

Women on Board of Directors

Vol XCIII, No. 311

Monday, February 17, 2014

\$1.25

BOD + Homogeneity = TROUBLE *maybe*



Tendency to GROUP THINK

Decision making during times of financial turbulence e.g. Global Financial Crisis

Homogeneous boards = higher risk taking

Biased decision making
'Ingratating manner' likely In-Group Networks = same old same old

Hence... Need for greater heterogeneity
To gain potential benefits from:

Different perspectives
Different information
Different experience

Re: GFC:
gender equal groups have been found to be more risk averse

Also:
gender diversity on board = more CSR shown

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Critical Mass = the magic number 3

Token female? Not effective? Unfair maybe, but probably true

Tipping point of three = confidence, support and thus, influence

Three or more women positively correlated to firm innovation

Business Case for gender diversity?

The jury's out on that one...

Positive: It's a positive!

Women can bring to:
- Different, they need to expand
- Absent meetings (diversity effect)
- More diverse perspectives & risk that
- Benefit based on performance packages

Might be a negative!

Which best the problem... If it
- There is such a thing as too diverse and
- Inconsistent or conflicting information may lead to
- Ineffective with divergent's due to the
- Inability of the firm
- Increased of not successful after the case

The effect could also be neutral...
- It depends on the metrics used & how you
- Interpret the results

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"We're all doomed!" say horrified Norwegian Gender Quota victims

Mandatory Gender Quota of 40% on boards of all PLC's in Norway

The Good:
- Critical mass at play here: 3 or more women on BOD = more female CEOs &
- Board chairs
- Long term view of company = less likely to lay-off workers

The Bad:
- Reduces membership of non-board members
- Lowering of firm value in short-term = less likely to lay-off workers

The Ugly:
- Firms less likely to become PLC after short governance in a different country

The view looks different... from a different point of view

How would it be found on the boards of better performing firms?
They are a lot better than management
- Decisions made by
- Firms who have experienced regular
- Performance growth are more likely to promote
- Women to their
- Top management positions
- Higher quality of performance = higher variability
- In return to the firm = greater risk
- Ability to keep track of the firm's case



Women on boards of directors: Why skirts in seats aren't enough Case Solution

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Women can bring to:
- Different, they need to expand
- Absent meetings (diversity effect)
- Also more social performance & less risk
- Generally based on performance packages

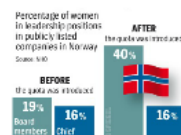
Might be a negative!

Which best the problem... If it
- There is such a thing as too diverse without
- because diversity may not be
- - interference with manager's day-to-day
- - instead of self-managing effort or time
- The effect could also be neutral...
- if dependent on the metrics used & how you
- interpret the results

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The view looks different... from a different point of view

How women tend to be found on the boards of better performing firms?
They are a lot! Not necessarily management
- Decisions made by
- Career who have experienced regular
- performance growth are more likely to promote
- women to TMT
- They are more likely to be perceived as more
- credible by stakeholders = greater visibility
- ability to help building another business case



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Positive it's a positive!

Women more likely to:

Be diligent, they read the reports!

Attend meetings (knock-on effect)

Monitor stock performance & link that to equity based compensation packages

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Might be a negative!

Which look like positives.... But!

There is such a thing as too conscientious!!
increased monitoring may lead to:

- interference with manager's day-to-day running of the firm
- increased chief executive officer turnover

The effect could also be neutral....

It depends on the metrics used & how you measure success

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