

More Gender Diversity Needed on Corporate Boards

By Bill Hayes



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cially apparent at the C-suite level.

In February 2022, Jennifer Reynolds officially became the

CEO of Women Corporate Directors, an organization touted as “the world’s largest membership organization and community of women corporate board directors.” Reynolds, who serves on the boards of BF&M Limited, Citibank Canada, Women’s College Hospital Foundation and Canada Development Investment Corporation, spoke to us about the benefits of gender diversity on boards, the current growth levels of board gender diversity and steps boards can take to get the level of women in their numbers closer to parity.

Directors & Boards: How does gender diversity on a public company board help the board and the company?

Jennifer Reynolds: The basic business case has long been made in terms of looking at earnings for companies that have much more diverse boards. The numbers will show you over and over, whether it’s Credit Suisse or whether it’s McKinsey or any other entity, that you get better returns when you’ve got better gender diversity on the board. It goes to people understanding today that you need diverse perspectives. We’re facing extraordinarily challenging times geopolitically and in terms of climate and broader ESG issues. I think everyone’s looking for diversity on their board because they know it’s going to get them better answers at the end of the day. And it comes in all sorts of formats, whether that’s more innovative ideas or whether that’s a better perspective on risk.

There's been many studies looking at risk and what happens when you get better gender diversity on the board and get better with decisions.

DB: What jumps out as negatives of boards that are not gender diverse?

JR: I think it's just general groupthink. If you're all coming from a similar perspective, you're not really getting diversity. So, you tend to not get the types of discussions that you would have when you have more diversity at the table. You get different questions when you've got that diversity, probably more questions. When you think like someone, it's very easy to jump to the same conclusion and not question it. That's the danger. There is an interesting study that was done just after the economic crisis in 2008. It looked at the banking industry in Europe, and it showed that banks that had more bankers on their board had a higher correlation in terms of bankruptcy in that period. That just goes to show if you've got this lack of diversity - this homogeneity - in the room, you're not going to come to the best decisions, and you're not going to get the



DB: What do the numbers

currently say about gender diversity of boards? Has it been improving? Has it plateaued?

JR: We've seen the number go up in recent years. We've seen progress. I am concerned that we have plateaued, and that a lot of the bigger boards where they have this magical 30 percent of women that everyone talks about, a lot of them think that they're done. That's not what we're aiming for. We're aiming for parity. I don't think there's enough focus on that. We still have a long way to go.

Where we haven't seen improvement is the numbers around the chair and the leadership roles on the board. Only 8 percent of chairs of S&P 500 companies are women. It's only about 13 percent of lead directors that are women. Those are

very important numbers. Chairs play a very influential role on the board. They also play an important role in who gets on the board. Are you going to get real diversity? Obviously, diversity is very important, but it's also about inclusion. Is it really changing the dialogue of the board? The chair of the board, the leadership of the board, sets the tone. We need to see much more improvement in those areas. Clearly, the CEO numbers are dismal and haven't moved. That really concerns me because we're not seeing any improvement there. The pace of change in the executive suite is very slow. That's got to change, and that's harder to change, in my mind. If you want to go out and find a qualified female director for your board today, I think you've got a very strong pool of candidates. You can't tell me that you can't find a woman who merits that role. I think that's nonsense. But we need to be thinking about that next generation. What does the executive suite look like today, and how are we going to make sure that we're starting to see women in CEO roles? That's a big challenge we have not tackled.

DB: What steps do you think can be taken by companies and boards to achieve something closer to gender parity or making improvements at the executive level?

JR: I think whether it's boards or whether it's the executive suite, number one, you have to set targets. Often, companies are very reluctant to set targets, particularly public targets. But when you say it publicly, then you are held to them. Often, when you say to people, "You should set targets," they think you're setting a quota. That's not what I'm saying. Every business objective we have has a target on it. There's no reason why your performance from an HR and talent perspective should be any different. There should be metrics around talent, and if you're really focused on diversity in your workforce, you need to have targets there. And you need to hold your feet to the fire.

Number two, you need all the data, and you need the data not just in the executive suite, you need it all the way down the organization, from a junior to the most senior, because that shows you your pipeline. You need to be diligently looking at every part of your pipeline and figuring out where it's leaking. In the financial services industry, where I come from, there's more women in the junior levels than men. However, if you look at the executive suite, that looks very different than the pool that came in the door, and that's been happening for four decades: a large pool of women coming in the door, but their path isn't the same as the men they started out with. They're leaking out of the leadership pipeline.

McKinsey did an interesting study. People often say, "Oh well, they must all be at home taking care of babies, and that's why they never made it to the CEO chair."

That's actually not true. Of course, there are challenges that come along with motherhood and childcare. But a lot of these large corporations are retaining those women that started out with them. They're just falling out of the leadership pipeline. You need to be very disciplined about that to understand what your problem is. And when you set your targets, obviously the other side of that is the inclusion piece. Of course, it's great if you hire your targeted amount, but then you have to make sure it is inclusive, and that you really are looking for diversity of perspective and diverse leadership style in your organization, not just trying to get the fit. We always talk about fit in the corporate world. That you have to fit in the corporation. Well, fit is actually the opposite of diversity, I would argue. You need to be very careful about thinking that way.