Beyond the Numbers: Women in the Boardroom
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An effective board is crucial to business success. The board of directors is responsible for looking out for shareholders’ interests and providing high-level oversight of corporate performance and activities. Current data has found that companies with women on their board are better equipped for dealing with risk, among many other factors. Moreover, there is mounting evidence that diversity on boards is key for increased and sustained performance. Thus, increasing board diversity, and in particular the presence of women on boards, remains top of mind for established and new businesses alike.

2022 was a seemingly groundbreaking year for women on corporate boards. According to a report by the Women Business Collaborative, women held 27% of board seats at companies on the Russell 3,000 in 2021, up from 24% in 2020. While gender representation is improving, a staggering discrepancy continues: labor force participation for women in the U.S. is 56.8% but the percentage of corporate board seats filled by women remains much lower. Private companies are also struggling. 86% of board director seats in private companies are held by men and 56% of early-stage private companies do not have a women director. Understanding gender imparity in the boardroom requires a balanced approach to the hiring process, considering both how and when these positions are being filled.

How are board positions being filled?
Companies primarily increase gender parity on their boards by expanding the number of board positions rather than replacing men with women. As a result, the relative percentage of women on boards is slow to improve as the total number of board seats also increases in tandem. In fact, in 2022 almost 2/3 of board seats that went to women were newly added positions such as HR or ESG roles, rather than replacing men with women.

Further, the selection process for board positions often occurs behind closed doors. While there are an increasing number of positions available, the pool of candidates remains narrow. Companies tend to look to their existing networks or head-hunting firms to place women directors – often referred to as “the usual suspects.” Board seats are typically given to women who have held CEO positions. However according to Fortune, only 8.8% of Fortune 500 CEOs are women. Moreover, data shows that achieving

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1 Get On Board: Understanding The Role of Corporate Directors, FINRA, Feb 6, 2023.
4 Katelyn Fossett, A ‘Watershed Year’ for Women on Corporate Boards, Politico, April 15, 2022.
5 Jeff Green, Women Gain Board Seats in Strong Start to New Year, Bloomberg, March 8, 2023.
8 8.8% Fortune 500 CEOs are women - the highest of all indices - according to the Women CEOs in America Report 2022, PR Newswire, September 22, 2022.
leadership or director roles for women often depends on visibility rather than ability. This practice perpetuates the leadership gaps that exist at senior levels.

These discrepancies also exist in countries that follow government-mandated gender quotas. France, for example, has upped its gender quota to 40% of board seats, though the hiring process is still met with criticism. Even with quotas the insular recruiting system results in a small, connected group of women being asked to join the new board seats. Journalists have named this group the “jupes dorées,” or golden skirts.

**When are board positions being filled?**

Moody’s has reported a positive correlation between boardroom gender diversity and credit ratings. While falling short of demonstrating causality, they highlight that North American and European companies with higher credit ratings tend to have board-level gender diversity. However, whether board diversity follows a high credit rating or vice versa is unclear. As a potential chicken and egg situation, perhaps companies look to expand board diversity once they have already reached a high credit rating.

Further, we may be seeing a free-rider problem with a few industries increasingly placing women on their boards, and others getting left behind. According to Forbes, utilities had the most women on boards with 32%, whereas energy at 23% and financial services at 26% remain industries with the lowest gender representation at the senior level.

**Looking Ahead**

Nevertheless, the data is positive and, if anything, bolsters the business case for increasing women’s presence in the boardroom. BoardReady found that in 11 of the 15 S&P 500 sectors, the companies with more than 30% of board seats occupied by women delivered better results than their less gender-diverse counterparts. A recent Credit Suisse report stated that companies where women filled at least 15% of senior management had more than 50% higher profitability than companies where women made up less than 10% of management positions. Harvard Business School and McKinsey also found that women in the boardroom bring new perspectives and that companies in the top quartile for gender

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12 Id.

13 Id.


diversity on their executive teams were 25% more likely to have above average profitability than those in the fourth quartile.¹⁸

As women continue to make gains, there are still additional steps that would increase access to board positions. The data reveals crucial nuances worth considering in our advancement toward a more diverse boardroom. A crucial first step is the recruitment process. Companies can, and should, expand their recruitment beyond current or previous CEOs. Greater requirements to publicly advertise these positions would also increase transparency and accessibility to a recruitment process that historically has taken place behind closed doors. By making the hiring process more intentional and responsive to the needs of shareholders, employees, customers, and the community, companies can also take advantage of the ‘multiplier effect’ where adding one woman to the C-suite can result in three women assuming senior positions.¹⁹

¹⁹ Alison Rogish, Desiree D’Souza, Neda Shemluck, Leadership, Representation, and Gender Equity in Financial Services, Deloitte Insights, November 4, 2021.