

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?



Can female directors save the world?



See you at
the board
meeting!



Characteristics of a superhero?

Human values according to Schwartz

Benevolence

Universalism

Self-direction

Hedonism

Stimulation

Achievement

Conformity

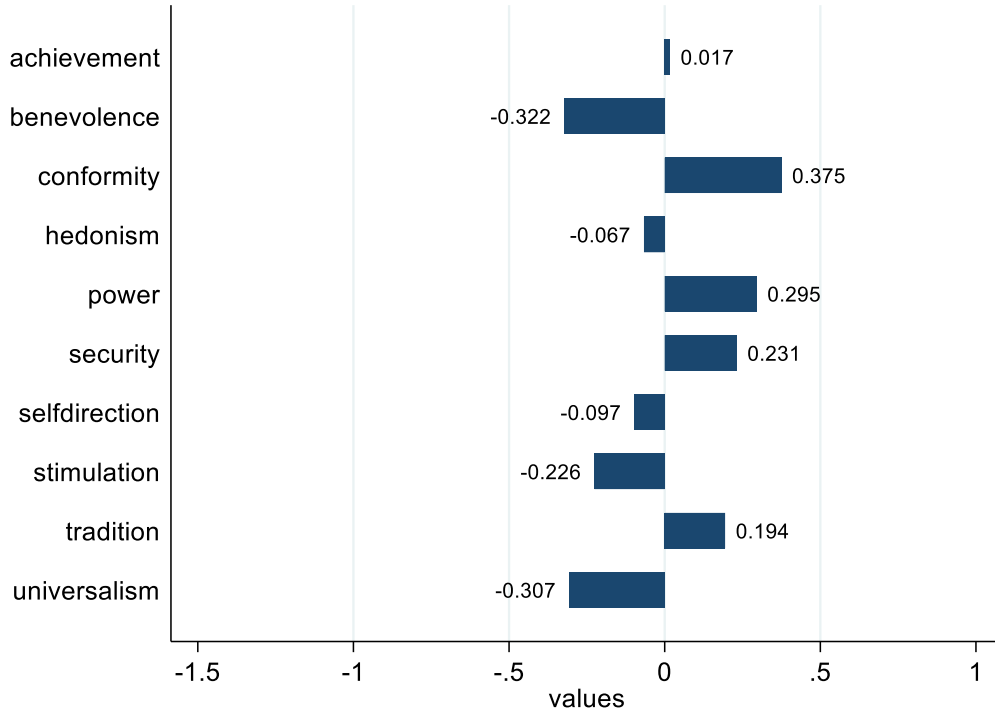
Power

Tradition

Security

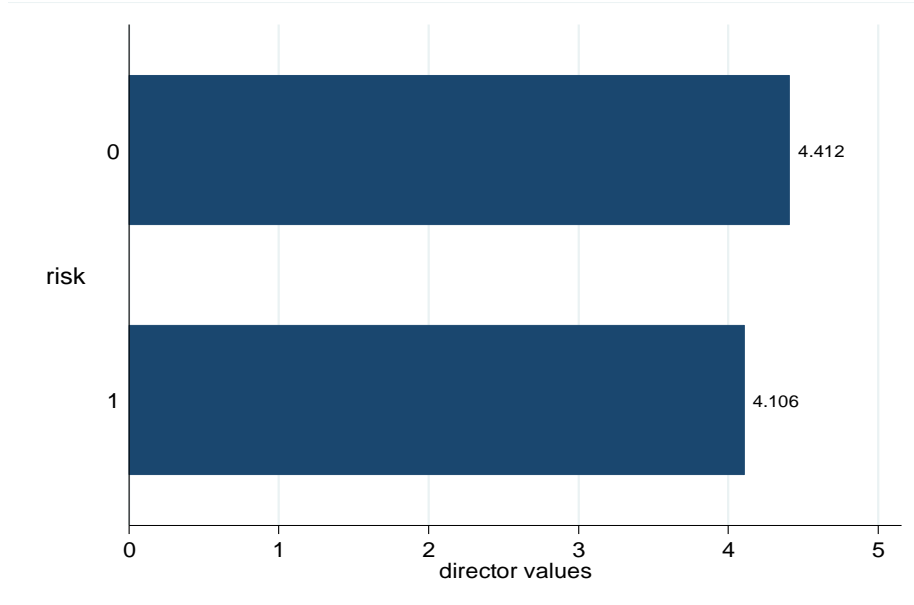


Director values: men minus women



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

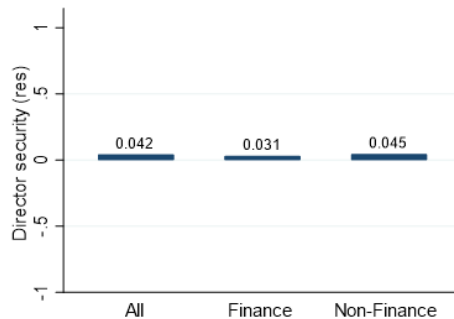
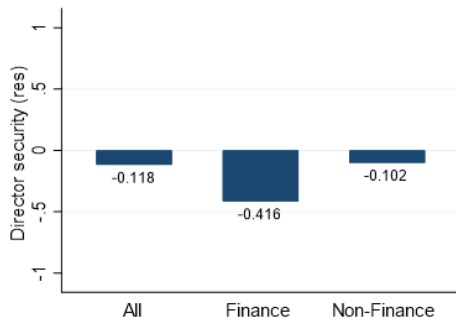
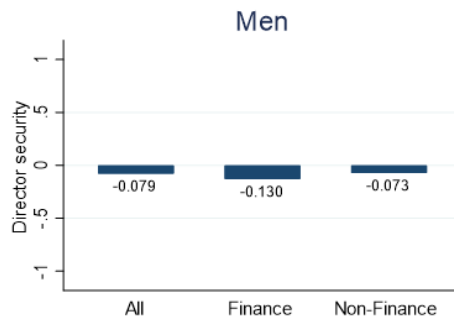
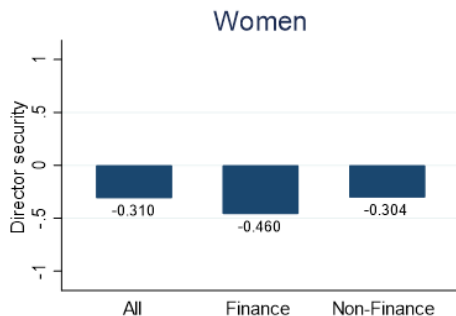


FEMALE DIRECTORS

- 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)



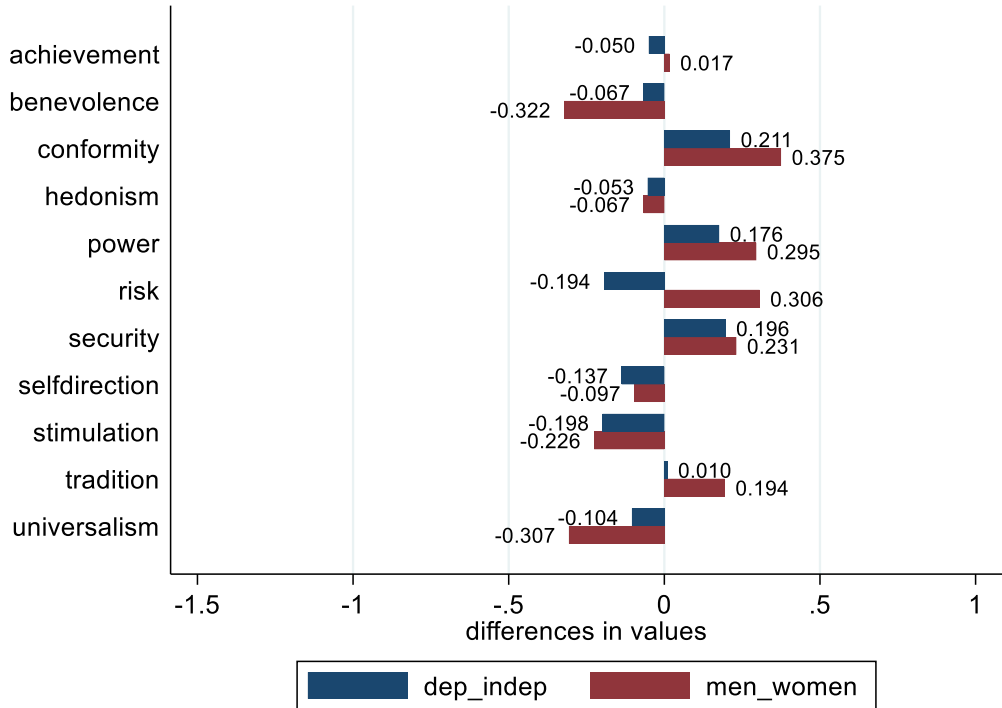
Hmmm

~~'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.*'~~

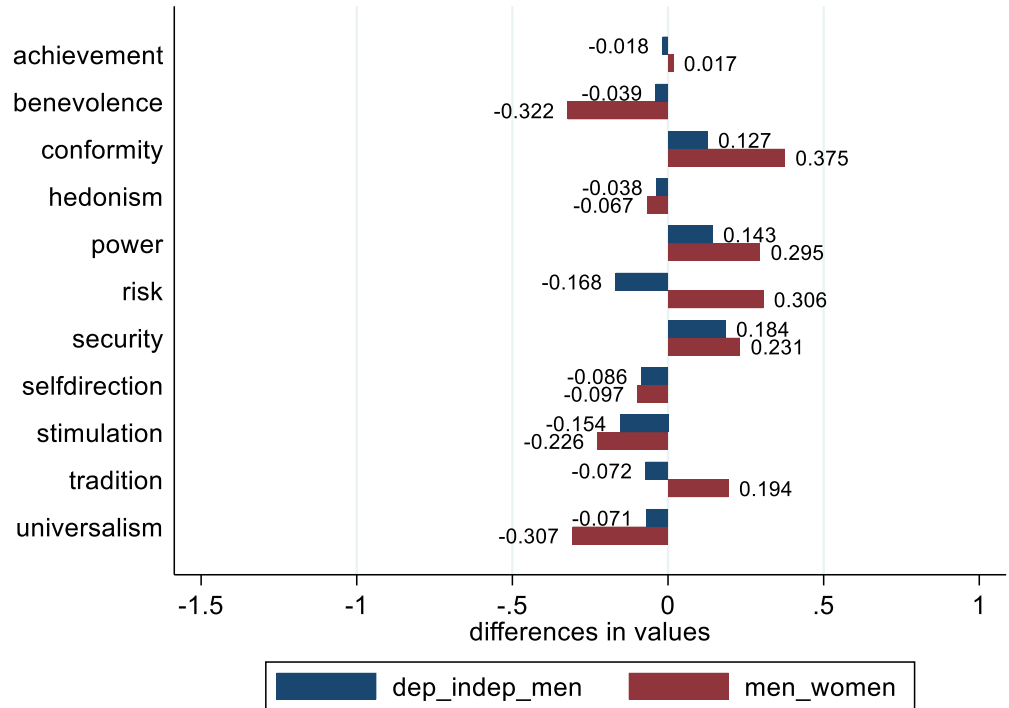
~~Credit Suisse (2016)~~



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?



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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



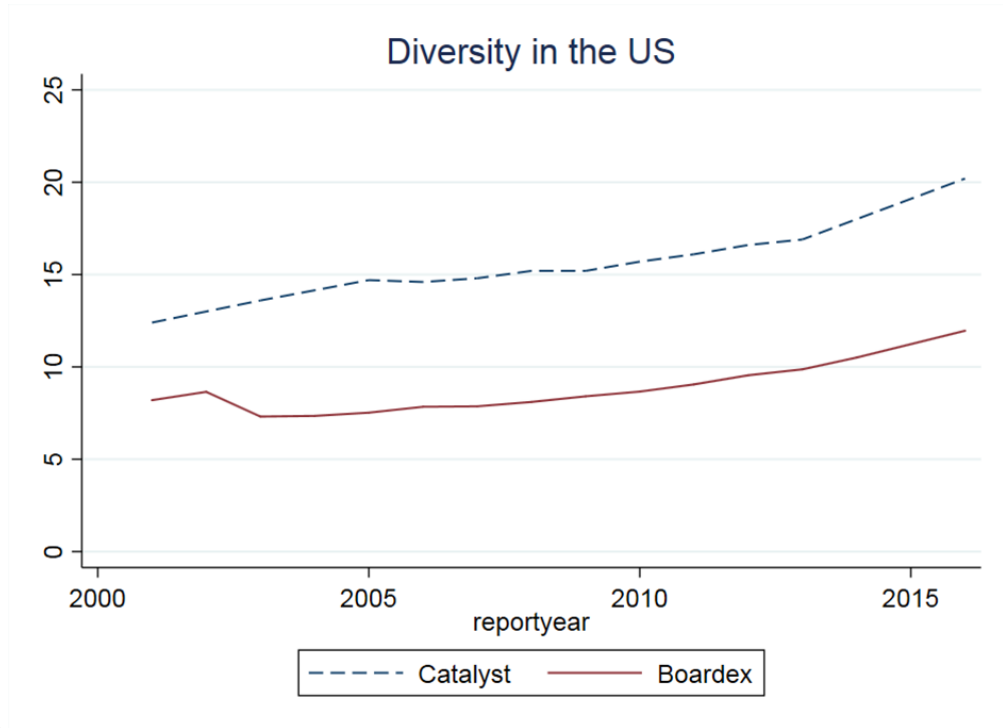
Let's also look at our data

Adams and Kirchmaier (2018):

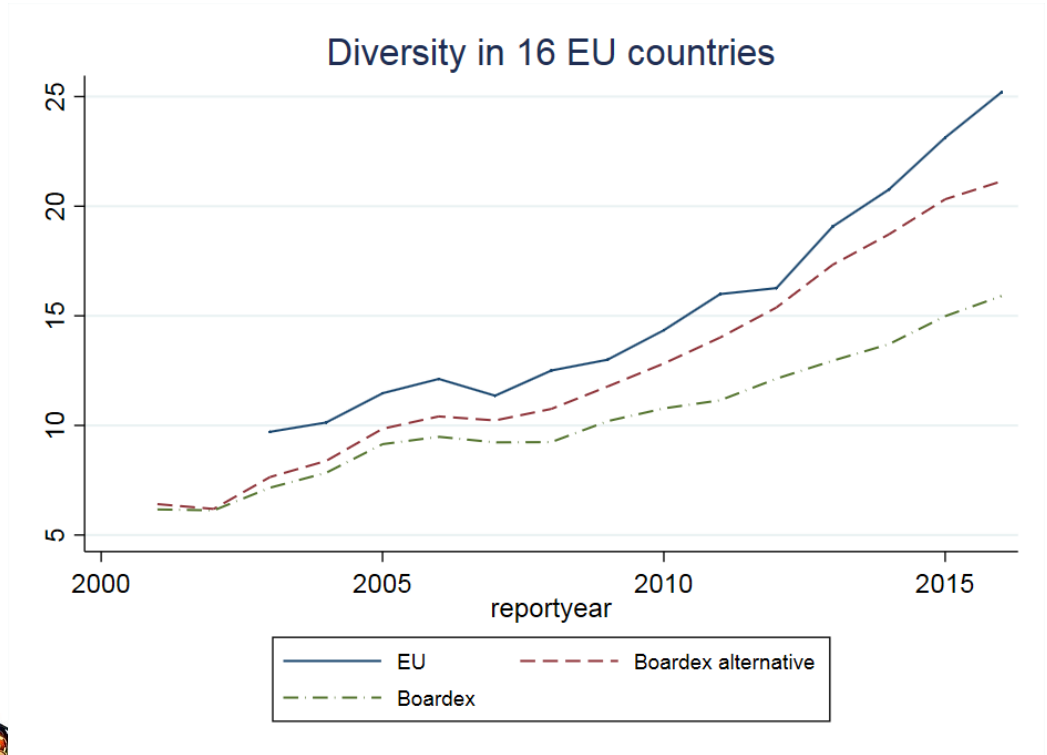
- Boardex data on unregulated firms in 24 OECD countries from 2001 to 2016
- Representative:
 - Firms in a country can only enter the sample if the sum of their market capitalizations is at least 70% of the total market capitalization of that country in that year
 - A country has to enter the sample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



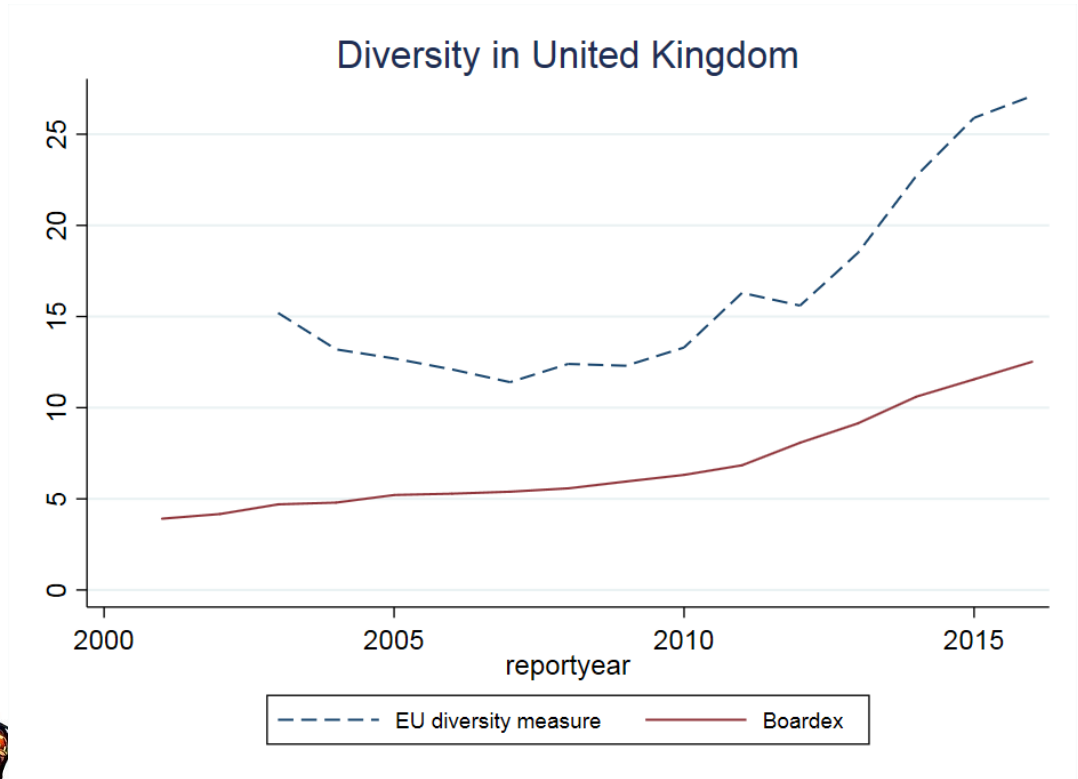
Comparison to Catalyst data



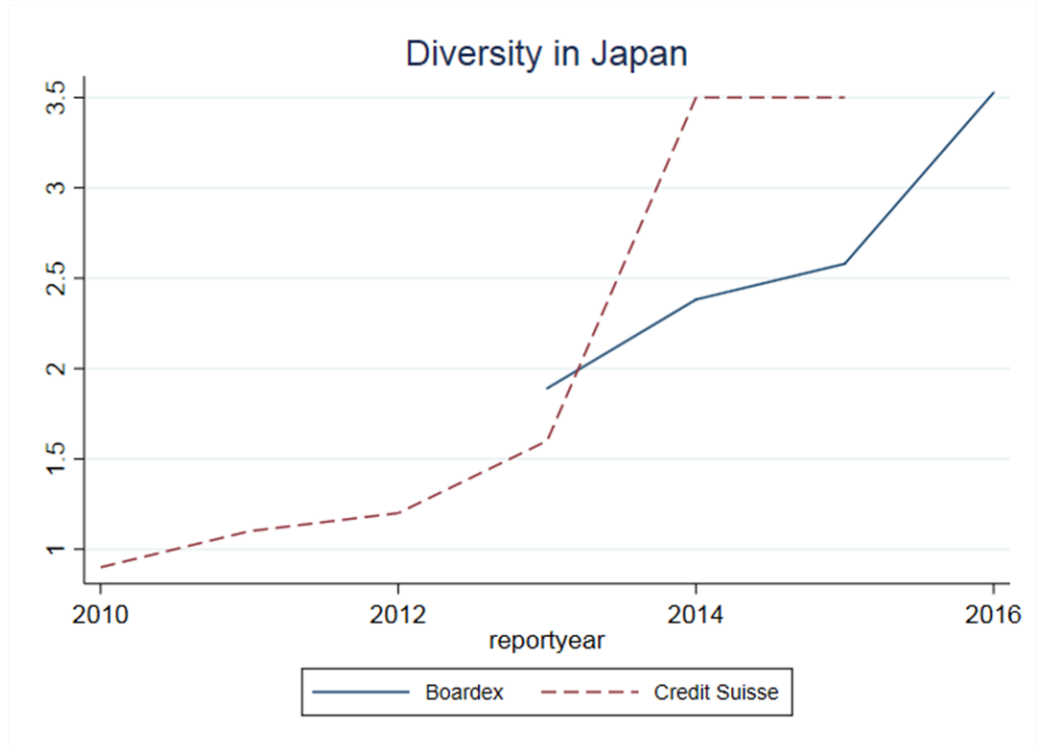
Comparison to EU data



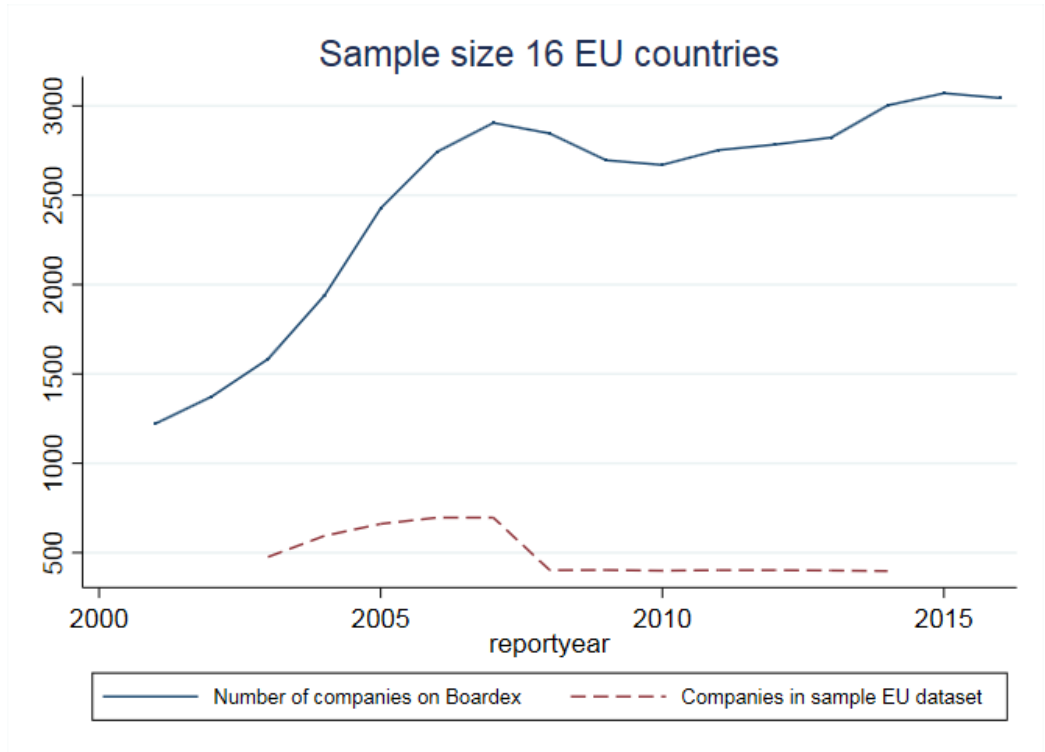
Comparison to EU data: the UK



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.’

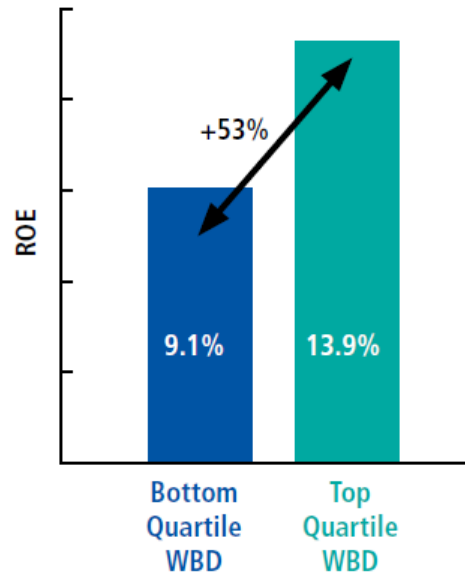
European Commission, 2012



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

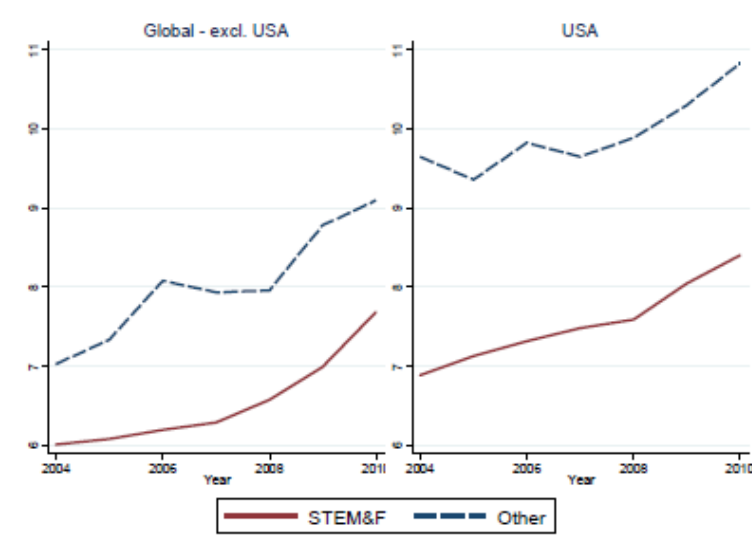


FIGURE 1. AVERAGE PERCENTAGE OF WOMEN ON THE BOARD IN STEM&F AND OTHER SECTORS



Adams and Kirchmaier (2016)

Why are female directors not saving the world?

To understand firms, we must understand institutions



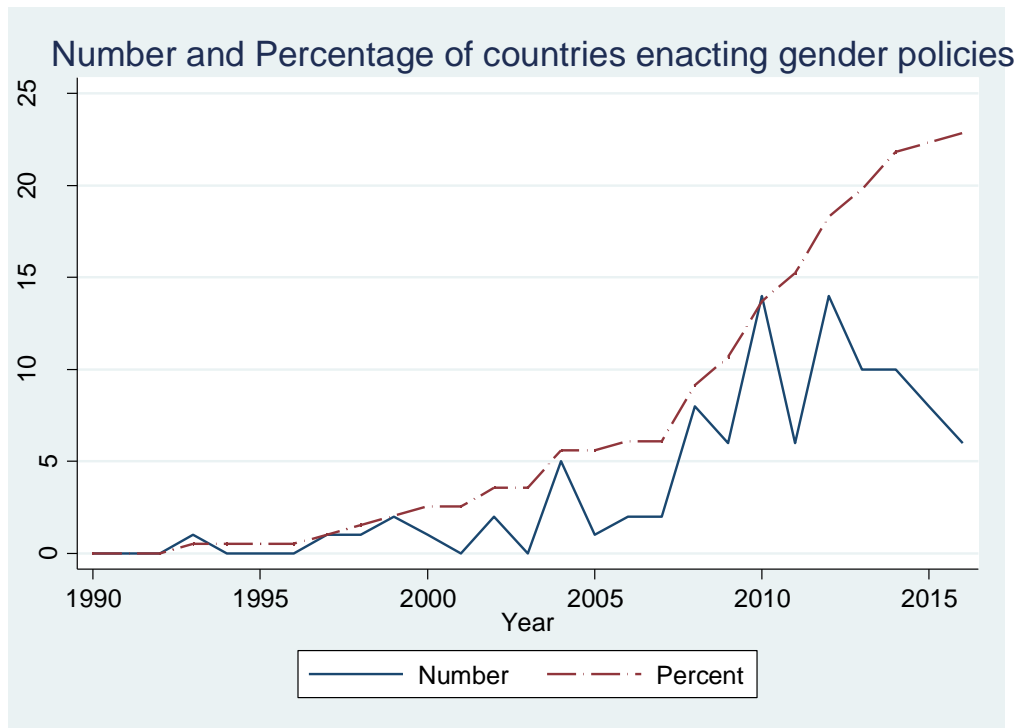
Can *current* policies help?



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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

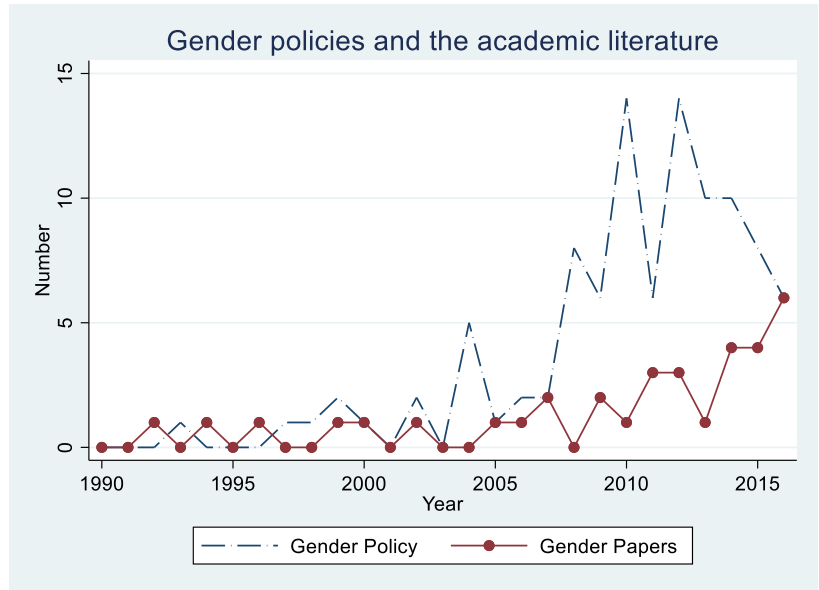
European Commission (2010)



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 *a/ways* 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

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- **Barriers to Boardrooms** (June 22, 2015). With Tom Kirchmaier. Available at SSRN: <https://ssrn.com/abstract=2192918>
- **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.

