



Too few good women: Why are boards still male domains?

New corporate governance strictures are making way for women on corporate boards. But how to find suitable candidates? And what do women really add to the board room?

INSEAD professor of Strategy Annet Aris sits on six corporate boards. She was first invited to a media company board in 2004 because of her reputation as a media specialist, particularly in digital media. “I was brought in not because I was a woman but because I had the knowledge that the companies didn’t have,” Aris says. “That helped to establish my credibility.” Other companies heard about her and she soon started receiving offers to sit on other boards as digitalisation began to take place in insurance and other industries.

Aris’ story of being a woman in demand on company boards is not a common one. Scandinavian countries lead the way with the highest representation of women on boards - about 17 percent. France has 12 percent and Germany just 8.5 percent. “The further south you get, the less relevant it becomes. It has a lot to do with the culture and the role women play in that society,” Aris says. “The topic also gets more important in times of economic growth rather than economic decline, so you have to be very pragmatic about these kinds of things.” In the UK, nearly half of all FTSE 350 companies do not have a woman in the boardroom. In February this year, the former UK trade minister and chairman of the Women in the Boardroom Review, Lord Davies, urged FTSE 350 companies to boost the percentage of women at the boardroom table to 25 percent by 2015, declaring that “radical change is needed in the mindset of the

business community if we are to implement the scale of change that is needed”. Part of that change is mandated by new laws supporting diversity, while globalisation has also opened the doors to inclusion for many who had been on the sidelines of big business.

Cherie Blair, a UK lawyer and the founder of the Cherie Blair Foundation for Women, says companies that have “parity” - about 30 percent participation from women on boards - have a better bottom line and return on investment. They are also generally better businesses.

The female factor

When women get to the mahogany table they tend to change the rules of the game, and that’s not always comfortable for everyone else. Some male board members grumble that such politically motivated changes lower quality. For Aris, the most compelling reasons for having women onboard is that you get better decisions because you have more points of view. “When women are on the board, they set a different tone. They tend to ask questions in a way a man might not (as he doesn’t want to appear uninformed). When something doesn’t sound right, women tend to ask for clarification and to understand why things are (the way they are). In critical situations like takeovers,

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women tend to get less carried away by the game aspect,” Aris told INSEAD Knowledge. Then there’s the adjustment process as women learn boardroom rules of conduct. Aris says that initially she underestimated everything that was discussed outside the board. “I would go in relatively naive and there would be important topics for the board (to decide on) and there would be no discussion. I would then say, ‘No I don’t agree’ or ‘Why don’t we talk about that’, and there would be this big silence. And I thought ‘what’s going on here?’ Then I found out that many things had been discussed beforehand so it’s knowing what things can be discussed in formal settings and what topics you need to talk about beforehand with who, and make sure you really understand what’s going on.”

Talent search

The Davies report suggests that one of the reasons why there are so few women on boards is that there are few transparent procedures for appointing people. “The vast majority of people appointed to boards are appointed because they know the chairmen - who are overwhelmingly male. There’s no interview process and firms that are asked to identify targets for people to sit on the board often come around and say there are no (qualified) women,” Blair told INSEAD Knowledge. “I don’t accept that and I’ve heard that people like Christine Lagarde (France’s Minister of Finance) now comes around to the board with a list of female names – because if you look, there are women who are qualified.” For the most part, companies approach headhunters. However, Aris claims that headhunters can be risk-averse, and that hampers the search process. Ideally, she says the chairman needs women who have worked in the industry, in senior management positions. However, the problem is that there are not that many of those women around, so the chairman has to be more creative and look beyond conventional benchmarks for experience or expertise. Aris calls this predicament “double diversity”. The board needs to incorporate the gender issue as well as different backgrounds – and this is not always easy.

Quotas: a necessary evil?

One of the problems arising from the introduction of quotas is that companies suddenly feel they have to get women onto their boards now. In the rush to comply, and with demand outstripping the number of capable women, companies motivated by availability rather than appropriateness will of course lose out. There are also the ‘trophy directors’ – the women everyone wants – who have multiple requests for board positions and who can crowd out other eligible women candidates.

Aris feels that older women tend to support quotas,

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but younger women don’t see representation problems “because they are young, bright and entrepreneurial – why should they bother?” However, when they reach their 30s, have children and are thrust into leadership positions, things tend to be more complicated, and it’s an uphill struggle to advance further. By the time they reach their mid-40s they say advancement isn’t moving fast enough; ‘we need quotas’.

“The first couple of years (into quota requirements) are really painful,” says Aris. “But after a few years, you actually get the good ones. Capable women begin to see the opportunity and they go for it and it starts working really well. After about five years, you can do away with the quotas because by then you’d have obtained the critical mass. So it’s not a bad idea to jumpstart (the process) with quotas.”

The talent pool really is upper management. And once you get enough women in top management, there is a natural flow of qualified women to the board and representational issues are solved, says Aris. This also inspires younger women to be more ambitious... And she adds you also get a more motivated workforce because female employees feel they are represented all the way up to board level.

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