

BETTER BOARDS PROJECT

Exploring the Impact of Women on Boards

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Executive Summary

Prompted by the increasing number of statistical studies showing better business results by public companies with women on their boards, the Better Boards Project set out to explore the relationship between board effectiveness and the contribution of female directors.

To create a richer analysis, we interviewed 102 male and female directors with boards on six continents, gathering their experience and views on a series of questions:

- **Do women contribute differently in the boardroom? If so, how?**
- **How does this contribution relate to board effectiveness?**
- **Why are the numbers of women so low on boards?**

The directors overwhelmingly believe that the contribution of women makes majority-male boards more effective. In their view, women provide the broad diversity of perspective critical to robust governance practice. This added value reflects not only gender but often also relative youth, divergent backgrounds, and an outsider approach to board debates. Above all, interviewees said that women ask more and different questions to fuel deeper discussions and better-considered decisions. In particular, women are more likely to probe the human dimensions of policies – their effects on employees, customers, and other women. They also more fully explore the implications of decisions through to their implementation stage and insist upon discussing standards of ethics and accountability. Women are also more likely to build relationships among board members and with management, and to respect and empathize with individuals. Inside the boardroom, they are generally more collaborative, listening carefully and facilitating contributions from others.

Many of these same strengths were also mentioned when we asked interviewees in an unrelated question to name what they saw as the top characteristics of highly effective boards and board members: relationship building, communications skills, alignment with organizational mission and values as well as engagement with board debates and activities. This further confirms the positive correlation between women directors and board effectiveness.

When surveyed about ways their boards are seeking to improve, most directors said their boards were doing very little. They cited ineffectual board assessment practices and, to our surprise, almost a complete absence of reviews of the performance of individual directors.

Women are still joining corporate boards at a slow pace. This is the result of several factors, notably that standard recruitment practices continue to favor men, especially the preference for identifying candidates through personal networks. Most directors also believe boards simply aren't

trying hard enough to recruit women. Many also noted that women with the right qualifications were more difficult than men to locate, and a minority of mostly women mentioned that women themselves could try harder to secure board appointments. We also found that attitudes toward recruiting female board members are shifting. Many directors expressed enthusiasm for bringing more of the right women onto their boards. Some noted that they associate female directors with forward-looking organizations.

Based on our research, women make a marked contribution to board effectiveness. Boards wishing to improve their performance should seek gender balance as a strategic imperative.

Introduction

What impact do women have on boards of directors? This question is being asked with increased frequency. Research shows a strong positive relationship between a firm’s financial performance and the presence of women on its board. When even one woman sits on a corporate board, her company shows a better return on investment, according to one study. With two or more women at the table, this financial benefit is magnified across several business measures. Figure 1 lists recent research and results.

The Business Case for Women on Boards

Improved Financial Performance	Shown by Public Companies with...	Study
Higher Return on Equity (ROE) More stock price growth Higher operating profit	Two or more women directors	McKinsey 2007 ¹
Higher ROE Higher Return on Sales Higher Return on Invested Capital	Three or more women directors	Catalyst 2011 ²
Higher ROE Lower Debt to Equity Ratio Higher Price-Equity Ratio Better average growth	One or more women directors	Credit Suisse 2012 ³
Better stock price Lower volatility	One or more women directors	Thomson Reuters 2013 ⁴
Better stock price Higher ROE Higher Price-Equity Ratio Higher Dividend Payout Ratio	One or more women directors	Credit Suisse 2014 ⁵

Figure 1⁶

The topic of women directors is also drawing attention for other reasons. First, there are remarkably few of them – about 11 percent of all board members around the world and markedly less than that in some countries and sectors. While the number of women on public boards is closer to 20 percent in the US and the UK and higher in Scandinavia, a large proportion of boards worldwide include no

women at all⁷. Yet women constitute nearly half of the global workforce and, in some countries, more than half of managers and professionals⁸. They also make most of the purchasing decisions worldwide, resulting in a particularly puzzling imbalance for consumer products companies. At the same time, there are more and better female candidates for board positions than ever before, making it easier for companies to find highly qualified women than in the past.

More importantly, many boards as currently constructed simply haven't been performing well. In the most obvious example, the boards of the financial institutions responsible for the 2008 economic meltdown failed to question the risky and unethical practices that did so much damage. Groupthink by board members with shared backgrounds and thinking styles was at least partly to blame for their blind support of these practices. The devastating result demonstrates the importance of appointing a range of types of qualified directors so that decisions are examined – and questioned - from a multiplicity of perspectives.

Given all of this, we saw a need to more fully explore the contribution of women directors and their potential to make boards more effective. Most research around female directors is based upon statistical analysis of public company records. The Better Boards Project was designed to create a deeper analysis by drawing upon the personal experience of board directors around the world. In one-to-one interviews, directors were asked for their in-the-boardroom insights:

- Do women contribute differently than men to boardroom debates?
- If so, what is this diversity effect?
- In the opinion of those sitting around the board table, what constitutes an effective board and an effective board member?
- What if anything is the relationship between board effectiveness and the impact women make?

The directors we spoke with, both male and female, overwhelmingly believe that women contribute both differently than men and in ways that directly boost board effectiveness. This paper captures their views on this as well as other issues related to women on boards.

Research Design

Between August of 2013 and April 2014, we conducted personal interviews of 102 board directors across the world. Interviewees included a balance of men and women - 49 and 53 respectively – who have served on more than 465 boards in 19 countries across six continents as shown in Figure 2. Most directors interviewed have served on multiple boards and multiple types of boards – corporations, start-up companies, and non-profit organizations. Most interviewees – 70 percent – serve corporations primarily.

Interviews were semi-structured and consisted of 19 questions. They took place in person as well as via telephone, FaceTime, and Skype. Conversations were confidential and non-attributable, with participants given a choice to list their name and boards at the end of this report. Most agreed to do so. To honor confidentiality, we use no direct quotations that can be traced to their speakers.

Figure 2



Overview

Our research investigated three main topic areas:

1. What if anything do women bring to the boardroom that is different?
2. What makes boards of directors effective?
3. What is the relationship between board effectiveness and women's contribution?

We also examined why there are so few women on boards around the world and what directors think might be done to increase these numbers.

What Do Women Bring to the Table?

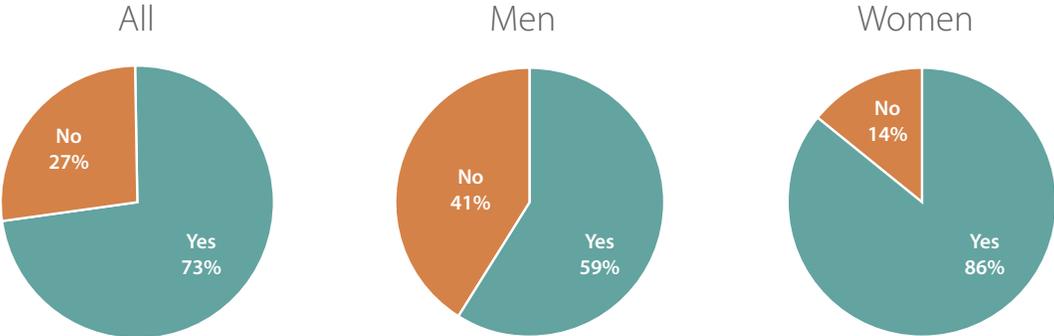
Given the research linking the presence of women on corporate boards with better business results, we were especially interested in exploring the nature of women’s contribution. To dig deeper into this, we asked two specific questions, (1) whether women contribute differently than men to boards and (2) if so, how?

Do Women Contribute Differently?

As Figure 3 shows, the directors we spoke with overwhelmingly believe that women contribute differently than men to boards. Women directors were more likely than men to say this, but a majority of the men interviewed also noticed this difference.

Figure 3

Question: Have you noticed that women contribute differently or that their presence changes the nature of board debates in any way?

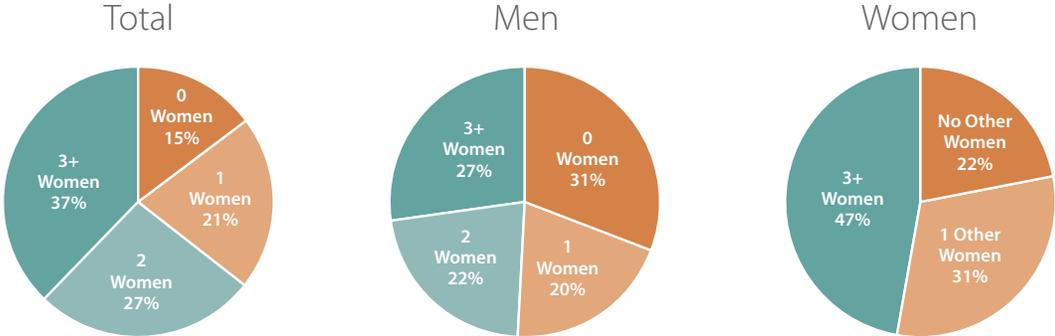


This proved an uncomfortable question for some interviewees. Many said they had never really thought about it before. Both yes and no answers were sometimes qualified with ‘buts.’ Enthusiastic yesses would be followed by a long pause for thought. Definitive-sounding nos would then be contradicted by multiple examples of ways women contribute differently. Interviewees expressed worries about dealing in stereotypes if they mentioned differences. There was also the reservation that any discussion of difference might be construed to imply inferiority.

One factor that may contribute to the difficulty in discussing women’s contribution – aside from the fact that discussing gender is taboo or discouraged in many business settings – was the relative lack of women on the boards of our interviewees. Nearly a third of our male interviewees had never served with a woman on a board and more than half had never served on a board with more than one woman, as shown in Figure 4. And even many of our female interviewees were mostly used to sitting alone in a room full of men – nearly half of them had always served either alone or with one other woman. Still, some directors with a lack of experience of women on their boards had strong opinions about what women might or might not contribute. Despite relatively little direct knowledge, they filled in the blank in other ways. It is likely that some of their thoughts are drawn from stereotypes or settings other than boardrooms.

Figure 4

Lack of Experience with Women



Full data available for 92 interviewees

Takeaways

- General agreement that women contribute differently to boards.
- Even those who have never served with women have strong opinions on this topic.

How Do Women Contribute Differently?

So what exactly do women provide to boards that is different? The word picture in Figure 5 represents words that recurred in answers to this question with the larger words mentioned more often.

Figure 5

Words Most Often Used

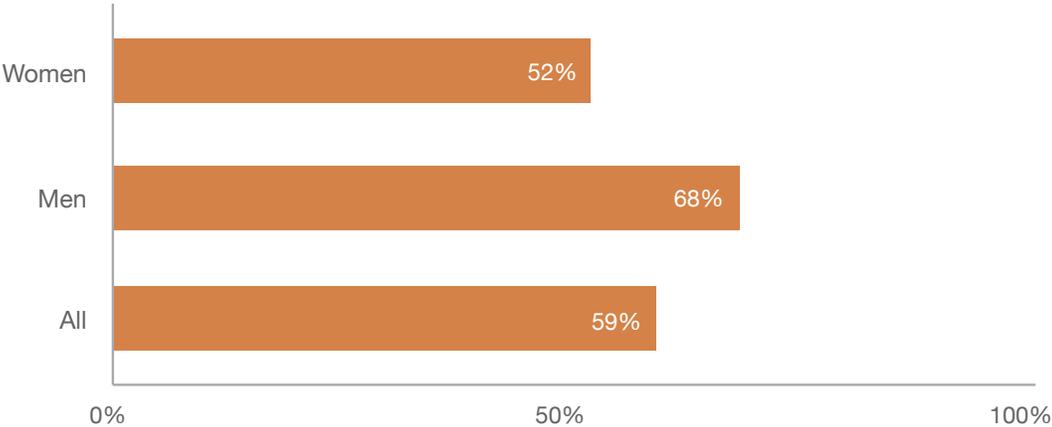


Overall Diversity

Most directors interviewed, including a majority of women and an even larger proportion of men, mentioned that women contribute “diversity” – different perspectives - to board debates.

Figure 6

Women Provide Diversity



Diversity can mean different things to different people. When directors who gave this answer were asked to explain, some went on to describe specific qualities, interests, or actions more likely in women while others declined to elaborate. Again, there were long pauses, with the implication that this was a relatively new question for some to ponder.

Several interviewees mentioned that gender diversity was important to every board, whether the majority is male or female. *“There’s a lot of groupthink in the male sector,”* said the chairman of an all-male board in the UK. Majority female boards can suffer from *“interminable consensus building,”* said a female director who hesitated to join an all-female nonprofit board for this reason.

In addition to gender diversity, many directors said that women bring other types of diversity to their corporate boards. They are likely to be younger than many of their male counterparts. They are also likely to have more widely varied backgrounds, building ‘jungle gym’ careers that involve lateral moves across different functional areas. *“Women take more sideways steps that can give them a broader view,”* said a female on US and European boards. They are usually newer to boards and bring an outsider perspective. *“Bringing young women onto a board is a great way to bring on a new generation, age diversity, perspective diversity,”* said a US male.

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Takeaways

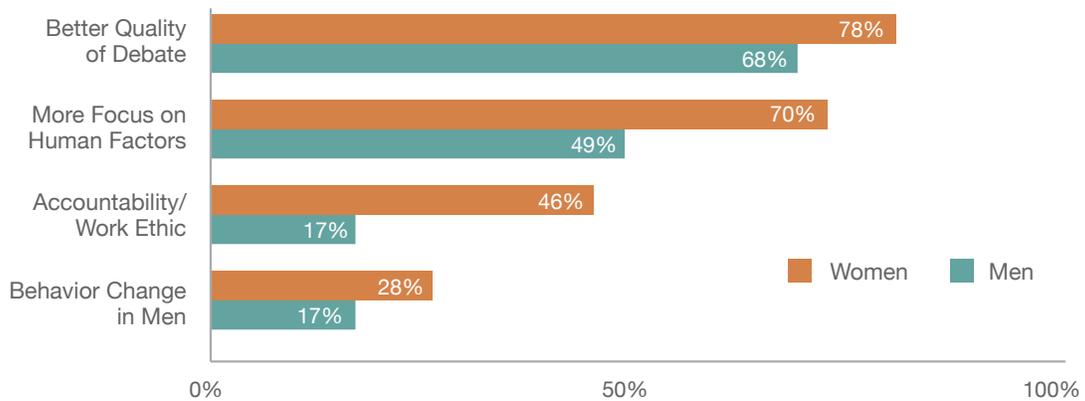
- General agreement that women bring diversity to the boardroom: gender, relative youth, and divergent backgrounds.
- All of either gender is not good. Both all-male and all-female groups need diversity.

Specific Contributions of Women

Beyond general comments around “diversity,” our research revealed four main clusters of interrelated qualities more likely to be found in female directors. Shown in Figure 7, these qualities were named consistently throughout our research, notable because we did not prompt interviewees in any way. They shared with us what was at the top of their minds without suggestions.

Figure 7

What Do Women Contribute?



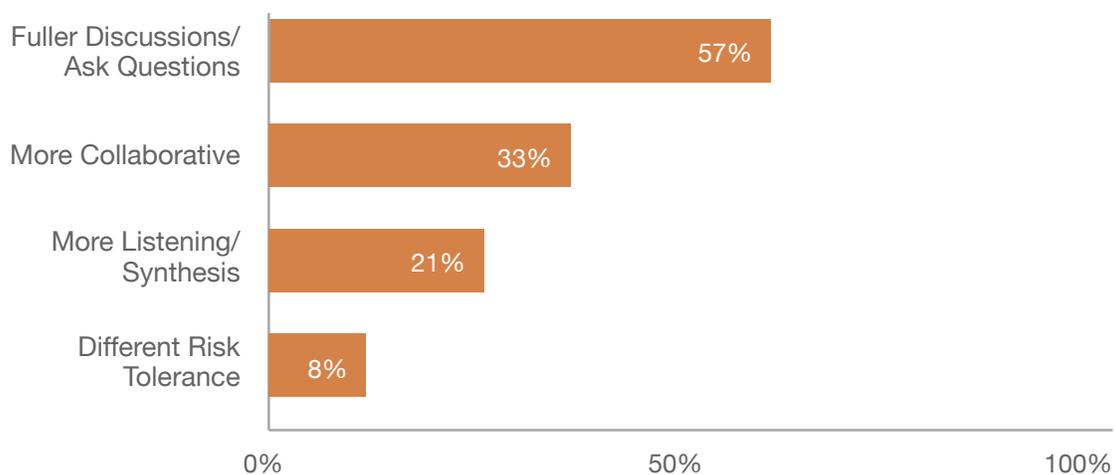
While male and female directors mentioned all the same areas of female difference, women were more likely to mention and elaborate upon each. It’s possible this is because, as our research shows, women focus more on human factors in general and also upon other women and their concerns (see Figure 9 on page 16) and so are more likely to home in on what women are contributing. They may also notice and value what they themselves try to contribute: someone focused on human factors, for example, might see that other women share a similar focus.

Better Quality of Debate

Above all, directors said that women catalyze more robust and wide-ranging debates and discussions. They do so in the four ways shown in Figure 8.

Figure 8

Better Quality of Debate



Fuller Discussion

Women are more likely than men to ask questions in the boardroom. *“She will just keep asking questions – and asking questions – and asking questions,”* one US male said admiringly of the female chair of an audit committee. *“She gets answers.”*

They are also more likely to ask different types of questions. Many directors spoke of the tendency of women to want to talk decisions through and examine them from multiple angles. *“Men just want to make a decision and move on,”* said a US female.

“Women tend to the white space, while men think it will take care of itself.”

In particular, women ask questions involving the implementation of policies and decisions. *“Women tend to the white space, while men think it will take care of itself,”* said one US female, describing how on a new product introduction the men on her board assumed it would go well while the women wanted to explore and mitigate potential problems.

Women ask many more ‘people’ questions. *“The dialogue is generally different when we talk about leadership, about people, when talking about customers and what do customers want,”* said one US female, describing how the conversation shifted as two and then three more women joined her corporate board.

Women also ask questions that may not have been asked before. These might involve culture, values, and conflicts of interest. *“Is this decision the right thing to do? Is it a fair decision? How is this going to affect our customers as a group? Is this compensation plan aligned with our core values?”* are questions one US female lead director asks and has noticed other women asking.

Women are also likely to ask questions that violate unspoken taboos or which take other directors by surprise. *“I am not part of the Boys Club. I don’t know what can and can’t be spoken. That changes the dynamics of the boardroom,”* said a female from Africa. *“Other board members looked at me like, ‘Where is that question coming from?’”* said one US female, describing how she brought up a potential conflict of interest that the board eventually agreed would send the wrong message to employees. *“Once when I questioned the extremely high bonus of the CEO, I was told my remarks were completely inappropriate. No one said anything. It felt deeply uncomfortable,”* said a UK female. The

“She will just keep asking questions and asking questions. She gets answers.”

“The dialogue is generally different when we talk about leadership, about people, when talking about customers and what do customers want.”

bonus was never debated or discussed again.

Most directors viewed these extra questions in a positive light but a few felt they demonstrated inexperience or slowed down meetings. *“With executive level management, which is by and large male driven, we have a kind of efficiency. Obviously, time is limited. I want to spend time with my family. I don’t want to spend 80 hours in the office. This doesn’t seem to be a consideration with our female members. They go on talking, talking, talking... They bring in an aspect that I wouldn’t have thought of. Ignoring these views would decrease effectiveness. But it drives me crazy,”* said a European male.

Collaboration and Listening

In general, directors thought that women board members were more collaborative – concerned that all members were contributing to the discussion and that all viewpoints were heard. *“Women look*

“I started off as one of two women and am now one of three going on four. Even the difference between two and three I find that the dialogue is much more open.”

after the conversation as well as the result of the conversation,” said a UK female. By relying more on questions and speaking with less decisive certainty at the outset, *“the way they communicate comes with a lot more power,”* said a female on US and Asian boards. Others feel freer to contribute differing opinions as the number of women grows. *“I started off as one of two women and am now one of three going on four. Even the difference between two and three I find that the dialogue is much more open.”* said a US female.

Women sometimes ask questions that previously went unasked because they might seem too basic. *“I wondered about that too!”* a male colleague told a US female when she asked about a technical issue. She and several other females reported that previously quiet male colleagues began to contribute more after more women joined their boards. A UK chairman noted that adding a second woman to her board made a big difference in the tenor of the conversation. *“Now that we have another woman, the guys are quite keen to have women on boards,”* she said. *“They like the atmosphere, which does change – more friendly, not so aggressive.”*

Related to this, multiple directors noticed that the women in their boardrooms were often among the last to speak on an issue, listening carefully to what others said and synthesizing these arguments before presenting their own. *“There’s a lot of serious listening as opposed to ‘How do I argue this point, how do I argue against what is being said?’”* said a US male. *“I’m guilty of that, thinking about how do I defend my position? But they’re listening instead of pushing back immediately.”*

“There’s a lot of serious listening as opposed to ‘How do I argue this point, how do I argue against what is being said?’”

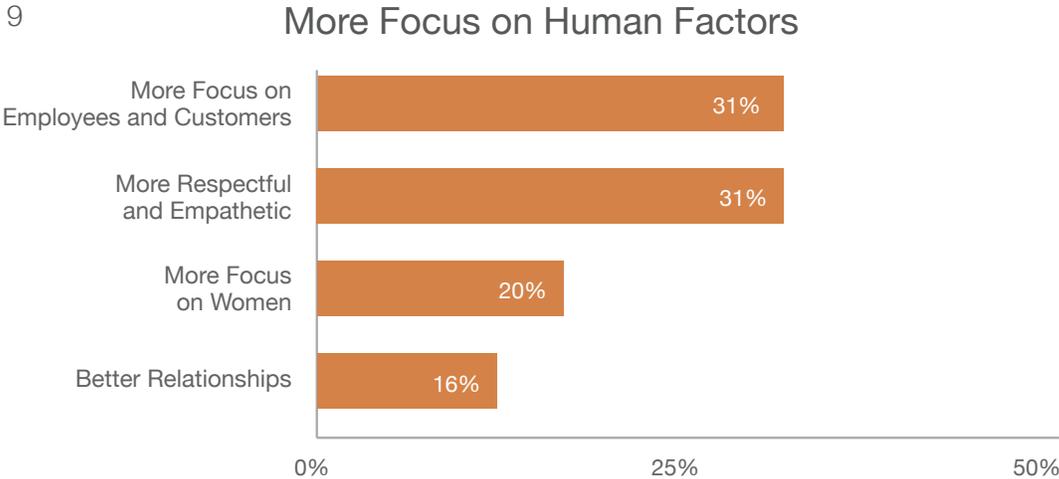
Different Risk Tolerance

Given the large number of research studies exploring gender differences in risk tolerance⁹, we would have expected more directors to bring up this subject. It may be that the many directors who noted that women are more likely to ask questions and probe potential consequences of decisions were making this point as well. Many of those who did mention risk have been associated with financial service institutions and therefore concerned with safeguarding against the kind of ill-considered investments that brought on the financial crisis in 2008-9. A handful of directors said they believe that more women on boards would help mitigate risks in this arena.

More Focus on Human Factors

A second way women contribute differently is through a heightened focus on people and relationships. Figure 9 shows the four areas mentioned most by directors.

Figure 9



Employees and Customers

Nearly a third of our interviewees said that female directors are more likely to bring up the impact of decisions upon employees and customers. “There are longer debates on motivating staff, on developing people, on how to deal with competitors, on how to deal with bad news,” said a UK male. Women are more likely to look at issues “through the lens of fairness, of how decisions are going to affect other stakeholders,” said a US female. “They institute more protectives for

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employees,” noted a UK female. “They’re more likely to consider the impact on HR, on people’s workloads. Women think about the human factors. They’ll say, ‘We’re going to burn these guys out,’” said a US female and European boards.

Relationship-building

Directors also reported that their female colleagues tended to treat others respectfully and to “exhibit emotional intelligence as a leadership trait.” Several interviewees mentioned the importance of honoring others’ service and contributions and of handling retirements and even forced succession

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in a way that respected all involved. “The behavior would be worse if I wasn’t in the room,” said the lone female on an otherwise all-male US board. “Whenever there’s a really tough personnel issue that we’re dealing with, like firing the CEO or a board member, the eyes around the table tend to look at me. You want it to be done...well, professionally.”

Many interviewees also mentioned that women were more likely to build good ties with other board members and with management – and to believe that this was an important aspect of their job as director. “Women are better at molding boards into community, of getting directors to the point of saying that this is not just a board, but this is my board,” said a US female. “On all of my boards, the management do

come to the women on the board for empathy, which allows us to get beneath the layers to understand an issue,” said an Asian female.

In addition, perhaps because of a combination of the qualities mentioned above, a number of non-profit board directors said that women are better able to reach out to donors to raise funds.

More Focus on Women

Related to this, a large number of interviewees mentioned that female directors were more likely to notice and address issues related to women as a group, whether they be employees, customers or other board members. They focus more on diversity in candidate searches and leadership initiatives. They make sure women are treated fairly. “Women are less likely to ask for raises, so I make sure they are taken care of regardless of what they may do to themselves,” said a UK female. They think about role models for other women. “Given the

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war for talent, there’s no excuse if your female talent can’t see themselves at the top or if there’s no voice reflecting them at the top and reflecting the particular challenges that women face,” said another female.

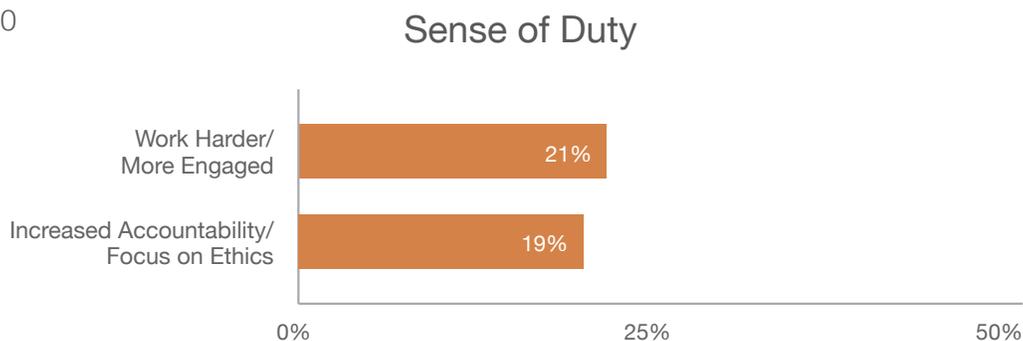
This attention women pay to other women and diversity sometimes may backfire if they themselves are in a minority. *“I have so often been the only woman,”* said one female director from the UK.

“Of course you are then in the appalling position of being the only person on the board feeling responsible for gender and diversity issues. The minute you start drawing attention to gender, you get stereotyped and seen as ONLY caring about those issues.”

Accountability/Work Ethic

A significant minority of directors noted that female board members are more driven by personal values of hard work, commitment to their word, and the board’s code of conduct. They prepare well for meetings, follow the specified procedures and refuse to cut corners. They are also more likely to speak up when others are not behaving according to these standards.

Figure 10



While only a fifth of directors cited these accountability traits directly, many more brought them up as an area where women are more likely to ask questions, such as inflated executive pay and conflicts of interest. *“Women speak with more candor. They say things like, ‘What you’re doing is out of line. The budget process is being short-circuited,’”* said a male from Africa.

Women also do more outside of the boardroom. “We are more willing to help the management team after hours, to help them with what they need help with, and to put in the extra time to do so,” said a US female. “As a CEO myself, I give what I want to receive. I roll my sleeves up,” agreed another US female.

The men were better balanced. They were better at saying ‘no’ than the women. They set better boundaries on how far to take the volunteer role.”

“As a CEO myself, I give what I want to receive. I roll my sleeves up.”

This can have a downside, particularly on a non-profit board. “If I think about chairmen that preceded me, there was only one female. She made it her life. The men were better balanced. They were better at saying ‘no’ than the women. They set better boundaries on how far to take the volunteer role,” – US female chairman of non-profit boards.

Behavior Change in Male Directors

A significant minority of directors noted that male behavior shifted when women joined previously all-male boards. The observations from men and women were remarkably consistent. “When women walked into the room, things changed both in demeanor and substance. Consideration was given to issues that we previously would not have discussed. We became more circumspect, more balanced professionally. There was just no more old boy school stuff,” said a US male.

Not all directors appreciated this behavior change. A few felt it was forced upon them. Having a woman on the board provided “no added value. It distracted. People were more sensitive about what was said and how,” said a UK male.

It’s possible that behavior change would also occur if one or more men joined an all-female board, though probably not in the same way. This did not come up in our research and would more likely happen on a non-profit board as there are so few majority female for-profit boards.

“When women walked into the room, things changed both in demeanor and substance. We became more circumspect, more balanced, professionally. There was just no more old boy school stuff.”

A Note on Women's Contributions

All of the dimensions of women's contributions mentioned are interrelated and were brought up with different emphases by different directors. What one director might describe as a tendency to ask more questions might be described by another as a tendency to focus more on people or potential risks, which in turn might be discussed by others in terms of culture and values. Thus the clusters of traits are as much facets of each other as individual categories.

While many directors agreed that women were more likely to make these specific contributions, many also pointed out that some men make these same types of contributions – and that some women do not make them. Men and women are of course not all alike. There are likely to be multiple causes of the diversity effect women bring, including an often younger age, different background and not least, the outsider perspective capable of fueling deeper questions and more informed decisions.

Despite this, both male and female directors largely agree that women make a positive difference to board debates, one that is especially palpable on a previously all-male board.

Takeaways

- General agreement that women make a positive difference in board debates
- Above all, women contribute to more robust decisions by asking more and different questions, listening carefully, and soliciting others' opinions.
- Women focus more on people in assessing the impact of decisions.
- They are likely to build relationships and honor individuals.
- Areas of women's contribution are interrelated and may be hard to disentangle and assess.

Is One Woman Enough for a Diversity Effect?

One finding of many of the studies in Figure 1 was that one woman alone was not necessarily enough to change the dynamic of a previously all-male board. Our interviewees both confirmed this and explored why this is so. More than a quarter of them – 27 percent – said that women have more impact if there is more than one woman at the table.

Interviewees gave several reasons for this answer. The first is that women are less likely to voice their opinion if they are the lone female. This is supported by research that, in mixed groups, women are less likely to speak than men and less likely to interrupt. New female directors often are younger and therefore less experienced than their male colleagues, which can add to the silencing effect. Fifteen percent of our interviewees said that women speak less than men at board meetings. A few mentioned that they make up for this in other ways through their work outside the boardroom.

A lone woman was also less likely to be listened to than other directors. Cartoons have even been made about what many believe is the common experience of women saying something in a business meeting and a man repeating it and being given credit.



©Punch Limited

“That’s an excellent suggestion, Miss Triggs. Perhaps one of the men here would like to make it.”

“It’s sad to say, but you get talked over and no one hears. You say something, then a guy says something and everyone hears the guy and attributes the idea to him. That really didn’t happen to me before (the second woman) left the board. It never happens when there are more women,” said a US female.

Being a lone female – or lone diverse anything – also puts pressure on the different one to conform to majority decisions. This may be especially true of women, who interviewees said were more likely to listen before speaking and may not be given the opportunity to speak at all. There may also be no room for a woman to contribute differently than men; approval (and sometimes lack of approval) is given for behaving like a man.

With multiple women, there is more likely to be a diversity effect. *“If you have one or two women on a board, they are there because they are successful in working in a heavily male environment. In a traditional financial services environment, executives are expected to be pushy, competitive, aggressive. Can women succeed there? Yes, they can. But if you have more women, they can use a slightly different style. Unless you have more women who get results in a different way you’re not going to change anything,”* said a female from Asia.

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Takeaways

- Effective board diversity requires recruiting more than one woman.
- Three or more women is best.

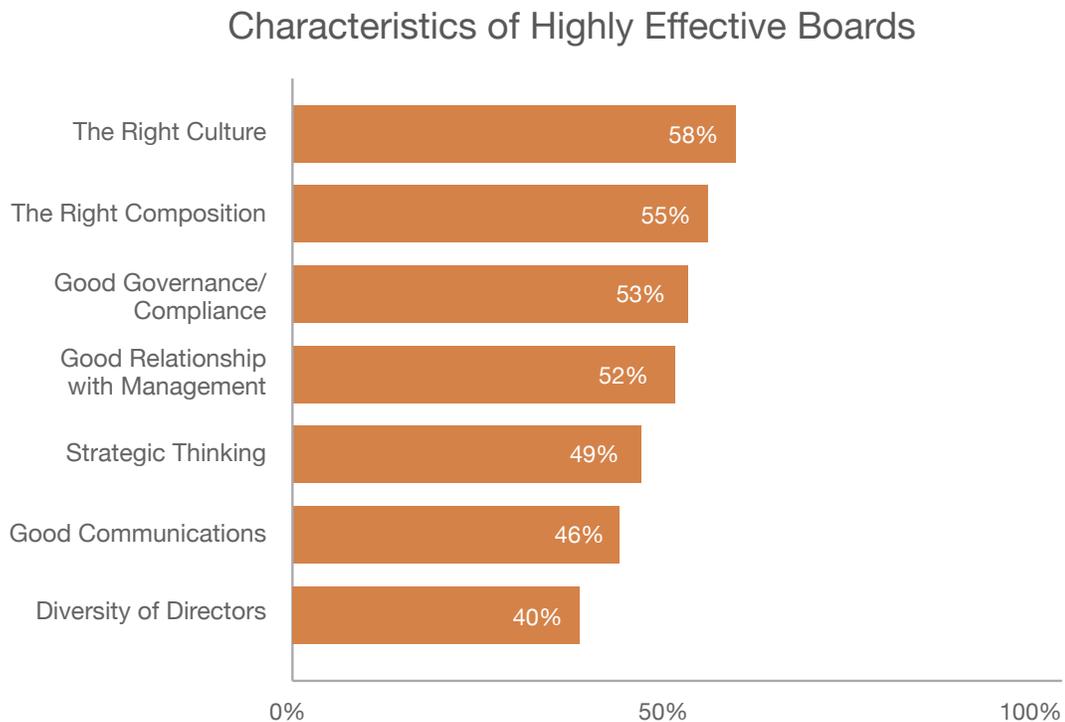
Women and Board Effectiveness

One of our goals in conducting this research was to explore the relationship between the contribution of women directors and board effectiveness. Before asking any questions related to gender, we began interviews by probing directors' views on what makes an effective board and an effective board member. We also asked what steps, if any, interviewees' boards were taking to become more effective. This section provides their answers and how they relate to the findings of the previous section.

Characteristics of Highly Effective Boards

We first asked directors to name what they see as the top five characteristics of highly effective boards. Directors were given no prompting. All responses were spontaneous – what came first to their minds. The most often mentioned characteristics are shown in Figure 11.

Figure 11



Above all, directors said that well-functioning boards had the “right” culture and the “right” composition of people. Different directors defined these in different ways. In extolling the right culture – i.e., the unwritten rules of boardroom behavior – directors mentioned an atmosphere conducive to candor, mutual respect, openness and honesty, and friendly disagreement. *“We need a culture where we can thrash subjects around in an open and honest way – a sense of safety,”* said a UK male. *“It’s pretty fiery and scary at times.”* *“The best boards are those that can hold a creative tension in the room,”* said a US female. *“People can put their opinion out there and though not everyone agrees, it’s respectful.”*

“The best boards are those that can hold a creative tension in the room, People can put their opinion out there and though not everyone agrees, it’s respectful.”

Many mentioned the pivotal role the “right” chairman plays. A few described bullying chairmen that they prefer not to work with. A good chairman creates a platform of trust and an expectation that the opinions of all directors are solicited and valued. Good chairmen model inclusiveness and ethical behavior and set norms around these as part of maintaining a healthy culture.

The “right” people, in interviewees’ views, are those able to balance collaboration with questioning and challenging, a combination mentioned dozens of times. Good boards move together toward common goals unhobbled by overbearing personalities that might derail discussions for personal agendas. *“One bad apple really does spoil the whole bunch,”* explained a US female who has experienced multiple dysfunctional boards. *“Selecting individuals who work well with others, who are collaborative, and who listen, is 80 percent of the bloody battle,”* said another US female.

“Selecting individuals who work well with others, who are collaborative, and who listen, is 80 percent of the bloody battle.”

The third most-often mentioned characteristic was good governance and compliance. It’s important for boards to *“take the governance guidelines out there and understand how to operate a business within the context of those guidelines rather than using those guidelines to operate a business,”* said a US male chairman.

Directors spoke of the necessity for boards to fulfill their fiduciary and ethical responsibility to customers, clients, and society. They also emphasized the importance of an effective committee structure, clear roles for members and committee chairmen, and established processes for decision-making and information flow. One key area mentioned again and again was succession planning. Directors stressed that boards should take the lead in a formalized plan for the leadership development both in the top management team and within the board.

More than half of our interviewees believe that a good relationship with management is a crucial trait for boards, emphasizing again the balance between offering support and necessary challenge. Access to management is critical, as is an understanding on both sides what is a management role and what is a board role. *“Noses in, fingers out. Ask questions but don’t micromanage,”* said a US female startup director. For many directors with CEO experience, this can be difficult. *“It’s like going from being a parent to being a grandparent. You’re going from being in charge to becoming an advisor, picking your battles and knowing when to give advice and when to go home,”* said a US female serving on global boards.

“It’s like going from being a parent to being a grandparent. You’re going from being in charge to becoming an advisor, picking your battles and knowing when to give advice and when to go home.”

A large number of directors also mentioned the importance of strategic thinking, good communications skills such as listening, and various types of diversity – functional, gender, ethnicity, age, and geography on a global board.

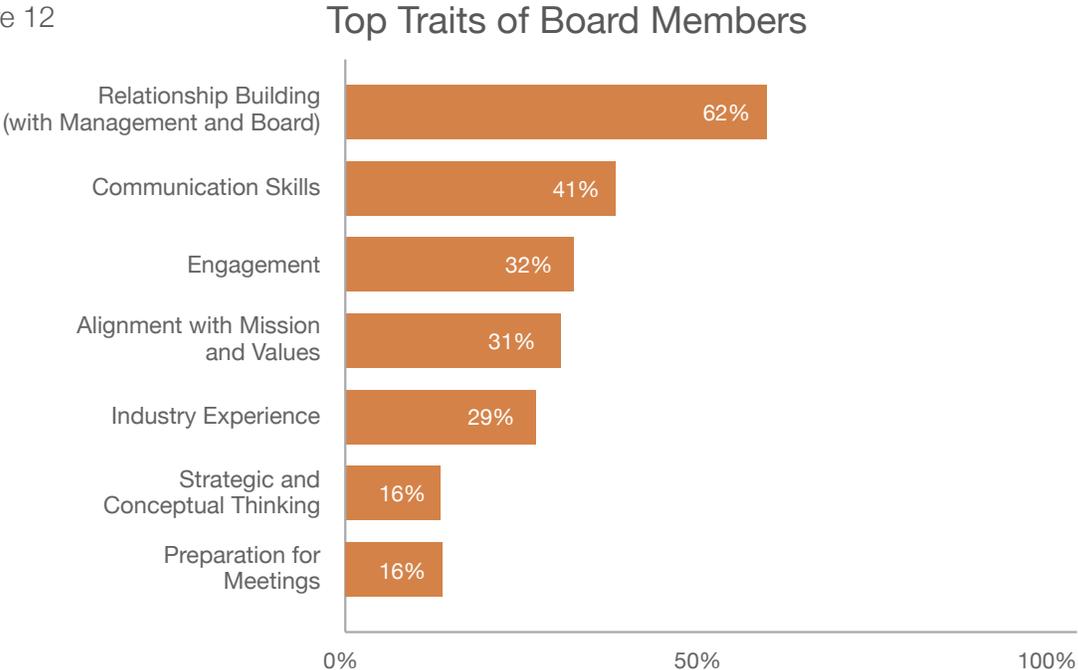
Connection to Women’s Contribution

- In discussing effective boards, directors focused their comments mainly on the “soft skills” that women bring to a board – listening closely, questioning respectfully and determinedly, facilitating discussions, and building relationships.
- The balance of support and challenge was mentioned often; this reflects the two areas where women most often contribute – asking more and different questions and focusing on human factors such as relationships.
- Directors place a heavy emphasis on having the “right” culture with the “right” colleagues, both difficult to define. This may lead boards to continually replicate themselves rather than risk upsetting the balance by appointing women and other candidates with diverse perspectives despite research showing that these may increase effectiveness.
- Both “soft skills” and “the right culture” are intertwined and difficult to quantify. This indicates a need for Boards to articulate their expectations and employ qualitative as well as quantitative measures to determine and boost effectiveness.

Characteristics of Great Directors

We also asked directors to name what they considered the top three traits of outstanding board members. Their responses are shown in Figure 12.

Figure 12



Unsurprisingly, many of these answers mirrored those to the previous question. A large number of directors viewed the questions as similar and in some cases near identical. As with the characteristics of effective boards, relationship-building and communications skills such as listening and soliciting others' opinions were among the top characteristics named most often. *"You're only as good as your advice is taken,"* said one US female. *"If the CEO isn't listening to you, you're ineffective no matter how good your insights."* Directors with big egos and celebrity CEOs were repeatedly called out as an impediment to effectiveness of boards as a whole.

Another frequently-mentioned trait was alignment with the organization's mission and values, which could be considered somewhat of a proxy for being a "right" person fitting in with the "right" culture from the previous question. In the case of board member characteristics, however, this response came up frequently in connection with non-profit boards, where competing visions can be particularly destructive.

Directors also cited industry experience and strategic thinking as other desirable traits, possibly so obvious that they were not named by more directors. Among other characteristics mentioned were engagement (32 percent) and, related to that, preparation for meetings (16 percent), both areas where directors noted that women tend to contribute more. Many of the lower-percentage responses related to personality traits: empathy and understanding (19 percent), trust and ethics (16 percent), courage and confidence (15 percent), and open-mindedness (6 percent).

Connection to Women's Contribution

- Again, the “soft skills” of communications and relationship-building figure prominently – areas where directors believe women are most likely to make a difference on boards.
- Other characteristics mentioned such as engagement, preparation, and empathy and understanding also link women to enhanced board effectiveness.

Board Evaluation and Improvement

We asked directors the candid question, “What is your board doing to improve?” This was a new or uncomfortable question for some. A few asked whether we didn’t mean what were they doing to improve their organization rather than the board itself. One director said she’d like to ask her board to name the top five characteristics of highly effective boards, a question she had just answered, as a way of getting directors thinking about their own effectiveness.

Very few directors feel their boards are doing enough to improve. “*What are we doing? Nothing,*” said a US male chairman. Others sitting on multiple boards said none of their boards were doing enough to increase overall effectiveness. A few described personal efforts, especially to onboard themselves; most boards lack programs to ease new or diverse directors into the organization and board culture so they may contribute immediately.

Most boards have some sort of evaluation process in place. Some interviewees were very satisfied with theirs. However, the majority felt theirs were less than ideal. Most board evaluations involve a questionnaire and/or a personal interview of directors, then a discussion led by the chairman, lead director, or an external consultant. Some countries like the UK require an outside evaluation.

“The forms that get filled out are close to meaningless,” said a US male, adding that the quality of a board evaluation, whether conducted by an insider or outsider, depended upon the insight and finesse of the person speaking with board members and leading the discussion. *“In general, the conclusion is the same: ‘This is a great board! We like the way we are operating!’”* Several directors described instituting additional processes so that the board followed recommendations for change rather than just leaving them on the table at the annual discussion.

“In general, the conclusion is the same: ‘This is a great board! We like the way we are operating!’”

Most strikingly, few interviewees served on boards where individual directors are routinely evaluated on their performance in any formal way. Of the small number of boards that did do so, most rely solely upon the subjective opinion of the chairman. In one case, the chairman assigns each director a numerical ranking with the understanding that the person at the bottom will leave unless things change.

As with overall board evaluations, whether a system like this improves the board depends the quality and integrity of the evaluator. The wrong chairman could easily reward yes-people and penalize more thoughtful contributors.

“Everyone gets chills when they think about peer-to-peer evaluations.”

Many interviewees noted that it is difficult to have any conversation related to individual performance. *“Everyone gets chills when they think about peer-to-peer evaluations,”* explained one US female. Despite this, most directors know who is and isn’t contributing; absent a strong chairman or lead director willing to confront nonperformers, boards have no mechanism to ask them to step down. One US director was hoping to create an Emeritus Director

designation as a way of easing those with dated experience and a tendency to doze in meetings out of an active decision-making role.

Many directors pointed out that improving a dysfunctional board was a long-term proposition and could not be solved even in multiple evaluation cycles. *“Boards are a work in progress. They are not constructed overnight,”* said a US female. Improvement requires targeted recruiting using a matrix of skills, experience and diversity; succession planning; and often waiting for aging board members who may be rooted in outdated systems to retire. There is also an onboarding and melding process that can take additional time.

“Boards are a work in progress. They are not constructed overnight.”

While some board members described a strategic plan for major change, most are taking smaller steps like dinners before meetings

and offsite gatherings to improve relationships and rapport among members and management. Others hold post-meeting sessions to assess how the meeting went. Several directors spoke of setting small quarterly goals for improvement. One lead director has dedicated a two-hour chunk of her board's strategic offsite to what she calls "the business of the board" as opposed to "the business of the business."

A recurrent theme was the need for boards to focus more on strategy. One director said her board was replacing the usual PowerPoint reporting format with strategic discussions on relevant issues. Another said he was trying to motivate and skill up his boards to ask questions to prevent what he calls the "bicycle shed" problem – that boards will pass a multi-million dollar proposition that they don't understand without discussion, then spend all of their time discussing the construction of a parking lot or a bicycle shed because they are familiar territory.

Connection to Women's Contribution

- Our biggest surprise was that so few boards formally assess individual directors on their performance. Boards need fair and objective ways of doing so. Formal processes in this area would not only strengthen overall effectiveness, but also provide clear measures that allow diverse candidates to shine.
- Outside consultants might best bridge the reluctance to engage in individual and peer-to-peer evaluations.
- Most directors feel their board's evaluation process is inadequate. This makes it difficult for them to decide upon strategic improvements – and easy for them to ignore research on ways boards can improve effectiveness.
- Many boards need onboarding processes to help new and different directors to fit in and contribute quickly.
- Improving boards is a slow process. It requires long-term planning and a recruitment strategy that makes diversity a priority.

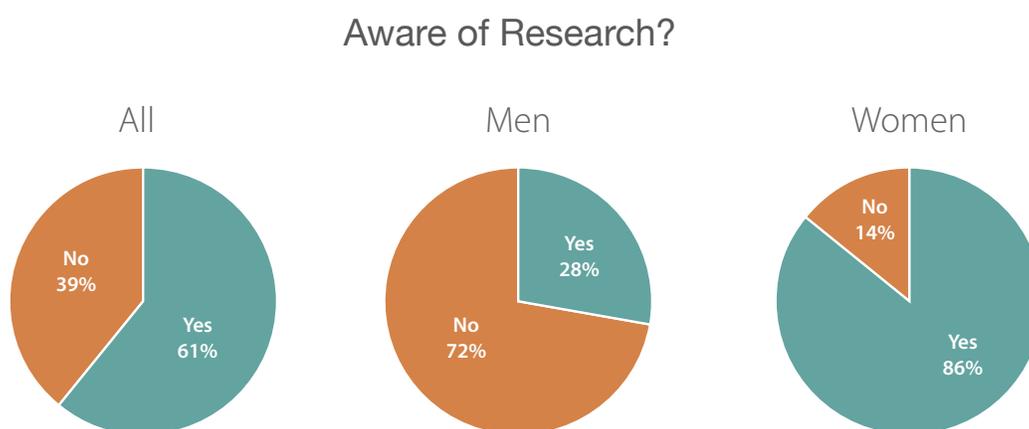
Why So Few Women?

Another area we investigated is why, given the growing pool of qualified women and research showing the value they can add, there continue to be so few females on boards. We asked directors a number of related questions.

Awareness and Discussion

First we queried whether they were aware of the research linking women directors to better business results. As Figure 13 shows, 39 percent of interviewees had not heard of it before we spoke to them. Men were much less likely to know about it than women, with a full 72 percent of male interviewees saying that they had been unaware.

Figure 13



Given that more than a third of the directors we interviewed – including nearly three-quarters of the men – did not know about the research, they and their boards may not see the value of changing the predominantly male status quo. *“This research should be publicized,”* said one UK male. *“We should understand the nature of the female contribution.”*

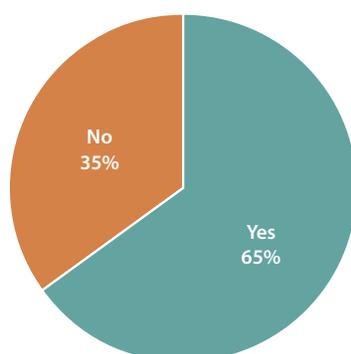
Since many interviewees were acquainted with the research and the topic of women on boards has received wide media attention, we expected many of their boards to be at least considering appointing women. In-

“We should understand the nature of the female contribution.”

deed, nearly two thirds said that their boards were discussing both diversity in general and gender diversity in particular for their director searches. (Figure 14)

Figure 14

Focus on Gender in Recruitment?



This heightened awareness did not always translate into action. Of the 23 directors whose boards were discussing gender in relation to a current search, 13 said they had not yet taken related action, six said they could not find qualified women, and four said they had gone on to focus on men exclusively. *“We have discussed it, but we were fundamentally focused on competence. We needed someone to run our audit committee. We looked at five candidates, all of which were white males. I don’t feel we ignored the issue,”* said a UK male on all-male boards.

Many directors said that discussion or no discussion, their boards were not recruiting differently than in the past. *“If I see the same capabilities in a man and a woman, maybe I’ll go for the woman. But would I go searching for a lady? The answer is no,”* said a male director in Asia.

“If I see the same capabilities in a man and a woman, maybe I’ll go for the woman. But would I go searching for a lady? The answer is no.”

Recruiting Practices

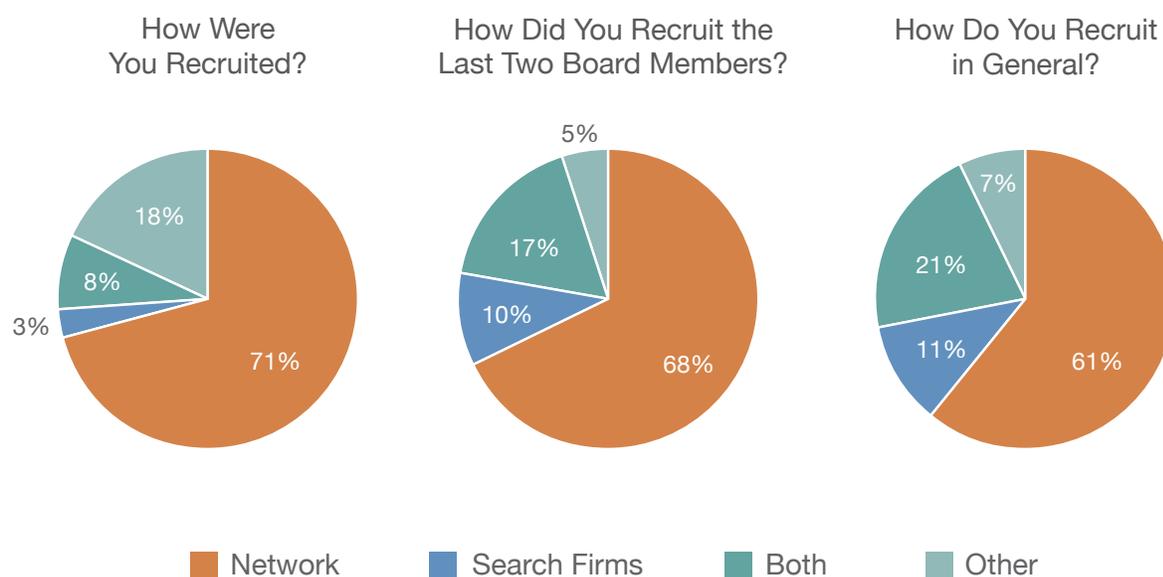
As recruiting practices largely determine who is asked to join a board, we asked directors how their boards recruit in general, how their last two board members were recruited, and how they themselves were recruited.

As shown in Figure 15, the answer for all three varied little: the vast majority of their boards appointed candidates directors already knew. A full 94 percent of interviewees were identified at least partly

through existing relationships and 84 percent were found solely that way. This reliance on networks was nearly as high for recent searches.

Female directors were as likely to be recruited in this manner as males. This is clearly one reason few women sit on boards. Men and women tend to network separately. As one US female explained,

Figure 15



“If your board is 80 to 90 percent white male and your recruitment process is just going around the table and asking ‘Who would be good?’ you will get a list that is 80 to 90 percent white male.”

Female board candidates are also less likely to be known even to other women. Few CEOs are female – five percent in the Fortune 500¹¹ and three percent of those of the largest 2500 companies in the world¹². The positions many women hold a level or two down tend to be more internally focused and thus less visible to anyone. Several women spoke of connecting into the right networks only through serendipity. One, a former CEO, sat next to her board’s chairman on a plane. Another was contacted by a recruiter vetting a male candidate and so was able to make her way into the database and onto the shortlist for her current board.

Why do so few boards conduct searches through recruiters? Above all, directors want to personally know the candidate they are bringing on. Once seated on a board, nonperformers and difficult personalities are almost impossible to fire. As our research showed, many boards do not have the well-developed assessment and succession procedures for individual directors that

could ease such dismissals. Without these procedures, it is up to the chairman or lead director to justify and ask for a resignation, a difficult proposition in any case, but even more so if the director is a well-known or powerful figure.

There are other reasons boards avoid using headhunters. One is cost, possibly too much for smaller organizations. In addition, recruitment firms can be less motivated to conduct director searches as these pay much less than CEO searches despite similar effort involved. In many cases, headhunters are also drawing upon the same networks as the board members involved. *“It’s rare when they bring you an unknown quantity, somebody the recruiter identified and nobody knew,”* said a US female.

Several directors mentioned the difficulty of preparing a candidate brief for a recruitment firm. As our research shows, many of the qualities of the best directors are personality and relationship-building traits, difficult to assess and describe. And even if a clear brief is created, the process still is likely to favor male candidates. *“The last thing recruiters want to do is bring somebody different into the boardroom. So they bring the same expected candidates to the table unless there’s someone on the board really pushing them,”* said a US female.

The Case for Involving Recruiters

Despite the majority preference for identifying candidates through personal networks, a growing minority of boards is routinely involving recruitment firms in their searches. Among interviewees, the use of search firms more than doubled between the time they personally were recruited and the times they brought on their last two candidates.

Directors cited several reasons for this change. Recruiters can reach out to candidates directors don’t want to be seen as “poaching.” They can cast a wider net for more diverse candidates if asked to do so. They can also mitigate the risk of a wrong decision. *“I always go to a recruiter. Sometimes I find the board member, sometimes they find the board member, but I always go to external people for a second or third opinion. You cannot make a mistake at that level,”* said a European chairman who always insists upon a 50 percent female shortlist.

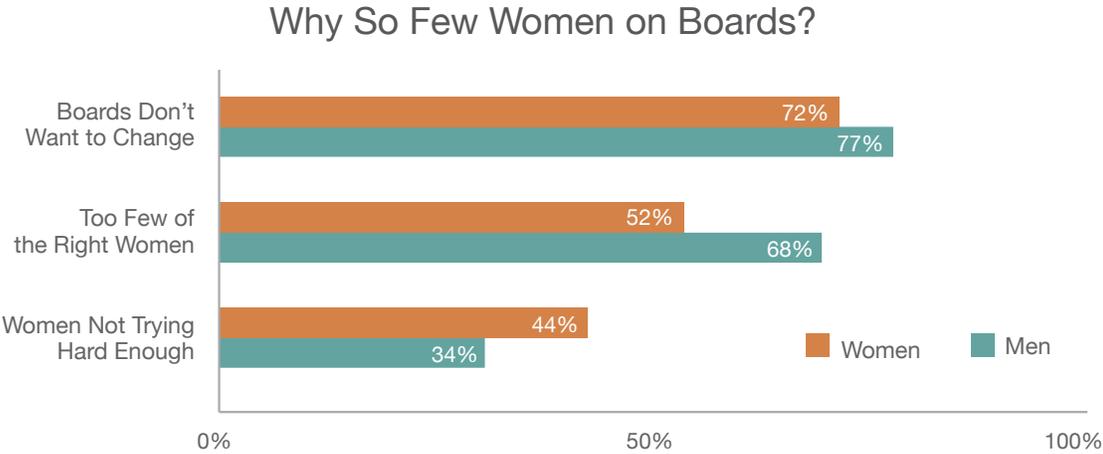
Takeaways

- Unless someone makes it a point to openly advocate or sponsor female candidates, few women will be considered.
- Explicit instruction to a headhunting firm to locate diverse candidates can help.

Other Reasons

Beyond recruitment practices, interviewees spoke of three other related reasons the numbers of women directors continue to be sparse. These are shown in Figure 16.

Figure 16



(94 of 102 directors responded to this question)

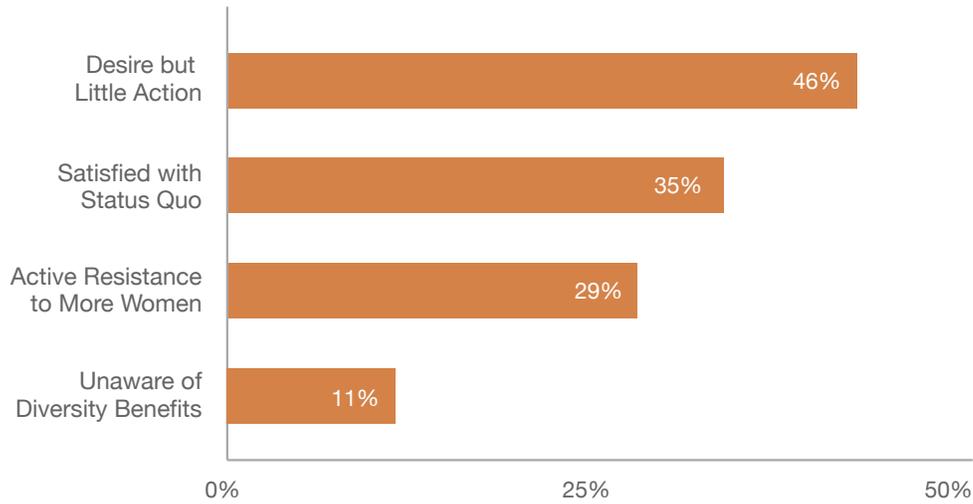
Men and women differed in their responses, with men more likely both to say that there aren't enough qualified women candidates and to blame boards for not trying hard enough. Women were more likely to say that women themselves were not making enough of an effort. Many directors mentioned all three reasons.

Boards Don't Want to Change

The vast majority of interviewees believes that boards aren't trying hard enough to find qualified women. Figure 17 shows a breakdown of the various ways they came to this conclusion.

Figure 17

Boards Don't Want to Change



While most interviewees agree that there are fewer board-ready women than men, they also think boards could find more of them if they looked harder. Nearly half said that boards think diversity is good, but aren't doing much to make it happen. Another third believes boards simply are too caught up in the status quo to change.

Almost a third of interviewees think that boards actively resist adding women. A few made bitter comments about women's lack of qualifications and the unfairness of quotas. One US male described being interviewed for a position on an all-male board of a company with mostly female employees. *"I told them, 'You shouldn't be interviewing me. You need a woman.' The pushback was, 'But we need a qualified board member and there are no qualified women.' You hear that all the time. In the end they did find a woman, but their instincts were in the opposite direction."*

*"I told them,
'You shouldn't be
interviewing me.
You need a woman."*

Takeaways

- Boards could find more qualified women if they tried harder.
- Directors could reach beyond current networks, make better use of search firms, and examine their own resistance to appointing women.

Too Few of the Right Women

Most directors also believe that there aren't enough qualified women to go around. According to the conventional wisdom, a "perfect" candidate for a public board position is a sitting CEO with public board experience. Many directors pointed to the low numbers of female CEOs and public company board members – five percent and 16.9 percent in the Fortune 1000, respectively¹³ – as the reason so few women sit on boards.

Some interviewees noted that many board members, perhaps even the majority, do not have these 'perfect' credentials – and every one of them at one time needed their first board appointment. Getting this first chance has been a particular hurdle for women, even those with CEO experience. *"If it's a man who has been a CEO or an executive who has been in and around board rooms a lot, then they (board members) understand that he is ready. With a woman, we have all these pseudo problems with it,"* said a US male who has nominated women for his boards. *"You almost have to bludgeon people to make it happen. You lose a lot of friends if you try."*

Often women are subjected to more scrutiny than men. One UK female said her board required of her an additional nine interviews and five hours of psychometric testing not required of her male counterparts. The flip side is that once women have these 'perfect' credentials, they are much sought after and often have to turn down multiple offers. *"I can tell annual meeting time is approaching just by the number of phone calls I get,"* said a female who serves on boards in multiple countries.

"We have to make sure change happens from the grassroots."

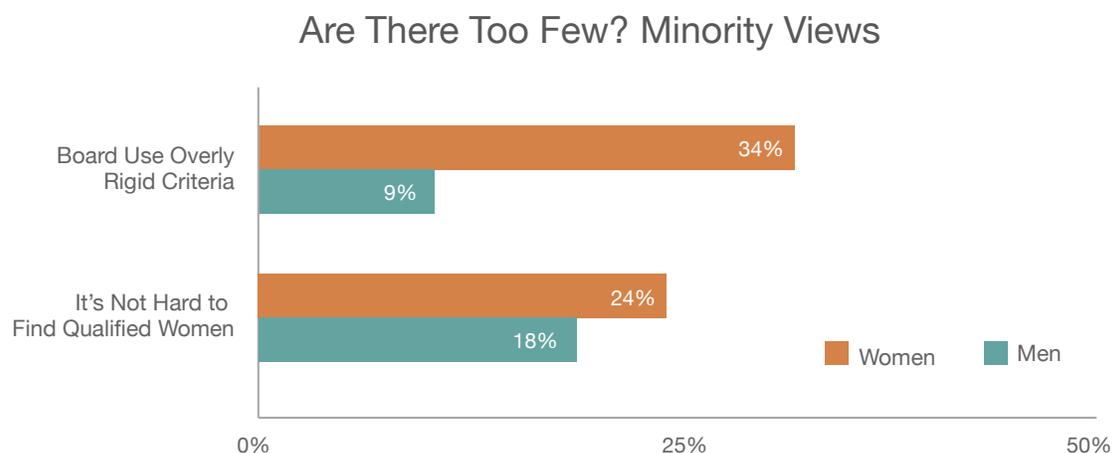
Many directors spoke of a "pipeline problem" – that there aren't enough women moving into corporate leadership positions to fill board openings. One European director said that in his heavy industry he knew no women managers at all. Others said that the relative lack of female corporate C-level executives is mirrored by the limited number of women venture capitalists and entrepreneurs. *"We have to make sure change happens from the grassroots,"* said one female director and venture capitalist from Asia.

"If it's a man who has been a CEO or an executive who has been in and around board rooms a lot, then they (board members) understand that he is ready. With a woman, we have all these pseudo problems with it."

A Minority View

On the other hand, a significant minority of interviewees believes that it is not difficult to find qualified women. Interviewees either stated this outright or said that the issue is not the availability of appropriate candidates but rather the inflexibility of board recruitment criteria. (Figure 18)

Figure 18



Several public company directors, male and female, said that they did not believe people who told them their boards could not find great women. One US male said he couldn't understand the low numbers of women he sees on board recruitment shortlists given the number of highly qualified women he interacts with daily as a CEO. *"There are plenty of women out there,"* said a US female with significant CEO and public board experience who was looking for another board seat at the time of the interview. *"I'm here."* She noted that a female CEO group she belongs to had more than doubled in size to more than 450 members and was growing. *"A lot of them can't find boards."*

Women Not Trying Hard Enough

Many interviewees, including 44 percent of the women and a third of the men, believe that women don't try hard enough to increase their numbers on boards. About a fifth of men and women think women simply aren't interested or have competing priorities. Another full fifth of the women (but very few men) said that the women who might want directorships just aren't doing what it takes to get a seat. *"I tell women they have to network with men,"* said one US female, adding that women don't understand how crucial a sponsor, particularly a male sponsor, is to an appointment. Others said it isn't just that women don't make enough effort, but rather that they don't even know that board seats might be within their grasp if they tried. *"It wasn't like the door wasn't open,"* said one US female. *"I didn't even know that the door existed."* A smaller number of directors said women in the boardroom were not doing enough to get other females appointed.

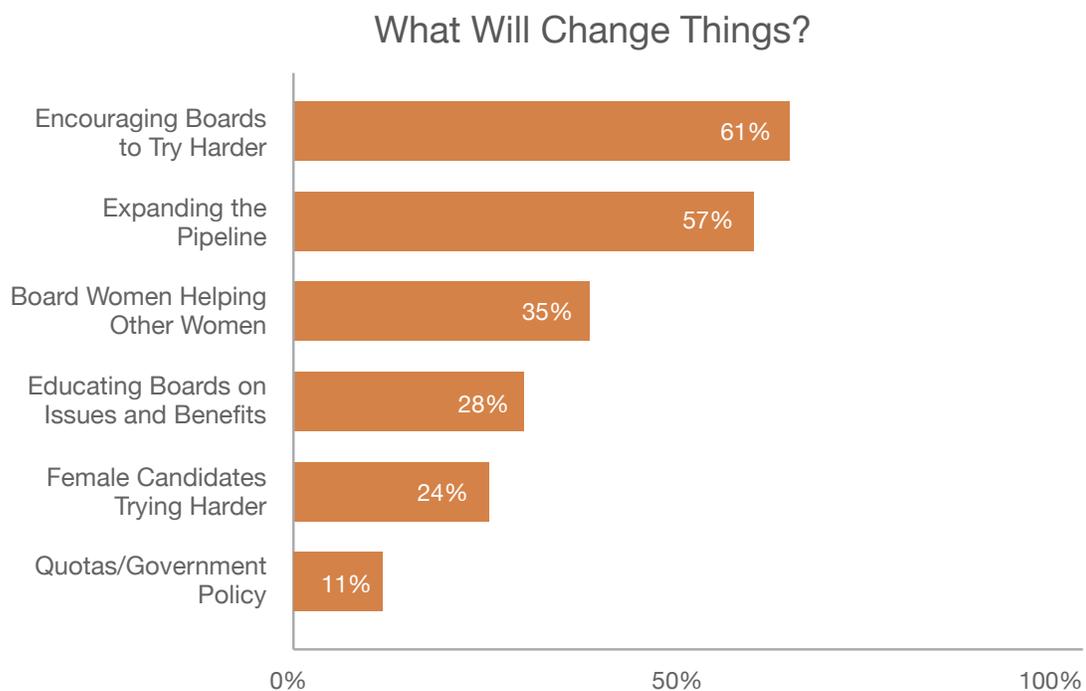
Takeaway

- A significant minority of women believes that women themselves can take action to increase their numbers, both from inside and outside the boardroom.

What Will Change Things?

We asked directors to provide suggestions for removing barriers to women entering boardrooms. Their responses are shown in Figure 19.

Figure 19



Unsurprisingly, a majority of directors believes that the situation can change if boards try harder and the pipeline is expanded to make more women candidates available. Women were more likely to say that boards should do things differently; men were more likely to say that more female talent needs to be developed to take board seats in the future.

Women most often mentioned that women can increase their own numbers. While the combined gender numbers are lower, a full third of female interviewees believe that women candidates can do a better job of promoting themselves. Strikingly, a full half of the women said they themselves as directors can do more both inside and outside the boardroom to get appointments for qualified women they know.

A significant minority also felt that making boards aware of the benefits of diversity and women's contribution would help change the status quo.

Takeaways

- Most directors think boards need to do things differently to find more female candidates, and companies need to work harder to develop their female talent to expand the pipeline.
- Women believe that women themselves, both inside and outside the boardroom, can be effective change agents.

Signs of a Coming Shift

While a number of directors expressed frustration at the slowly increasing numbers, several also pointed to signs that boardroom doors are opening more widely for women.

Government quotas for female directors are being instituted around the world, notably in Europe. These mandate anywhere from a single woman to 40 percent of the board for large public companies. Besides boosting numbers in the countries affected, the quotas have dramatically changed the conversation elsewhere, inspiring awareness of the issue and sharpening competition for female talent. Boards in quota countries have recruited heavily in non-quota countries to meet their numbers, thus making many highly-qualified women less available to serve at home.

Even in non-quota countries like the US, UK, and Canada, more women are being appointed to boards than ever before. The percentage of new female nominees to S&P 500 directorships has doubled in the last seven years to 30 percent – almost one in three new board members is a woman. Due to low turnover, the overall proportion of women has inched up more slowly. The largest increase has come in the UK. From 2011-2104, the percentage of women on FTSE 350 boards grew by eight percent. This compares to four percent in the same period for Canada's TSX composite index and 2.4 percent at US S&P 500 companies.¹⁴

Awareness of the issue and the benefits women can bring is also at an all-time high. The research cited in Figure 1 has had an impact, as has the influential Davies Report in the UK, which urged British companies to combat groupthink on boards with the addition of women directors.¹⁵ New advocacy groups such as the Thirty Percent Coalition, 2020 Women on Boards, and country-specific Thirty Percent Clubs are publicizing the issue and influencing action. At the same time professional groups such as Women Corporate Directors as well as many universities are compiling databases of exceptional women and developing training and “boot camps” for aspiring board candidates.

Meanwhile, activist institutional investors are demanding and often achieving more diversity in the boardroom. The Thirty Percent Coalition, whose founding members include some of the largest institutional investors in the world, is running a letter-writing campaign asking 100 US companies that lack women on their boards to “embrace gender diversity” as a means of increasing financial performance and generating long-term value for shareholders. This has led to appointments and board promises to add women,¹⁶ though not all of these are being kept.¹⁷

Generational shifts and the call for different types of expertise are also changing the landscape. The needs for a youth perspective and for social media/new technology savvy are particularly acute. Starbucks and eBay, among other companies, have appointed young women with technology expertise to their boards. At the same time, boards are aging. A large number

“If you don’t have women on your board, you’re out of fashion. You’re old school. You don’t want to be seen that way.”

of directorships are due to open up within the next 10 years as the post-World War II generation retires. Already, many boards are thinking about this succession planning. One US female described joining a congenial board of aging males who had been together for decades. “They knew that they needed to look at the leadership continuity of the board. They told me, “We’re just a bunch of old farts. We need fresh blood.”

Finally, several interviewees noted that the presence of female board directors is also increasingly seen as a marker of a progressive, forward-looking company. “Men of my generation didn’t see a role for women in business,” said one UK male, noting that his ambitious daughters are making him realize that the world has changed. “If you don’t have women on your board, you’re out of fashion. You’re old school. You don’t want to be seen that way,” said a European male. “You don’t want to be seen as, ‘you mean you’re an ambitious company and you don’t even have women on your board? How can that be?” ■

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Summary and Recommendations

The Better Boards Project has one main finding: boards of directors make better decisions when a healthy number of women sit at the table. This in itself is not surprising. Our research began as an attempt to dig more deeply into the many statistical studies that link better business results to the presence of women directors on public boards around the world. In speaking directly to board members to document their views and experience, what we found was more eye-opening: clear evidence of a positive effect on multiple aspects of board performance.

Most of the 102 directors we interviewed agree that women contribute differently than men in the board room. Often younger, from more divergent backgrounds and having an outsider point of view, women bring multiple dimensions of different perspective to the table. This provides a much-needed safeguard against the groupthink and rubberstamping of policy that continue to hinder board effectiveness.

Above all, directors believe that women ask more and different questions, ensuring more robust debates and carefully-considered decisions. Their questions are more likely to spur boards to focus on the human dimension of their decisions – how they affect employees and customers and other women. Women are also more likely to “tend to the white space” – ask about the risks and implications of decisions through to their implementation phase, including issues of ethics and accountability. In directors’ views, women are also more likely to build relationships among board members and with management, and to honor and empathize with individuals. Inside the boardroom, they are generally more collaborative, listening carefully and facilitating contributions from all.

When asked what characteristics typify an effective board member, directors mentioned many of the same traits they saw in women: a penchant for relationship building, skills in communications, alignment with an organization’s mission and values, and engagement in and preparation for board work. This correlation is pivotal. Director after director mentioned that the best boards both challenge and support management and other members around the table – the very qualities that they also believe are more likely to shine from their questioning and relationship-building female colleagues. Boards wishing to retain a competitive edge for their organizations clearly need to embrace gender diversity.

What stood out as most surprising in our research was the number of boards making little effort toward improvement. A majority of our interviewees felt that their overall board assessment process was ineffective, and an even larger number said their boards did not evaluate the performance of individual members. Though most value diversity among directors as a way of making their boards better, few are following up on this by changing recruitment strategy and processes or by questioning qualification criteria that typically clone the current board rather than improve it.

There are still relatively few women on boards around the world. Lack of experience working with senior women often leads to stereotyping and continued misconceptions by both men and women. Some boards are resisting recruiting women, preferring to stay within their current comfort zone. Many more would like to bring on more women, but aren't quite sure how to go about it without rethinking the way they do things. In fact, appointing more women to boards and increasing overall effectiveness may lead to some uncomfortable challenges for boards: longer discussions and debates, the necessity of explaining policies that have stood unquestioned, and the effort required to encourage opinions and welcome voices that can seem jarring and sometimes out of line.

But this change is inevitable. Customers and stakeholders and government bodies are demanding that boards appoint women. The pool of accomplished women is larger than ever before. More and more of them are joining boards. Meanwhile, an increasing number of boards are incorporating gender diversity into their succession planning. Heightened awareness of the benefits women directors bring is building more resolve among boards to appoint more of them. The Better Boards Project now joins this chorus with our findings: Our research demonstrates that all boards should seek the benefits of gender diversity.

Recommendations

Based on our research, we recommend the following for boards and board directors

Boards - Overall

- **Keep improving through regular annual reviews.** As with any other management team, boards should be regularly evaluated on their performance. Clear expectations and a transparent and repeatable set of processes should be agreed upon and established. The review should include not only audits of financial and legal and functional processes, but also assessments related to boardroom dynamics, including the characteristics our interviewees believe make boards and directors more effective such as relationship building, the ability to both support and challenge one another and management, and contribution to the “right” culture and values.
- **Evaluate individual director performance.** This was a particular area of weakness identified by interviewees. Boards should ensure that performance criteria are clear and bring in an outside professional to mitigate the discomfort of peer-to-peer reviews.
- **Institute feedback loops.** The evaluation process should also provide a way for the board, committees, and individuals to be told where they stand relative to expectations and what they are expected to do to improve. Several directors recommended setting quarterly objectives for individuals as well as the board as a whole.
- **Make better relationships a goal.** Consider an off-site dedicated to understanding the roles and responsibilities of management and the board and committees as well as interdependencies among them. What are the expected norms of behavior? Agree upon how to embed these into boardroom practices and hold each other accountable.

Boards – Diversity

- **Develop a strategic succession plan with diversity as a major component.** This is especially important as many longtime public board members are due to retire in the next 5-10 years. Many boards are using a matrix plan that takes into account gender and other diversity gaps along with the need for particular functional expertise and regional and business experience.
- **Recruit continuously rather than waiting for an opening.** As one director put it, “You don’t want to put yourself into a position to bring on a weak diverse candidate or to be forced to accept the first qualified person who comes along.”
- **Accept and understand the need for diversity.** Boards need to adapt to a changing world where diversity and gender diversity play an important role. Some may need outside help in recognizing exactly how women add value with their contributions – and then in finding ways to encourage this value-added contribution.
- **Deal openly with difference.** Discuss as a board why new voices are necessary, honestly acknowledging the difficulties of drawing in diverse perspectives. Dedicate an offsite to the best practices of capitalizing on differences and making sure all voices are heard.
- **Institute helpful onboarding practices.** Formally welcome new voices and create an onboarding program that not only encourages new members to hit the ground running, but also helps existing board members to be collegial in productive ways.
- **Open up the pipeline for women directors.** Support opportunities for women to serve on boards of small organizations or subsidiaries of large ones. Recognize that non-profit board experience is a valid and valuable step towards corporate boards. Develop female talent by identifying exceptional performers and sponsoring them for opportunities to help them move up a rung. All of this will help create a visible pathway for women to make their way onto boards.

Individual Directors

- **Sponsor and Support – Men.** So many of our male interviewees say they already work with great women or want to find the best-qualified females for their companies and boards. They are in a position to sponsor women and to look for opportunities to network with them. This can only benefit their organizations as they build a wider pool of excellent candidates.
- **Sponsor and Support – Women.** More women now serve on boards around the world than ever before. Still a minority, they are in a position to help one another. Women with public board experience are much in demand. Several interviewees are keeping their own databases of highly-qualified candidates to recommend for the directorships they are unable to take.
- **Build awareness.** Women as well as men are susceptible to stereotypes about what women can and can’t do and what qualifications they do and don’t have. Individual directors can correct misconceptions and support the creation of case studies and best practices for well-functioning boards.

Female Candidates

- **Research boards and best governance practices.** Gain an understanding of the roles and responsibilities of boards, common committee structures, and typical recruitment criteria. Consider speaking with current board members and reading books and articles, some of which are listed on the Better Boards Project website.
- **Develop a roadmap for board service.** Take a personal inventory: what expertise and experience can you bring to boards? What additional experience do you need? What boards would most likely benefit from your service?
- **Raise your hand.** Let it be known that you are interested in board service. Seek out nonprofit boards that embody areas you are passionate about. Get to know the staff as well as professionals working in the area.
- **Become known.** Network with men as well as women. Go to conferences and meetings. Update your resume and LinkedIn profile. Talk to board members. Talk to others. Get involved where others can see your passion and talents.

Boards and directors may find it initially demanding to follow some of these recommendations. As our research demonstrates, however, gender balance in the boardroom is a strategic necessity. Boards must build upon diverse perspectives if they wish to provide the kind of robust governance required for competitive advantage in an increasingly complex world.

Endnotes

- ¹ McKinsey & Company, “Women Matter: Gender Diversity, A Corporate Performance Driver,” 2007.
- ² Catalyst, “The Bottom Line: Corporate Performance and Women’s Representation on Boards (2004-2008),” March 1, 2011.
- ³ Credit Suisse, “Gender Diversity and Corporate Performance,” August 2012.
- ⁴ Thomson Reuters, “Mining the Metrics of Board Diversity,” June 2013.
- ⁵ Credit Suisse, “The CS Gender 3000: Women in Senior Management,” September 23, 2014.
- ⁶ In a related but differently-focused study, two University of Michigan researchers examined the impact of quotas on Norwegian businesses. Norway required public company boards to be 40 percent female by 2007. At the time the announcement of this quota was made, most Norwegian directors were male, and the announcement itself caused company valuations to decline by 2.9 percent and more than that for companies with no women directors. Ahern, Kenneth and Amy Dittmer, “The Changing of the Board: The Effect on Firm Valuation of Mandatory Female Quotas.” *Quarterly Journal of Economics*, vol. 127(1): 137-197.
- ⁷ Kimberly Gladman, “GMI Ratings’ 2013 Women on Boards Survey,” GMI Ratings, April 2013, p. 6, <http://www3.gmiratings.com/home/2013/05/gmi-ratings-2013-women-on-boards-survey/>, accessed August 2014.
- ⁸ Catalyst, “Women in Management, Professional and Related Occupations in the United States,” April 1, 2014.
- ⁹ For example, one well-known 2001 study (“Boys Will Be Boys,” by Professors Brad Barber and Terrance Odean, published in *The Quarterly Journal of Economics*) found that male equity traders were much more likely to frequently trade out of overconfidence and thus reduce their returns. Subsequent studies have found different investment patterns among men and women, differing lengths of time assessing risky decisions (women take longer and are more questioning) and differing propensities to take risks under stress – men are inclined to take more, women to take fewer.
- ¹⁰ “Study: Why Women Speak Less When They’re Outnumbered.” Brigham Young University, September 18, 2012, <http://news.byu.edu/archive12-sep-women.aspx>, accessed August 2014.
- ¹¹ Catalyst, “Women CEOs of the Fortune 1000,” October 14, 2014.
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- ¹³ Catalyst, “Quick Take: Women on Boards,” March 3, 2014.
- ¹⁴ “Gender Diversity on Boards: A Review of Global Trends.” Institutional Shareholder Services. September 25, 2014. <http://www.issgovernance.com/proportion-women-board-nominees-reaches-time-high/>
- ¹⁵ Davies Review Annual Report 2014 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/320000/bis-women-on-boards-2014.pdf
- ¹⁶ <http://www.issgovernance.com/governance-exchange/governance-weekly/>
- ¹⁷ Gretchen Mortenson, *New York Times*, “Choosing Not to Walk the Walk on Board Diversity.” June 1, 2014. Page BU1.

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Appendix 1 - Contributors and Boards

Directors Interviewed

The following directors participated in our research and agreed to having their names listed. Due to the sensitive nature of the interviews, a small number of others requested anonymity.

Ian Adamson	Karen Glover	Gillian Muessig
Barbara Anderson	Enrique Godreau III	Jürgen Neumann
Lorraine Baldry, OBE	Dirk Goethals	Jamie Nordstrom
Anjali Bansal	Ralph Gomory	S. Mae Fujita Numata
Caroline Banzsky	Philip Gore-Randall	Deanna Oppenheimer
Patty Bedient	Andrew Greene	Bill Owens
Howard Behar	Jeff Greene	Stewart Parker
Phyllis Bergman	David Grigson	Paul Pasquier
Ela Bhatt	Olga Hafner	Praveen Pasricha
Fraser Black	Marka Hansen	Nancy Pellegrino
Allon Bloch	Jan Hendrickson	Liane Pelletier
Anne Boden	Patricia Hewitt	Quintin Price
Katarina Bonde	Shaun Higgins	Sanjay Razdan
Ellen Boyer	Christiane Hotz-Firlus	Rhonda Rhyne
Bill Broesamle	Sherry Jennings	Dr. Tamali Sen Gupta
Jeff Brotman	Mary Jesse	Paul Shoemaker
James G. Butler	Ren Jurgensen	Barbara Smith
Caitlin Cameron	David Kidder	Laura Lee (Laurie) Stewart
Phyllis Campbell	Dawn Lepore	Jane Stonecipher
Ian Carlisle	Janet Levinger	Berneer Strom
Oliver Chadwick	Clive Lord	Sue Swenson
Carla Corkern	Wendy Luhabe	Vijay Talwar
Bob Donegan	Janis Machala	Paul Thiers
Emer Dooley	Dennis Madsen	Mary Beth Vitale
Christian Dreyer	Helen Mahy	Todd Vogel
Eric Easom	Adina Mangubat	Garry Watts
Karin Eastham	Mary Marino	Shai Weiss
Michelle Edkins	Paula Mariwala	Isaac Wells
William L. Eisenhart	Dame Judith Mayhew-Jonas	Baroness Patience Wheatcroft
Leonard Fine	Eric Melloul	Robin Woodhead
Rand Fishkin	Santrupt Misra	Luigi Zingales

Boards Represented

Participating directors serve or have served on the boards of the following organizations. Some directors requested that some or all of their board names remain confidential.

2Way Corporation	Barclays	CenturyLink
A Wine Affair	Baseball Club of Tacoma	Ceres Fruit Producers
Access India Advisors	Belgium Cleaning	Chesterton International
Achievement Rewards for Collegiate Scientists Foundation	Benchmark Electronics	Circle Holdings
Aditya Birla	Berliner Wasserbetriebe	Clickable
AEA Investors LP	Beverage Alliance	Cobelclean Hotel Services
Afgri	Bike Works	Cobelguard
AGA Rangemaster Group	Bionic	Cobelguard
Alaska Airlines	Biotechnology Industry Organization	Cobelhotelservice
Alaska Communications	BlackRock	Cobelservice
Allied Arts Foundation	Blue Financial Services	CoBiz Financial
Allied Irish Banks	Blue Nile	Coca-Cola Enterprises
Altior	BluePhoenix Solutions	Columbia Bank
American Bankers Association	Boeing Classic Golf Tournament	Comair
Amicus Infotech	Bombay Chamber of Commerce and Industry	Connaught
Anna's Linens	Bonheur ASA	Connections for Children
Annie Wright Schools	Book-it Repertory Theatre	Control Instruments Group
AOL	Boy Scouts of America Chief Seattle Council	Costco
Aon	Boys & Girls Club of Bellevue	Coupons.com
Aptilo Networks	Boys & Girls Clubs of King County	Creston
aQuantive	Brett Approved	Cycad Financial Holdings
Archway Private Equity Fund	Brooks Sports	Daily Shopper
Arizona Business Leadership	Browntape	Daimler Chrysler
Arnold-Keogh Health Foundation	Bsquare Corporation	Datacentrix
Aryzta AG	BT	David Rattray Memorial Trust
ASG Consolidated	BTG International	Day Lewis
Ashland Corporation	Bupa	DDL Electronics
Association for Innovative Cardiovascular Advancements	Butter LONDON	De La Rue
Atlantic Tele-Network	C3 Jian	Deceuninck
Attenex	Capital Stream	Deeds from the Heart
AXA Group	Carmine Labriola Landscaping	Delsey S.A. Paris
Bally India	Cellular One	Dibs Payments Systems
Bank of New York		Drinks Americas Holdings
		DTZ Holdings
		Ducros

Earshot Jazz	Girl Scouts of Western Washington	Inventa Partners
Eastside Pathways	Girl Scouts Totem Council	Investis
eBay	GlaxoSmithKline Pharmaceuticals, India	Isilon Systems
eBuilder	Global Market Insite	IslandWood
Education Elements	Global Partnerships	IST
Elliot International	GoAhead Software	Ilycorp
Embarq	GÖK	Jensen Industries
Endsleigh Limited	Graduate Management Admission Council	Jewish Family Services
ENRO	Green Canopy Homes	Johannesburg Stock Exchange
ERM Holdings	Greenleaf Center for Servant Leadership	Joshua Green Corporation
Esure	Groundwire	Julep
Eurotunnel Group	Harmonic	Jumbo Foods
Evolucion Innovations	Heckyl	Junior Achievement of Washington
Executive Development Institute	Herlitz	Kigo Kitchen
Exostar	Hinditron	Krug International
Expeditors International of Washington	Hinkle Charitable Foundation	La Jolla Institute for Allergy and Immunology
Eye-Ris	Hofesh Shechter	Lake Washington Institute of Technology
Feeding Washington	HomeNet India	Law Debenture Corporation
Fiat	HomeServe	League of Education Voters Foundation
Financial Executives International Washington	House of HR	Lexmark International
Fircroft	Housewares	Lingraphica
Food Lifeline	Hughes Electronics	London & Partners
Foxtons	Icicle Seafoods	London and Continental Railways
Frameflow	llumina	London Commodity Exchange
Fred Hutchinson Cancer Research Center	Image Systems	LoyalBlocks
Friends of Women's World Banking	Imperial War Museum	Manufacturing Jewelers and Silversmiths of America
Frontier Markets	Indian School of Microfinance for Women	Marvin Traub Associates
Frye Art Museum	Industrial Development Corporation of South Africa	McCormick & Schmick's
Funders' Network for Smart Growth and Livable Communities	Infectious Disease Research Institute	Museum Dhondt-Dhaenens
The Jesse and Rose Loeb Foundation	InfoSpace	Mercantile Bank Holdings
Ganger Rolf	Initiative for Global Development	Meridian Wine Merchants
Gardens & Co	International Corporate Governance Network	Merrill Lynch
Gateway Rotary Club of Thurston County	International Women's Jewelry Association	Micro Systemation
Gensec NSA Equity Fund		Micronic Mydata
		Middlesex University

Minted	Parallel Media Group	Seattle Aquarium
MorphoSys AG	Partners For Our Children	Seattle Art Museum
Moz	PATH	Seattle Foundation
MS Industries	Pentahold	Seattle Historic Waterfront Association
N.M. Rothschild & Sons	Pepe Foods	Seattle Metropolitan Chamber of Commerce
National Arthritis Foundation	Performance Bicycles	Seattle Pacific University Board of Trustees
National Association of Corporate Directors-Colorado Chapter	Photobucket	Seattle Repertory Theatre
National Grid	PIK	Seattle Sports Commission
National Investment Group	Pinnacle Computers	Seattle University Board of Regents
Natural History Museum, London	PivotLink	Securitas
Nature Conservancy of Alaska	Placeware	Seedfund, India
NCR Corporation	Planet 7 Software	Self Employed Women's Association
Neose Technologies	Polaroid	Sequim Community Foundation
Netfox	Polycom	Shaftesbury
Netreflector	Poncho Theatre	Shurgard Storage Centers
New Canaan Library	Port Elizabeth Opera House	Sixth AP Fund (Sjatte AP Fonden)
New West End Company	Precision Image Analysis	SloPho
New York Stock Exchange Asia	Prevensio	Smithsonian Institute
Nordstrom	Propellerhead	SMT Scharf Group
Nortel	Puget Sound Energy	Social Venture Partners
Novotel	QSent	Software Publishing Corporation
NPR Foundation	QinetiQ	Sotheby's
NSA Investments	Rambert Dance Company	Sound Community Bank
NW Entrepreneur Network	Real Africa Holdings	Sound Financial Bankcorp
Obelisk Legal Support Solutions	Real Africa Investments	Southbank Centre
Ocado	RealNetworks	SPE Dubbing
Olympic Delivery Authority	REI	SPE Films
On The Boards	Reserve Bank of India	Spiral Genetics
OncoGeneX Pharmaceuticals	Reuters	Spire Healthcare
Orc Software	Rotary Club of Seattle	Spirent
ORIGIS	Royal Bank of Scotland Group	Splash International
Orvis	Royal Swedish Opera	SSL International
Osmo Data Technology	Sa-Dhan	Stagecoach Group
OtoMetrix	Safeco Insurance Company of America	Standard Life
Overlake Hospital Medical Center	Saint James Place Wealth Management	
Pacific Northwest Ballet	Saint Mark's Cathedral Foundation	
Pacific Science Center	Schroders Real Estate Investment Trust	

Starbucks Coffee Company
Sterling Financial Corporation
Stitch Fix
StreetNet International Alliance
of Street Vendors
Summit Imaging
Sur La Table
SVB Holdings
Tableau Software
Talyst
TC Global
Telecom Italia
Teledesic
TELSTRA
Tesco Bank
Tesco PLC
The African Arts Trust
The Arizona Society of Certified
Public Accountants
The British Museum
The Business Bank
The Commerce Bank of
Washington
The CO-Op Network
The Elders
The Friends of the Scottsdale
Public Library
The Gap
The Lee Gilles Foundation for
Literacy
The Municipal League of King
County
The New York Times Company
The Plumb Club
The Renewables Infrastructure
Group
The Rockefeller Foundation
The Royal Opera House
The TJX Companies
The University of the Arts,
London
The Washington Post Company

The White Company
The Whitechapel Art Gallery
Foundation
ThinkLABS
Thrive By Five
Toosum Healthy Foods
Topaz Energy and Marine
Tri-Air Developments
Trinity Mirror
trip.me
True Religion Apparel
TSG Legal Consulting Private
Twenty-Four Karat Club of the
City of New York
UK India Business Council
UltraTech, India
Unisite Software
United Way Mumbai
United Way of King County
University of Puget Sound
University of Washington
Foundation
Urban Innovations Group
US Bank
Venture for America
Vergokan Group
ViaSystems Group
VIP Industries, India
Virgin
Vodacom Group
Walmart
Washington Bankers
Association
Washington Business Alliance
Washington Chapter of Council
of Educational Facility Planners
International
Washington Federal
Washington Research
Foundation Capital
Washington Society of Certified
Public Accountants

Washington State University
Board of Regents
Washington State University
Foundation
Wells Fargo
West Marine
Western Washington University
Board of Trustees
Wide Angle Technologies
WIEGO
Wipro
Wix.com
Women's Investment Portfolio
Holdings
Women's Private Equity Fund
Women's World Banking
Woodland Park Zoo
WRQ
YMCA
Yorkor
Zebra Imaging
Zurich Insurance
Zynex

Appendix 2 - Acknowledgements

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Appendix 3 – Authors



Cate Goethals

Adjunct Professor Cate Goethals of the University of Washington is the founder-director of three programs within the Foster School of Business connecting women leaders and

global business. Cate specializes in leadership development for senior women. Her “Women at the Top” class was recognized by Forbes as one of the 10 “most innovative” MBA classes, and she has created more than 15 other university-level courses focused on women’s leadership, global business, and diversity in the C-suite. Cate has spoken to many groups in the U.S., Europe, and Asia on issues related to women in leadership. She sits on three non-profit boards.

Passionate about the power of women and business to make the world a better place, Cate leads three global initiatives: “Half the Sky” Women’s Leadership and Entrepreneurship, the MBA Global Consulting Program India, and her newest project, a CEO to CEO mentoring program matching US and Indian leaders. A graduate of multiple communications programs and consultant to companies across three continents, Cate has managed a corporate communications department as well as worked with clients such as Microsoft, Boeing, Russell Investments, Valtech, and the RSA (Royal Society of Arts, Manufactures and Commerce).

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Susan Bloch

Global management consultant Susan Bloch has years of experience in advising boards, directors and senior executives on how to capitalize on their capabilities. With an emphasis on aligning leadership to strategy, she specializes in conducting board effectiveness reviews and coaching board members both individually and as a team. She also often works with global, multi-cultural teams, providing leaders with deep insight about their leadership qualities. She has coached top teams in many of the FTSE 200 and Fortune 500 companies across the globe including Unilever, Sony, Philips, Barclays, Reuters, Microsoft, and Coca Cola. Recently, Susan spent 3 ½ years in Mumbai, working with 2 Indian conglomerates.

A psychology graduate of Columbia University, Susan has co-authored *The Global You, How to Manage in a Flat World* (published in 8 languages), *Employability and Complete Leadership*, and produced a number of research publications on board effectiveness. She also blogs for the Huffington Post on women in leadership and board effectiveness. Susan currently serves on four non-profit boards.

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BETTER BOARDS PROJECT

Exploring the Impact of Women on Boards



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