Foundry, we will continue to advocate on their behalf through outreach to companies who stand to reap the greatest benefit by increasing their board diversity. We recognize that the greatest potential for open seats lies with new and emerging public companies forming their boards. WIT is strategically positioned to assist these companies in the inclusion of highly qualified women through The Leadership Foundry and in establishing inclusion as general practice in selecting board members. We look forward to partnering with area companies to accelerate the inclusion of women on corporate boards by introducing women who offer the potential for better corporate performance.

WIT and The Leadership Foundry extend appreciation to our study leadership team, including Project Director Lori DeLorenzo, Vice President of Operations at Human Solutions, Inc. and Research Coordinator Jill Klein, Assistant Dean at American University’s Kogod School of Business. Thank you to the Kogod graduate student research assistants who committed their time and talent to the effort: Kesang Chungyalpa MBA ’15 and Kate Large JD/MBA ’15. Special thanks to Alan Rogers, Corporate Director, DCS Corp, Inc., Glimmerglass Networks, Inc., Signal Control Systems, Inc. and Lyles Carr, Senior Vice President, The McCormick Group, Inc., for sharing their insight and experience with our team.



Kellye Sheehan  
President, Women in Technology

## Women in Technology (WIT) and The Leadership Foundry

WIT's mission is to advance women in technology from the classroom to the boardroom by providing advocacy, leadership development, networking, mentoring, and technology education. To prepare executive women for positions as corporate board directors, WIT launched The Leadership Foundry, a program managed by WIT's Corporate Board Committee, for senior-level female executives interested in serving on a corporate board. Its goal is to prepare women for board service, provide opportunities to make connections, and develop relationships that could lead to a board position.

In 2011, The Leadership Foundry began providing networking and mentoring opportunities in addition to intensive board training sessions. Through The Leadership Foundry, WIT has also helped fuel awareness of the lack of women's representation on corporate boards and encouraged local organizations to support board diversity. Increasing the inclusion of women on public boards in WIT's study region will take time, but the prevalence of small companies going public provides significant potential to foster the inclusion of women and diversity in both principle and practice.

### Introduction

Since 2010, WIT, through The Leadership Foundry, has collaborated with American University's Kogod School of Business to monitor the change in the number of women serving on boards of directors for corporations in Maryland, Virginia, and Washington, DC. As WIT's research progresses, it is moving from simply counting the number of women on boards to examining the impact women are making in the boardroom. This 2014 study examines the progress we are making in gaining appointments for women on corporate boards within our region and establishes a financial methodology and baseline for future studies. This methodology will be used to demonstrate financial trends of corporations with and without women on their boards.

The turnover rate on established boards is very low, which does not yield a large number of open seats for women to fill. The greatest potential for open board seats lies in companies that are forming their boards. It is critical to make them aware of the benefits of gender diversity and provide them access to candidates before these companies form their boards.

## Background

Our research found that there are benefits to gathering multiple and diverse perspectives on corporate boards. Ariel Schwartz, a Senior Editor at Co.Exist, writes “Here’s the bottom line: more diverse teams breed more innovative outcomes.” She goes on to quote Jeanne Hultquist, director of strategic corporate programs at the Anita Borg Institute and the author of the report “Innovation by Design: The Case for Investing in Women.” “When you form a team tasked with a problem to solve or an opportunity to capitalize on, if you have half a dozen people with the same background in terms of life experience, education, where they grew up—you’ll get a consensus around relatively homogenous solutions. [With] more diverse team chemistry, you get more perspectives with a larger variety of options to consider, and more chances of having innovative solutions proposed.”<sup>1</sup>

Research examining women in executive leadership roles and the impact on business has grown in recent years with calls to define and support the value of gender diversity at work. Research in this area includes analysis on the presence of women at the board of director level and subsequent impact on businesses. Some of these studies analyze boards of directors with at least one woman, while others look at boards with a critical mass (three or more) of women board members. In 2014, the Anita Borg Institute (ABI) published a report summarizing the research findings and insights from studies conducted over the past decade and presents key advantages organizations can expect to gain by improving the balance of women in the workforce. These advantages are:

- Improved Operational and Financial Performance. Women have tremendous purchasing power. Organizations that employ more women in key roles are better equipped to meet the needs of the broader market, because women know what women want.
- Increased Innovation. For many companies, innovation is a strategic imperative. Research shows that women bring valuable perspectives and approaches to the ideation process, resulting in more innovative solutions to complex problems.
- Better Problem Solving and Group Performance. Knowledge work is performed in teams. Studies show that diverse groups solve problems more effectively than homogenous ones, raising overall performance and giving teams that include women a distinct competitive edge.
- Enhanced Company Reputation. Demand for technical talent is fierce. Companies that develop women in roles at every level are able to attract more applicants, sending positive signals to the labor market and improving their reputations.<sup>2</sup>

In its 2012 report, Gender Diversity and Corporate Performance, the Credit Suisse Research Institute analyzed corporate boards of 2,400 companies and their financial performance since 2005. This research found boards with at least one female director had less volatility than companies without women directors. A number of financial measures were used to assess financial performance, including net-debt-to-equity ratio. The average ratio was 48% for companies with at least one female director compared to 50% for companies with all-male boards. Net income growth averaged 14% for companies with a female director compared to 10% for companies with all-male boards.<sup>3</sup> Furthering these findings of reduced volatility, a 2014 study conducted by Hutchinson, Mack, and Plastow found gender diversity moderates excessive risk, in turn improving financial performance.<sup>4</sup>

A 2013 research study by Levi, Li, and Zhang found that the likelihood of an acquisition bid being made is reduced by 7.6% for each woman board director serving and the bid premium of any takeover is reduced by 15.4%. Moreover, companies with women serving as board members make fewer bids for mergers and acquisitions. They provide two interpretations of this data: women are more risk averse and do not make the deal, and women are more aware and more likely to protect shareholder value; the second resulting in fewer, but better acquisitions.<sup>5</sup>

The Credit Suisse Report included a finding that share price for companies with one or more women on their boards outperformed companies without women serving. In a more specific finding, a 2012 report produced by Cumming, Leung, and Rui found gender diverse boards had less of an impact on share prices in instances of regulatory or fraud violations.<sup>6</sup>

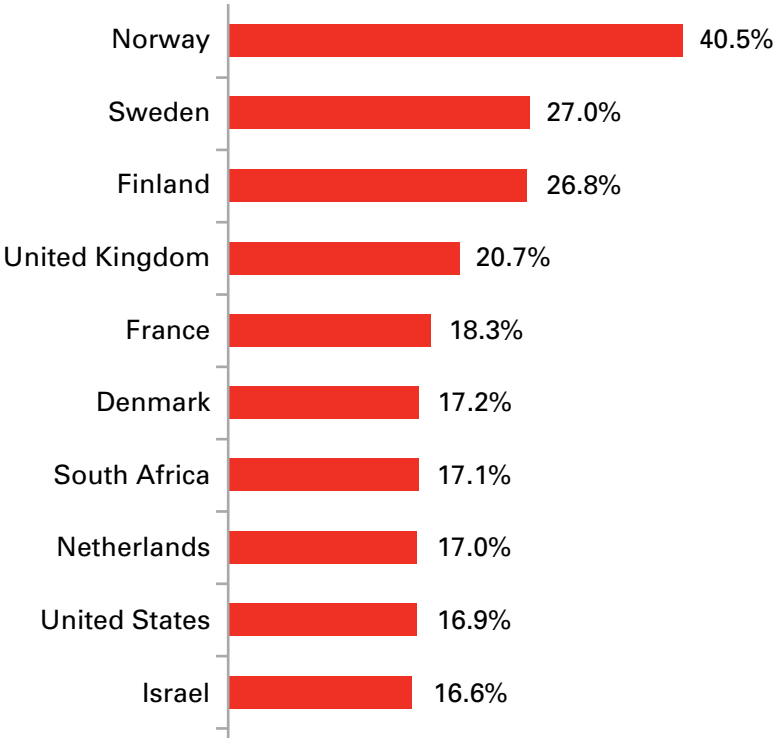
“Women work more collaboratively. More than men, they take the time to get consensus and work with others. Men tend to think, ‘give me the ball, I want to shoot.’ Women are more apt to pass the ball around to find the best person to shoot. They’re better committee chairs.

“Women are more willing to take on tasks, but tend not to volunteer. Especially in a mixed [gender] setting, women rarely say, ‘I got it.’ But, in fact, if asked to do something, they’ll do a better job.”

—Lyles Carr

Even with the growing body of evidence, changes impacting the percentage of businesses with women board members have been taking place at a very gradual pace. Looking across the globe, Norway ranks first with 40.5% of board seats held by women, South Africa is seventh with 17.5%, and the United States is ninth with 16.9%. The graphic below taken from the Catalyst study shows Europe is leading the way when it comes to the percentage of board seats held by women in 7 out of the top 10 countries.<sup>7</sup>

**Board Seats Held by Women by Country (Catalyst Knowledge Center 2014)**



Currently, there are approximately 22 countries having quotas for either publicly listed or state-owned companies.<sup>8</sup> India, which currently has only 4.7% women board membership, is the most recent country to implement an act that now requires public companies over a certain net worth to have at least one woman director.<sup>9</sup> Other countries, such as the UK and Japan, have adopted approaches that are not mandated, but rather government-initiated goals.<sup>10</sup> In January 2011, the Australian Stock Exchange adopted a “comply or explain” approach in which companies are expected to disclose objectives for achieving gender equality in their annual reports.<sup>11</sup>

The value of a legislative or compliance approach is debated. While some argue it only results in a sign of tokenism, others purport that it has, at the very least, gotten companies to be consciously aware of gender diversity in boardrooms. A study conducted by Chanavat and Ramsden for Thomson Reuters examined the link between the increase in processes adopted by companies and controversies associated with diversity and equal opportunity.<sup>12</sup> Results showed regions having the most companies complying with gender diversity regulations also had some of the lowest number of controversies.<sup>13</sup>

The 2020 Women on Board (2013) study tracked publicly traded US companies nationwide and provided a look into gender diverse corporate boards on a national scale. The findings revealed women hold 20.6% of board seats in Fortune 100 companies; 18% in Fortune 500 companies of board; and 14.8% in Fortune 501-1000 companies.

## The WIT Study

For the past five years, WIT has assessed the number of women serving on boards of directors in Maryland, Virginia, and Washington, DC , and built a database on public companies in the area to monitor board turnover and board expansions. In addition, WIT has monitored the number of boards with a critical mass of women directors serving. This year, WIT considered the financial performance of companies with a critical mass of women directors.



## Methodology

We collected and analyzed data from 203 public companies listed on the NYSE and NASDAQ stock exchanges and whose headquarters are located in Maryland (78 companies), Virginia (110 companies), and Washington, DC (15 companies), including: company information, number of board members serving, and biographical information of women directors. With this data, an assessment of women serving is provided both by region and by industry.

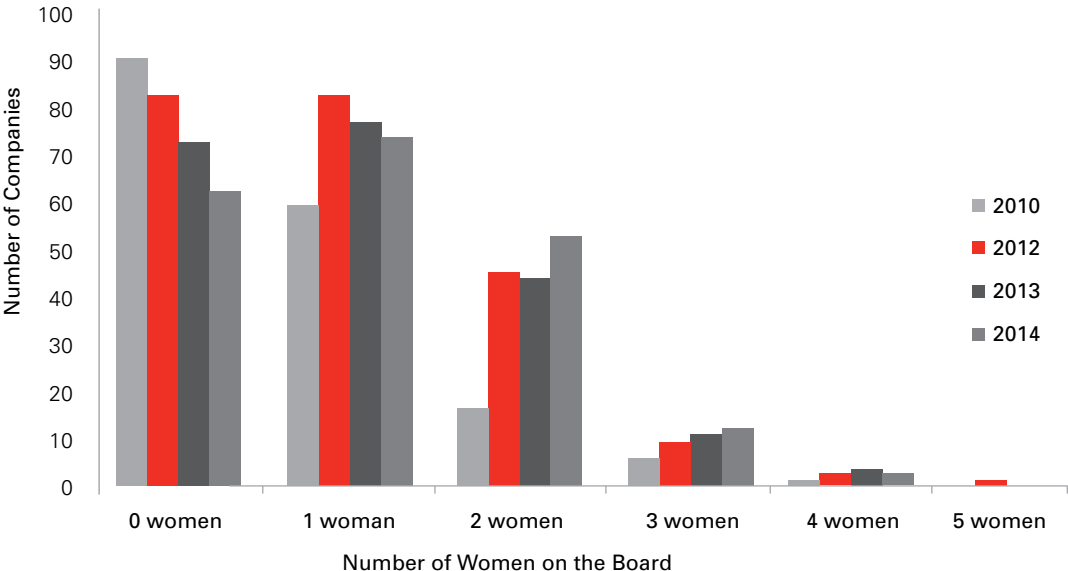
In 2014, we take our first steps to expand the study to report the financial performance of companies with a critical mass of women serving as directors. We selected three companies, Lockheed Martin, Gannett and MeadWestvaco, located in the greater Washington, DC area. Lockheed Martin has four women board members and both Gannett and MeadWestvaco have three women board members. Each company's financial performance was considered based on its publically disclosed financial statements using these measures: share price, return on equity, total debt to equity, price to book value, and net income growth. Financial measures were compared to a competitor company, selected from the Thomson Reuters list of industry competitors, without a critical mass of women serving on its board of directors. In the findings, we present analysis on share price without an analysis on the other financial measures due to the fidelity of data available for each company and its competitor.

Companies that incorporated recently such as 2U, Inc. and CVENT were considered as part of the financial analysis; however, their financial performance as a publicly traded company is not sufficient for study. For this reason, they were not included in the financial analysis. However, their financial performance will be important to future studies.

# Findings

## Women Directors by Region

Over the course of our study period, we see positive movement related to the number of companies with one or more women on the board. The change in the number of seats held by women by geographic region is shown below. Although the number of board seats held by women has shown little growth between 2013 (11%) and 2014 (11.8%), the trend shows a shift from one to two women serving on the board to two to three women where companies reach critical mass.



Looking at the numbers from 2014, women held 11.8% (225) of the 1900 board seats at the 203 companies analyzed. Out of the 203 companies assessed, 7.5% (15) of the companies have a critical mass of women serving as board directors.

	MARYLAND	VIRGINIA	WASHINGTON, DC	TOTAL
Total number of companies	78	110	15	203
Total number of board seats	712	1042	146	1900
Number of seats held by women / percentage	89 / 12.5%	117 / 11.23%	19 / 13.01%	225 / 11.8%

## Women Directors by Industry

The average number of board seats held by women across 16 industry sectors is just over 10% per industry in 2013. Women hold the most board seats in the Financial and Insurance sector with 79 out of 669. However, when compared to the total number of board directors in that industry, women only make up a fraction of the seats around the board tables in the industry (11.8%). Proportionally, women are most present in boardrooms in the Transportation and Warehousing (7 out of 38 seats), Healthcare and Social Assistance sector (5 out of 28 seats), the Arts, Entertainment and Recreation sector (19 out of 124 seats), and the Educational Services sector in (5 out of 34 seats).

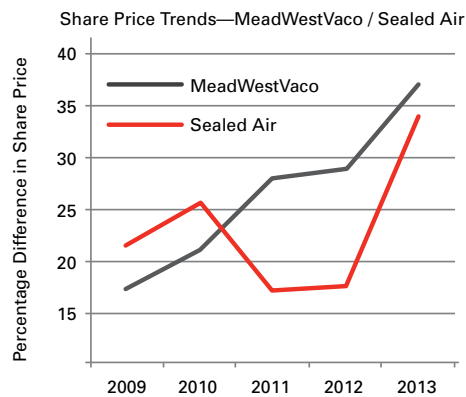
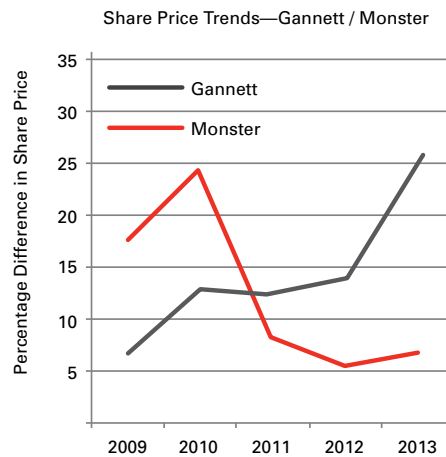
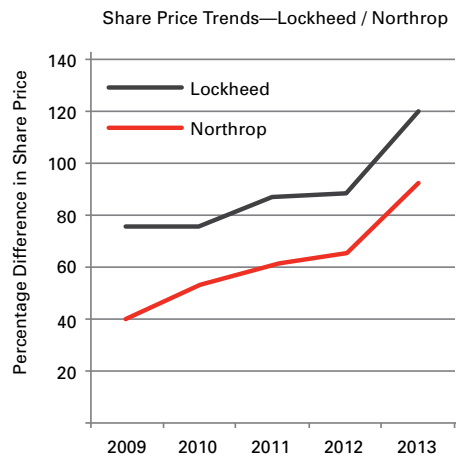
In the Professional, Scientific, and Technical Services sector, where most of the study region's start-up companies are found, women hold 18 of 132 board positions. This allows substantial opportunity for increasing the number of women on their boards, and indicates an area requiring further investigation aimed specifically at emerging or recent IPOs.

TOTAL			
Industry	No. of board positions	No. of Women Directors	% of Women Directors Total
Mining	33	1	3.0%
Utilities	109	15	13.8%
Construction	34	1	2.9%
Manufacturing	364	47	12.9%
Wholesale Trade	53	6	11.3%
Retail Trade	56	5	8.9%
Transportation and Warehousing	38	7	18.4%
Information	104	7	6.7%
Finance & Insurance	669	79	11.8%
Real Estate & Rental & Leasing	72	6	8.3%
Professional, Scientific & Technical Services	132	18	13.6%
Management of Companies & Enterprises	7	0	0.0%
Administrative & Support & Waste management & Remediation Services	29	2	6.9%
Educational Services	34	5	14.7%
Health Care & Social Assistance	28	5	17.9%
Arts, Entertainment & Recreation	124	19	15.3%
Overall Average			10.4%

## Financial Performance of Share Price of Critical Mass Boards

The 2012 Credit Suisse Gender Diversity and Corporate Performance study explored financial performance of companies with women directors. Studying 2,400 companies over six years, the report presented findings that indicate companies with at least one woman serving as a board director outperformed the share price of companies without. Additionally, the study found companies with one or more women on the board had a higher average return on equity (4%), lower average net debt to equity (by 2%), higher aggregate price/book value multiples (2.4 times higher), and higher average net income growth (4%).<sup>15</sup>

Using this study as a model, we have begun to explore and develop a financial analysis framework to be used in future studies. This year we compared the trend in share prices between Lockheed Martin, Gannett, MeadWestVaco and their competitors. We found consistent growth in the share price over the study period from 2009 and 2013. Lockheed Martin showed dramatic outperformance doubling its share price when a critical mass of women directors served and following the 2013 appointment of Marillyn Hewson as CEO and member of the board.



In analyzing financial performance as measured by average return on equity, Lockheed Martin, Gannett, and MeadWestvaco all showed higher ROE; however, Gannett's and MeadWestvaco's competitors experienced a net loss from discontinued operations and impairment charges during this time. This limited study shows the financial analysis needs to look at other indicators and include a wider representation of companies before more definitive conclusions can be drawn.

## Conclusions

This annual WIT report has documented where women directors are serving on boards in the region and how that figure has grown each year. With 11.8% of board seats filled by women, this figure represents neither the proportion of women in the workplace and in executive leadership roles nor the business

value a gender-diverse board brings. Why has the percentage of women on US corporate boards hovered here for the past decade? The glacial pace of change is due, in part, to low turnover of positions and limited board expansion.

There is one area that is not subject to turnover of positions and limited board expansion, and this area is poised to accelerate opportunities for women to serve on boards. Young companies moving toward a public offering are positioned to spark a rapid increase in the number of women directors. These companies, building from the ground up, don't face the natural, slow churn of long-held board positions. Young companies do not need to turn over directors to create a gender-diverse board; rather,

they can begin with a policy crafting a gender diverse board at the outset. The founders of these new companies are architects who should design their structure free of glass ceilings. Given that young companies are in a position to increase the number of women serving on boards, we will monitor regional board appointments and IPO activity to track and forecast change in women executive leadership.

“The most important thing is to start getting involved very early on. This can be starting by serving on the board of a small non-profit or local organization. This will allow you to get experience and exposure to the responsibilities of being a board member and from there go on to serving on other boards.”

—Alan Rogers

The potential of young and small companies to create a gender-diverse board from the outset is further fueled with the growth in the number and force of new companies nationwide. The US Small Business Administration notes, “The rate of small business ‘start-ups’ has grown.” Plus, there are “23 million small businesses in America” that can advance opportunities for women to serve as directors. Some of these companies will develop and grow into public companies and they can do so with women serving as directors. There have been an average of 177 IPO listings annually<sup>16</sup> from 2000-2012 with a rise in the number of companies traded on major US stock exchanges by 92% in 2013.<sup>17</sup>

In advancing movement into board positions, women can identify strategies to secure a seat. By doing so, they may progress toward board positions with a strategy that does not require board turnover or expansion. Doors to knock on include positions on non-corporate boards, advisory boards, start-up companies, and seats gained by becoming an investor. Non-corporate board positions can include seats in a not-for-profit organization, a community organization, or other overseeing body. As for being an investor, a seat at the table could be exchanged for an investment in the firm.

Current board members seeking to benefit from gender-diverse boards should develop mentorship and sponsorship relationships with women leaders. Insight about the experience of board service, the journey there, and how to be an effective board member can assist those working toward earning a board position. Sponsorship and recommendations of women can create opportunities for board service. And cultivating and developing talent through mentorship can propel women toward effective board service.

“There are very experienced, skilled women out there. It isn’t that there is a lack of availability, but there is a lack of awareness. Having advocacy groups as well as education campaigns can make a difference. It is important to raise consciousness to the opportunity inherent in getting the right person on who can help tap into the market. Eighty percent of buyers are women—with that in mind, in order to truly understand what women want, it is important to have women who represent the customer base.”

- Lyles Carr

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# Xerox is proud to celebrate Women in Technology's The Leadership Foundry program.

Supporting organizations of all types to help them achieve positive results is what Xerox is all about. So we applaud those who go the extra mile in strengthening the community and making a difference in our lives. While a simple thank-you might seem like enough, we think it's cause for a real celebration.

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