

Female Director Representation Progress

Research recently published in the *Strategic Management Journal* shows that there are many external pressures that influence companies to invite more women to join boards. Three predictors of adding women board members include the size of the firm, the percentage of women in the industry, and the number of women on boards within the focal firm's industry.

Key Takeaways:

- Firm size, the percentage of women in the industry, and the number of women directors on industry peers all lead to an increase in women directors on boards.
- The increase in women directors on boards frequently occur in new or additional board seats, rather than as replacements for current board members.
- Women added to boards in new board seats are less likely to serve on key board committees.

Using data on 1,699 companies listed in the S&P 1500 between 2004 and 2015, researchers found that external pressure, in the form of firm size, the ratio of women in the industry, and the number of women on boards of industry competitors led to an increase in the number of women added to a firm's board. While these forces may seem intuitive, the researchers also found that in these cases women

were added to boards more frequently in the role of an additional director to fill a new board seat rather than as a replacement for a director who had previously served on the board.

The research team also found that women who were added to the board in new director positions were less likely to be appointed to key board committees than were women appointed to replace directors, meaning that they appeared to have less power on these boards.

Their analysis statistically controlled for aspects of the board (like women on the nominating committee, director turnover, director average age, and board tenure), top management characteristics (like CEO role as Chair, female CEO, and top management firm ownership) and the firm (like ROA and institutional ownership). The authors suggest that future research is needed to learn about the specific value that female directors add to firm success, and research is needed to examine direct measures of external pressure to add female directors.

Source: Knippen, J. M., Shen, W., & Zhu, Q. (2019). Limited progress? The effect of external pressure for board gender diversity on the increase of female directors *Strategic Management Journal* (40), 1123-1150.