



Women and Corporate Directorships in Canada: Trends and Issues

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Executive Summary

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Canadian women have entered management and executive positions in record numbers over the past 25 years. Yet, in the area of corporate boards and directorships, their presence and contribution continues to lag. This report examines the issue of women directors, highlighting past trends, current issues, and prospects for change. It aims to provide a concise overview of current thinking on women and corporate boards, and to spark debate on what is an important economic and social issue.

In terms of its scope and focus, the report examines the following key questions:

- (1) What are the historical and current trends in recruiting women as directors of corporations?
- (2) What are the reasons for women's level of representation? What facilitators or barriers shape their presence at the board level?
- (3) What competencies are required for directors?
- (4) What are the key change factors that would lead to a higher proportion of women in directorships over the long term?

Evidence is drawn from existing business and academic literature, and from interviews with experts in the field of board and director recruitment. The key results are summarized below:

Canadian Women's Changing Presence in Management

- Growing numbers of women are entering business schools and earning degrees. Compared to the mid-1970s, when they earned just 16.7% of all business and commerce degrees, women now earn nearly half of all bachelor degrees. At the MBA level, between one-third and one-half of graduates today are women.
- Women's presence in management has grown steadily in Canada, rising from 16% of all management positions in 1971 to 33% in 1991. More recent figures for 1998 indicate that women make up approximately 37% of all managers nationally.
- At the highest ranks of senior management – CEO, Chair, Vice Chair, President, COO, SEVP or EVP – women still form a distinct minority. According to a Catalyst *Census of Women Corporate Officers in Canada* in 1999, women held just 3.4% of such titles in the top 560 Canadian firms, compared to 5.1% for women in the United States.

Canadian Women on Corporate Boards

- At the board level, women's presence has increased slowly and remains low. While there is debate over precise figures, the most recent analysis indicates that women make up 6.0 to 9.4% of all corporate directors. Minority women hold just 1.9% of all directorships.
- Comparing Canada and the United States, a recent Catalyst census suggests that Canadian women hold fewer board seats – 7.5% in the top 560 Canadian firms versus 11.2% in the U.S. Fortune 500. Taking into account firm size, however, shows that Canadian women actually hold 12.0% of directorships in firms with revenue over \$5 billion, compared to 11.5% for women in the United States.
- Internationally, statistics from Corporate Women Directors International indicate that women hold 10.7% of board seats in Australia, approximately 5.0% in Britain, and just 0.2% in Japan.

Reasons for Women's Level of Representation and Future Expectations

Existing research reveals diverse views concerning the reasons for women's level of representation on corporate boards. Explanations highlight both *facilitators* and *barriers*, with these typically focusing on either *individual/supply-side* factors or *institutional/demand-side* factors.

Facilitators:

- At the individual level, a critical facilitator in improving women's presence at the board level is the growing pool of qualified women. Studies and commentators confirm there is an expanding supply of women in Canada with the requisite business qualifications, experience, and expertise for corporate directorships.
- At the institutional level, there are several key facilitators:
 - The emergence of more professional board practices in recruitment and selection as a result of calls for improved corporate governance.
 - Increased pressure from consumers and others for corporations to achieve greater diversity on their boards.
 - A shrinking pool of qualified men to fill directorships as corporations adopt more rigorous evaluation methods and expect more time, and effort, from their board members.

Barriers:

- At the individual level, some commentators and recruiters suggest that there are still shortages of women who have the necessary seniority and breadth of experience for board appointments. Studies also suggest that qualified women may not be interested in board service, may not pursue board invitations because of other work or family commitments, and may decline board invitations if they believe they constitute a “token appointment.”
- At the institutional level, there continue to be several important barriers:
 - Traditional reliance on personal networks and contacts for recruiting and selecting new directors, and an unwillingness to appoint untested women.
 - Systemic gender biases in the traditional profile and competencies for the “ideal director.”
 - A lack of mentoring and sponsorship to assist women into board membership.

Required Competencies for Board Directors

With calls to improve corporate governance, and establish more professional board practices, boards are devoting more time to identifying the competencies they require for new board members. Competencies frequently cited in relation to the “ideal director” include:

- **Experience** – Boards seek individuals with: (i) core business experience (e.g., strategic management, finance); (ii) middle management experience in a specific functional area; (iii) general management experience and the ability to oversee a business; and (iv) senior or top management experience proving a mastery of “big picture” issues and leadership talent. The most preferred candidates continue to be sitting or retired CEOs or Presidents. Experience in corporate environments is preferred, and there is growing interest in candidates with international business experience.
- **Knowledge** – Potential directors must have a sound understanding of: (i) business strategy, business environment, and industry trends; (ii) corporate governance and board operations; (iii) financial accounting and corporate finance; and (iv) contemporary management trends.
- **Skills** – Depending on the competencies of existing members, boards may seek directors with specific technical skills in marketing, finance, and technology. It is difficult to generalize, however, about the specific types of expertise most in demand. With respect to other skills, boards seek individuals who have: (i) demonstrated leadership ability and the ability to motivate high performance; (ii) strong interpersonal and communication skills; and (iii) an ability to deal with challenging situations.

- **Attitude/Personality** – Directors must also possess: (i) independence of thought and judgement; (ii) high ethical standards in values and behaviour; (iii) personal credibility and honesty; and (iv) discretion.

Key Changes Required to Increase Women’s Representation as Directors

Many suggestions have been made to improve the presence of women on the boards of Canadian corporations. Research and recruiters emphasize the following:

For Boards

- Boards should continue to professionalize their nomination, selection, and appointment practices instead of relying on informal networks. Boards and CEOs should also engage in more systematic board planning and more extensive search processes that look below the CEO level to find qualified, but still invisible, women.
- Boards and companies can play a part in developing and mentoring female directors by ensuring that senior female managers have the appropriate depth and breadth of experience, knowledge, and skills for board membership.
- “Best practices” in recruitment and selection need to move beyond larger, more established corporations, to medium and small-sized firms, in order to ensure women directors are also well represented there.

For Individual Women

- Aspiring female directors should ensure they have the necessary competencies and knowledge of corporate governance. They should also be proactive, making their interest known to external recruiters and targeting boards that may be interested in appointing women.

For Advocates of Good Governance

- Educating and focusing boards, shareholders, and the general public about the value of female directors is an important task. Information should be shared concerning the business case for greater board diversity, and issues of systemic barriers.
- Resources such as an inventory of qualified women could play an important role in ensuring that qualified women are identified for board appointments.

