

Women on boards: The superheroes of tomorrow?

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Some context

Why superheroes?



Why superheroes?

‘Indeed, there is a clear business case for greater gender diversity on corporate boards both from the microeconomic perspective-i.e. in terms of individual companies’ performance-as well as from a macroeconomic perspective-i.e. in terms of higher, sustainable rates of economic growth.’
European Commission, 2012



Why superheroes?

Microeconomic benefits:

- Improved company performance
- Mirroring the market
- Enhanced quality of decision-making
- Improved corporate governance and ethics
- Better use of the talent pool

Macroeconomic benefits:

- Creates incentives for women to stay in the workforce -thereby helping to create stronger economies.
- Can help achieve higher, sustainable rates of economic growth



Four questions

- *Can* women on boards be superheroes?
- *Are* women on boards superheroes?
- If not, *why* not?
- *Can current* policies help?



Characteristics of a superhero?

Human values according to Schwartz

Benevolence

Universalism

Self-direction

Hedonism

Stimulation

Achievement

Conformity

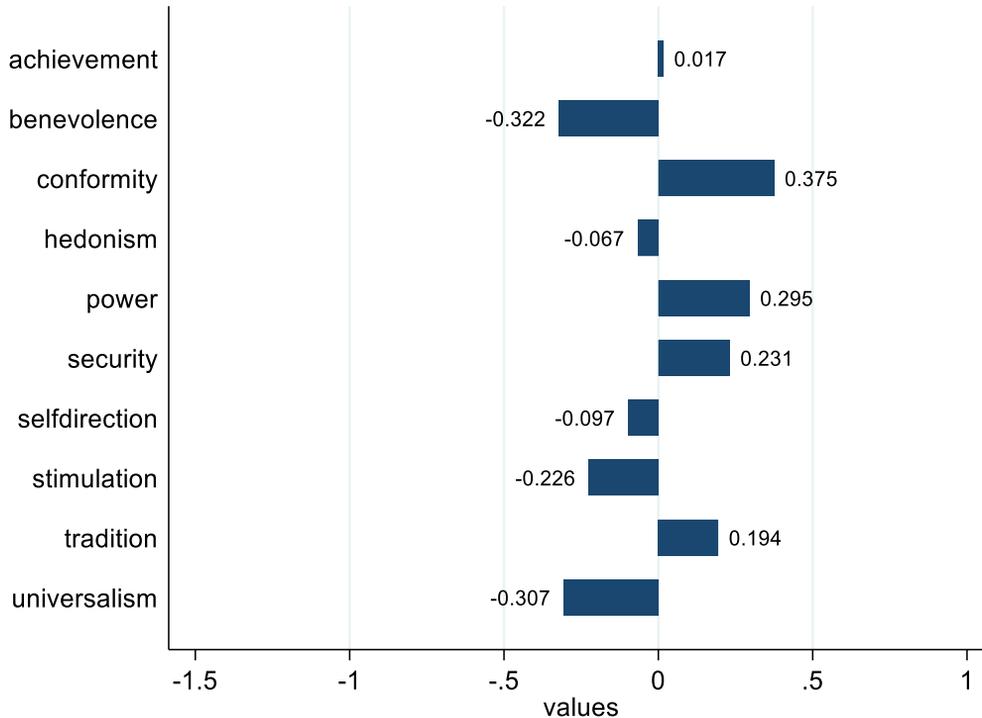
Power

Tradition

Security



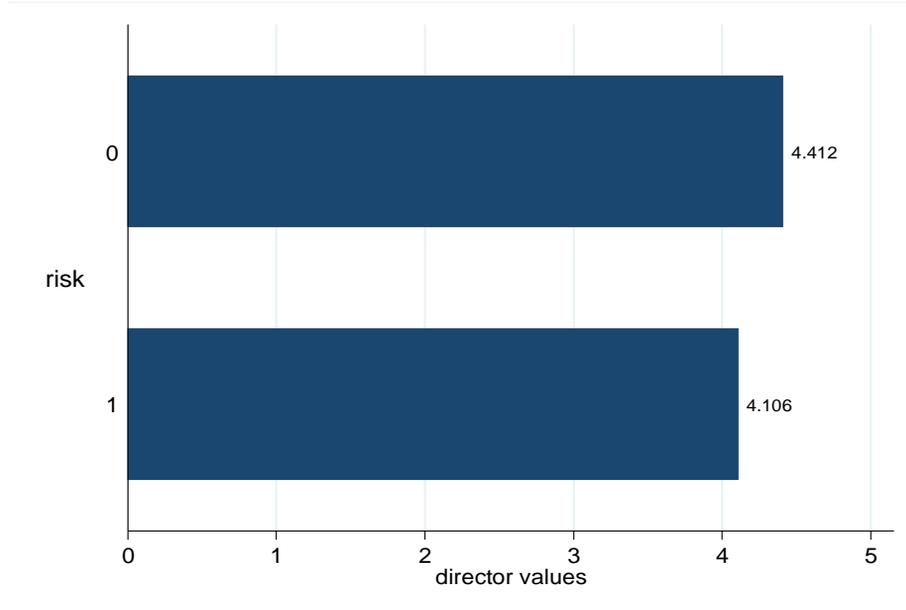
Director values: men minus women



Adams and Funk (2012)



Director values



[Adams and Funk \(2012\)](#)

Female directors = superheroes?

SUPERHEROES

- More
 - Achievement
 - Benevolence
 - Hedonism
 - Universalism
 - Self-direction
 - Stimulation
- Less
 - Conformity
 - Power
 - Security
 - Tradition
 - Risk-aversion

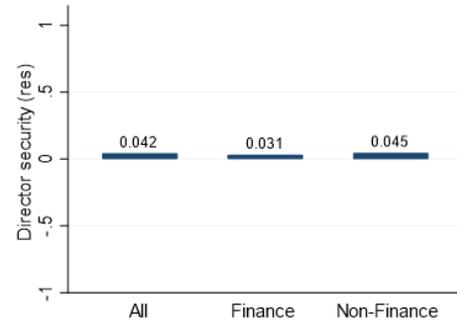
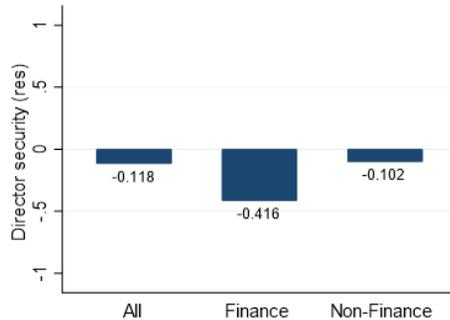
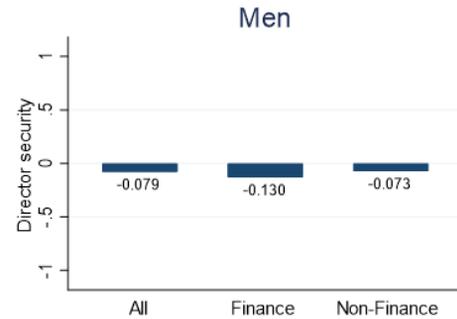
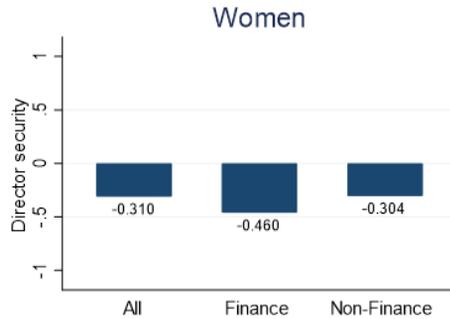


FEMALE DIRECTORS

- More than male directors
 - Benevolence
 - Hedonism
 - Universalism
 - Self-direction
 - Stimulation
- Less than male directors
 - Conformity
 - Power
 - Security
 - Tradition
 - Risk-aversion
 - **Achievement**
(but not by much)

In Finance...

- ...where risk-taking is more important...



‘The inclusion of more women in decision-making roles has been a notable outcome of the 2008 financial crisis and the recognition of the *downside risk management focus of women.*’

Credit Suisse (2016)

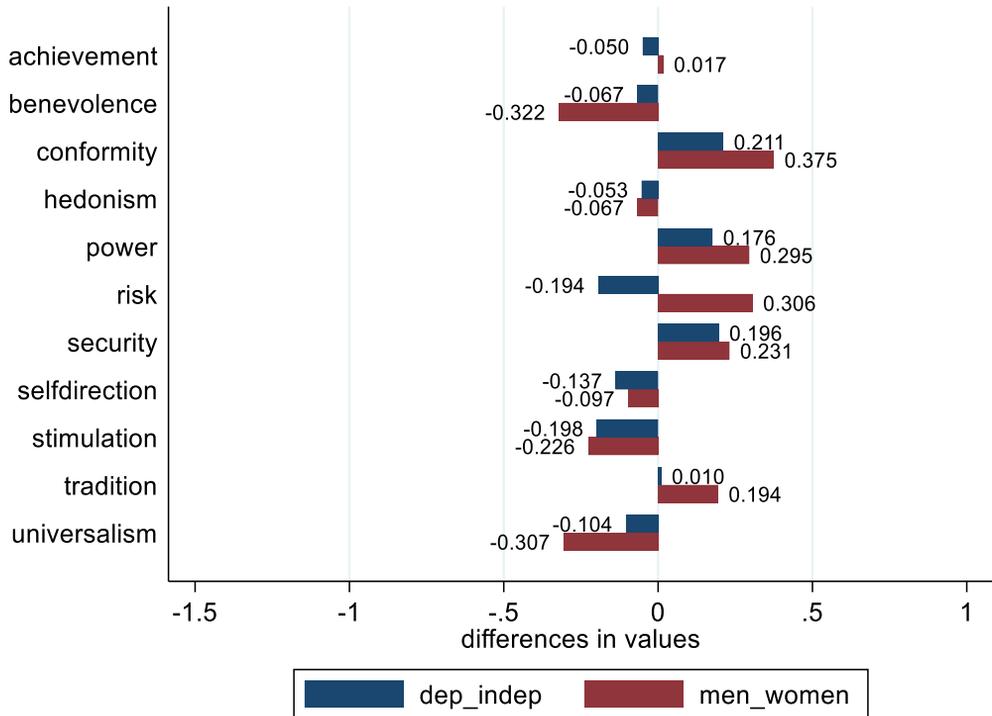


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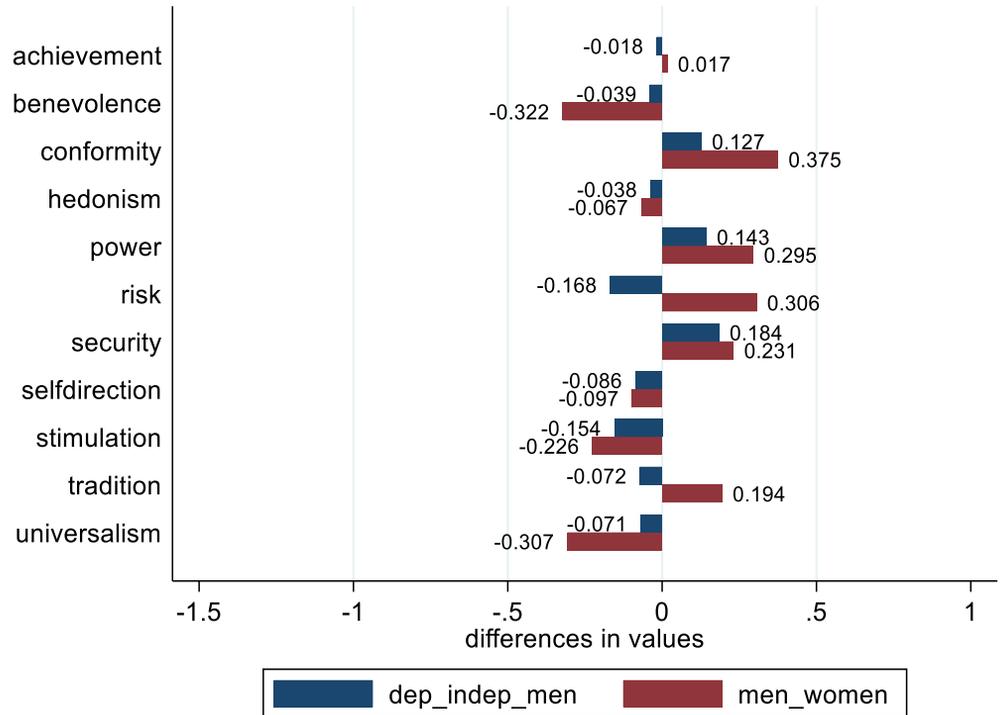
~~Credit Suisse (2016)~~



Some perspective



Some perspective



Independent directors = superheroes?

SUPERHEROES

- More
 - Achievement
 - Benevolence
 - Hedonism
 - Universalism
 - Self-direction
 - Stimulation
- Less
 - Conformity
 - Power
 - Security
 - Tradition
 - Risk-aversion

Independent DIRECTORS

- More than dep directors
 - Achievement
 - Benevolence
 - Hedonism
 - Universalism
 - Self-direction
 - Stimulation
 - Tradition
 - Risk-aversion
- Less than dep directors
 - Conformity
 - Power
 - Security

The magnitudes of differences are much smaller than the differences between men and women



Can women on boards be superheroes?

YES!

- Female directors exhibit more “superhero” values than male directors
- They may exhibit these characteristics even more in Finance where risk-taking is more important
- **Relative to men they look more like superheroes than independent directors do relative to dependent directors**



Do female directors save the world?



See you at
the board
meeting!



How many women are there?



Let's look at what surveys tell us

- Catalyst: data on board diversity for Fortune 500 firms
- The European Union's gender balance in decision-making database: data on board diversity for the largest 50 members of the primary blue-chip index in each EU country that are registered in the country
- Credit Suisse reports: proprietary data on 3,400 companies their research analysts cover globally



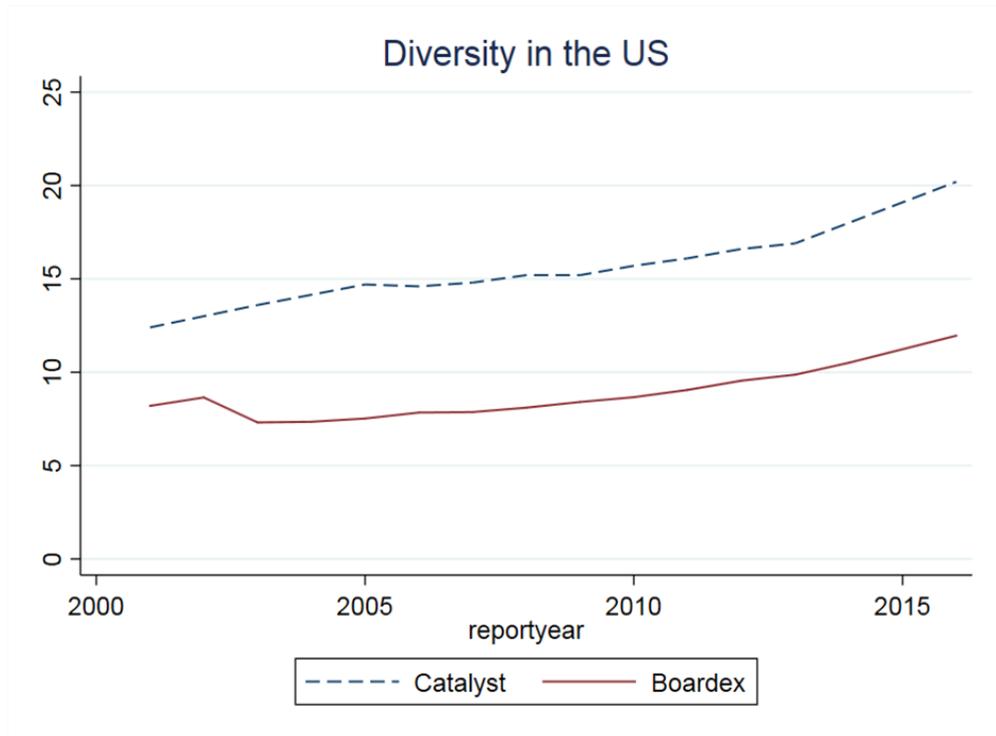
Let's also look at our data

Adams and Kirchmaier (2018):

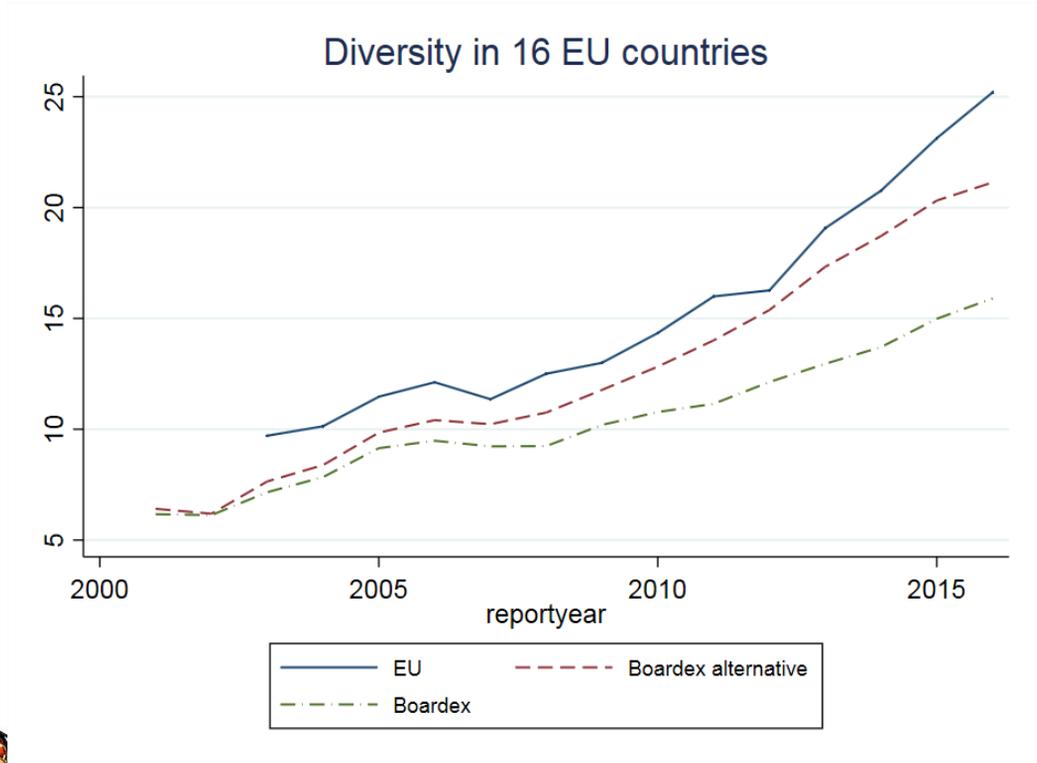
- Boardex data on unregulated firms in 24 OECD countries from 2001 to 2016
- Representative:
 - Firms in a country can only enter the sample if the sum of their market capitalizations is at least 70% of the total market capitalization of that country in that year
 - A country has to enter the sample in at least three years



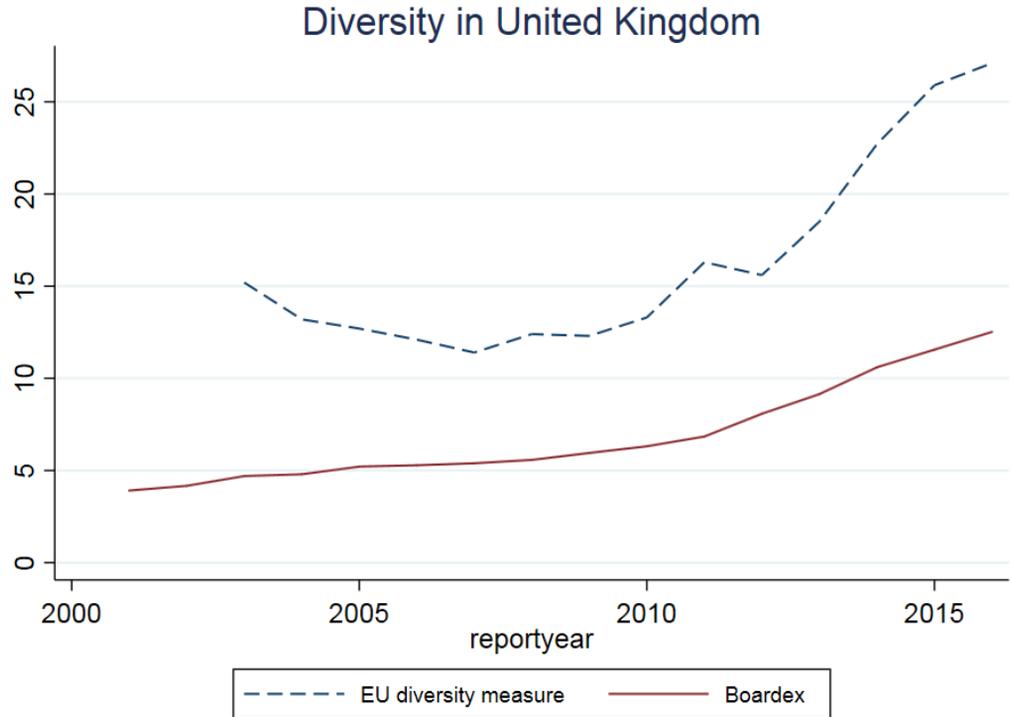
Comparison to Catalyst data



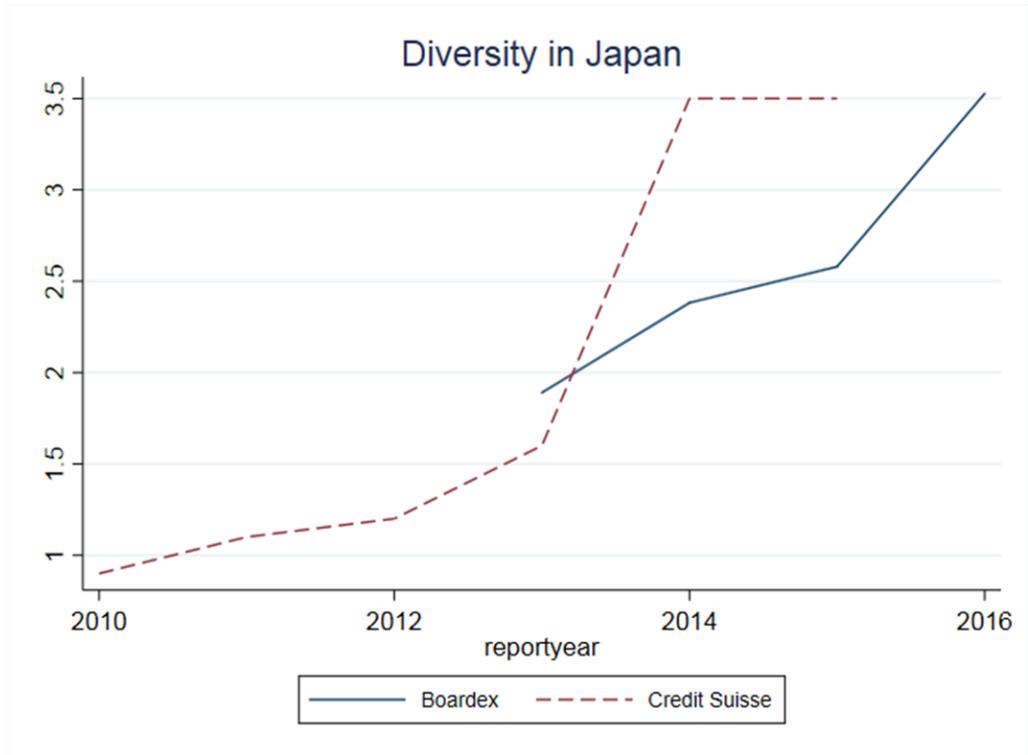
Comparison to EU data



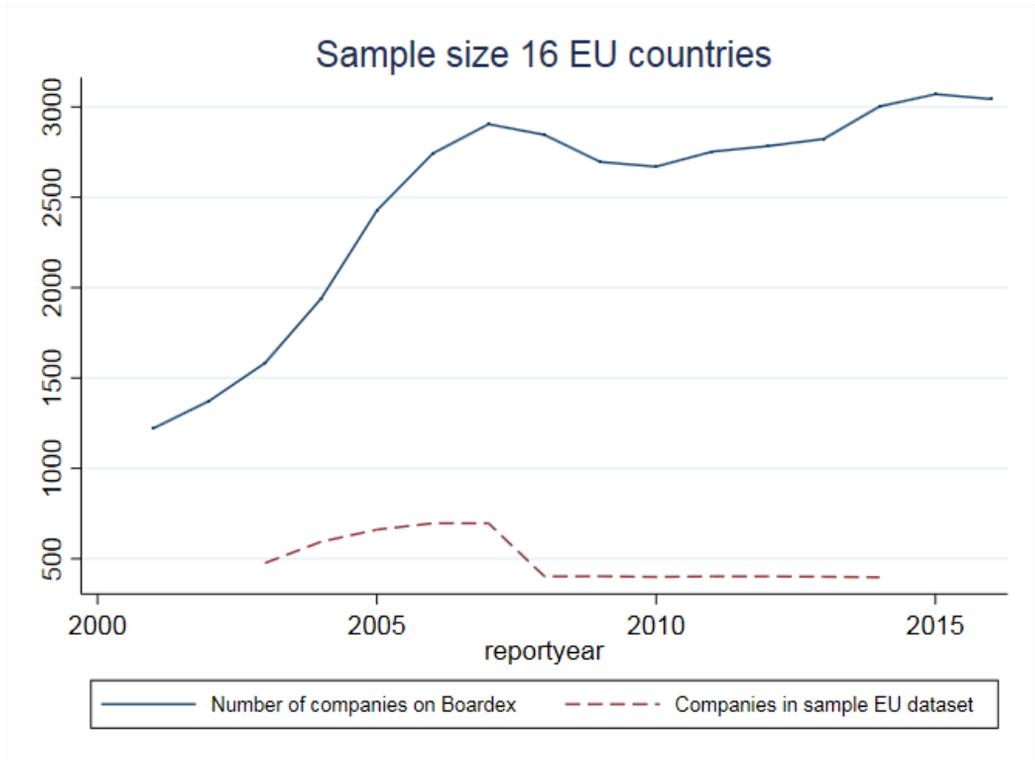
Comparison to EU data: the UK



Comparison to Credit Suisse data



What explains the difference?



What explains the difference?

- Catalyst: at most 500 of the *largest* firms in the USA
 - Our sample: between 1,734 and 4,503 firms
- EU: is for at most 50 of the *largest* firms (also in UK), generally less than 500
 - Our sample: between 664 and 1,706 for the UK alone
- Credit Suisse: requires analyst coverage and only 3,400 companies *globally*
- Women are more likely to sit on the boards of large firms!



Do female directors save the world?

How can they?

- There are even fewer of them than people think!
- Marginal impact on the boards of large companies?



Do female directors save the world?

‘Indeed, there is a clear business case for greater gender diversity on corporate boards both from the microeconomic perspective - i.e. in terms of individual companies’ performance-as well as from a macroeconomic perspective -i.e. in terms of higher, sustainable rates of economic growth.’

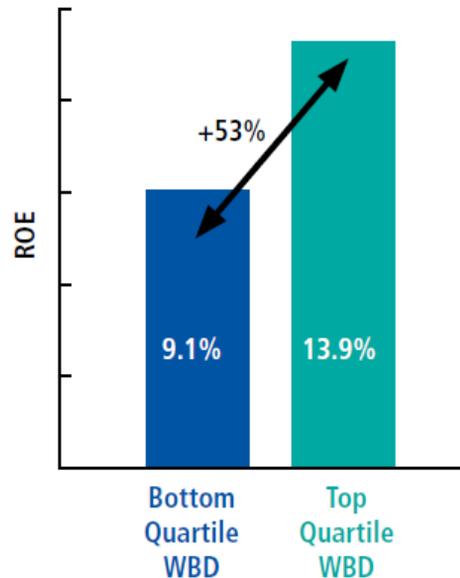
European Commission, 2012



Return on Equity³ by Women's Representation on the Board

2007

Companies with more
WBD outperform those
with the least by 53%



2 Correlation does not prove or imply causation.

Let's take a closer look

VARIABLES	Dependent variable: ROE				
	I	II	III	IV	V
Fraction Female Directors	24.519*** [6.301]	6.242 [1.639]	3.617 [0.914]	-23.953*** [-3.875]	-8.837 [-1.448]
Log(Sales)		3.136*** [11.138]	3.244*** [10.471]	3.239*** [3.247]	8.137*** [5.936]
Board Size					-0.658*** [-3.467]
Fraction Independent Directors					5.526** [2.252]
# Business Segments					-0.160* [-1.938]
Constant	6.781*** [14.897]	-14.384*** [-6.937]	-5.800 [-1.051]	-12.629* [-1.761]	-40.545*** [-4.291]
Observations	9,188	9,188	8,980	9,188	9,188
Fixed effects	None	None	Industry	Firm	Firm and Year
Adjusted R-squared	0.0106	0.0589	0.0925	0.00763	0.0640



Data from Adams and Ferreira (JFE, 2009)

Do female directors save the world?

- Female directors have more characteristics of superheroes than male directors, BUT they do not save the world (according to the “business case” metric)
 - The evidence for the “business case” is simply not robust!
- Recognizing this is important! It tells us that there is a problem that we need to understand: *why* don't female directors save the world?



Why are female directors not saving the world?



See you at
the board
meeting!



Current way of framing the issue

- HR directors and nominating committees are to blame:
FIRM-LEVEL factors
- Life is not that simple
- Societal factors such as female fulltime labour force participation, culture and education matter



Board diversity in STEM&F fields

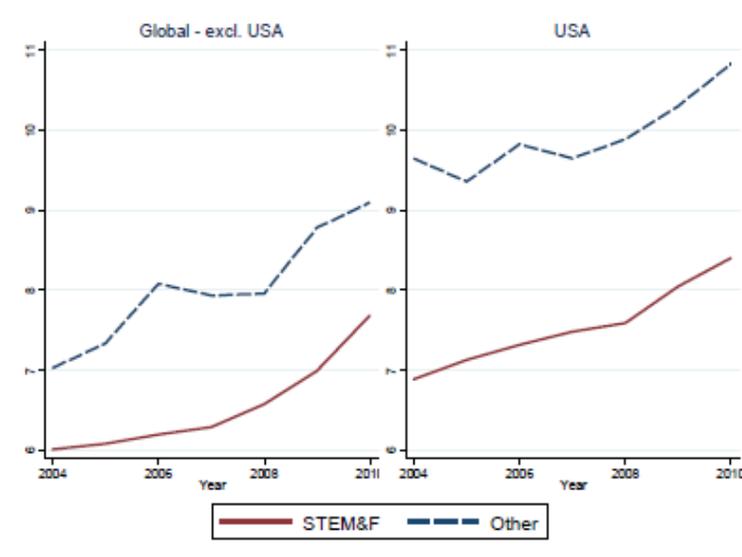


FIGURE 1. AVERAGE PERCENTAGE OF WOMEN ON THE BOARD IN STEM&F AND OTHER SECTORS



[Adams and Kirchmaier \(2016\)](#)

Why are female directors not saving the world?

To understand firms, we must understand institutions



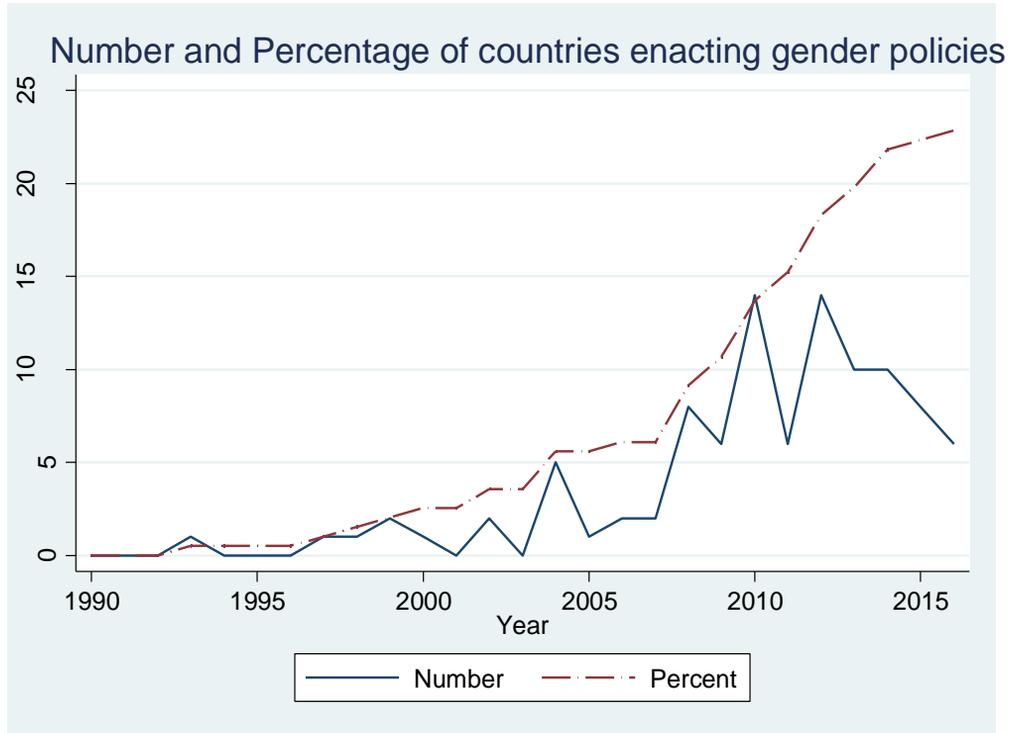
Can *current* policies help?



See you at
the board
meeting!



Boardroom gender policies



Informed?

women to work and on an equal basis with men. In business, there is an ever increasing body of evidence showing that companies with a good balance between the sexes at senior level tend to perform better than those that do not⁷. But it is not just a question of

- 7
- Examples of studies linking corporate performance to the representation of women on boards include:
- *The Bottom Line: Corporate performance and women's representation on boards*, Catalyst, New York, 2007
<http://www.catalyst.org/publication/200/the-bottom-line-corporate-performance-and-womens-representation-on-boards>
 - *Women Matter: Gender diversity, a corporate performance drive*, McKinsey & Company, France, 2007
http://www.mckinsey.com/locations/swiss/news_publications/pdf/women_matter_english.pdf

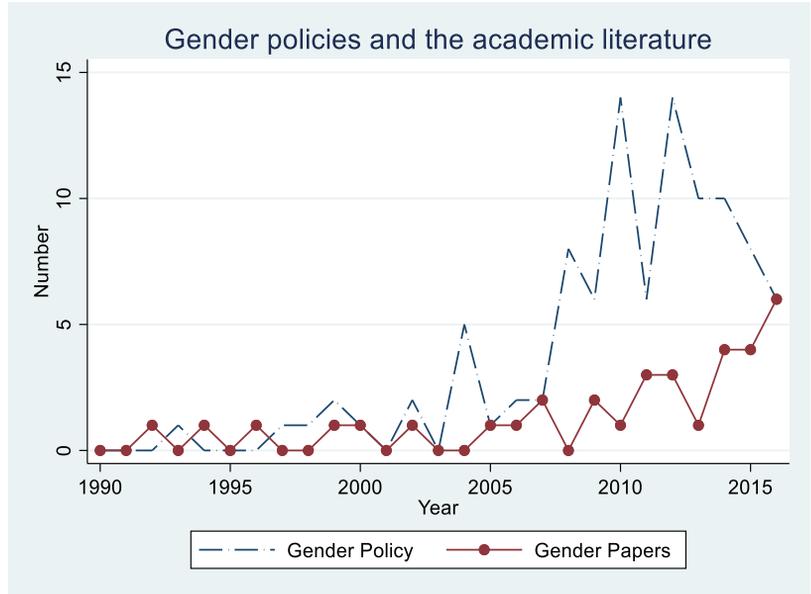
European Commission (2010)



Policies and research

FT50 journals:

- Excluding Journal of Business Ethics (60.92% of papers about women on boards)
- Only 4 papers prior to 1990 including one JBE



Three problems

- Policies are informed by “research”, not research
 - Wishful thinking is not a basis for good policymaking. It obscures the source of the problems that need addressing
- Policies are frontrunning the research, so little chance of being informed policies
- Doing good science in this area is hard



More research is needed to separate truth from fiction!!

Fiction:

- We are making a lot of progress!
- Women on boards are more risk-averse and less overconfident than men
- Women on boards are just like men on boards
- There is a business case for female directors



Scientific "truths":

- There are fewer women on boards than people say there are
- Women on boards may not be as they are typically portrayed. For example, they may be risk-loving!
- Women on boards can be very different from men on boards
- The business case can fail. We need to understand why.

Conclusion

- Women may not *always* be superheroes
- But, there is no reason they cannot be superheroes more often
- Informed policies may help



Can *current* policies help?

We need more
research!

Policymakers
and academics
need to
engage!



References

- **Boards, and the Directors Who Sit on Them** (2018) *The Handbook of the Economics of Corporate Governance*, edited by Benjamin Hermalin and Michael Weisbach, Elsevier.
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- **Women on Boards: The Superheroes of Tomorrow?** 2016, *The Leadership Quarterly*, Volume 27, Issue 3, June 2016, Pages 371-386 (special issue of *Leadership Quarterly* on Gender and Leadership, edited by Alice Eagly and Madeline Heilman).
- **Women on boards in Finance and STEM industries**, 2016. With Tom Kirchmaier, *American Economic Review*, 2016, 106(5): 277–281
- **Beyond the Glass Ceiling: Does Gender Matter?** 2012, with Patricia Funk, *Management Science*, 58 (2), pp. 219-235
- **Women in the Boardroom and their Impact on Governance and Performance**, with Daniel Ferreira, *Journal of Financial Economics*, December 2009, 94(2), 291-309.

