DIVERSITY ON CORPORATE BOARDS: HOW MUCH DIFFERENCE DOES DIFFERENCE MAKE?

BY DEBORAH L. RHODE & AMANDA K. PACKEL

ABSTRACT

This article seeks to evaluate the case for racial, ethnic, and gender diversity on corporate boards of directors in light of competing research findings. The analysis provides a comprehensive overview of recent studies on board diversity and explores whether diversity has been shown to improve corporate financial performance, reputation, governance, and board decision making. After exploring the strengths and limitations of various methodological approaches and survey findings, the article concludes that the relationship between diversity and financial performance has not been convincingly established. The review does, however, find some theoretical and empirical basis for believing that when diversity is well managed, it can improve decision making and can enhance a corporation's public image by conveying commitments to equal opportunity and inclusion. To achieve such benefits, diversity must ultimately extend beyond tokenism, and corporations must be held more accountable for their progress. Discussion also focuses on the barriers to achieving diversity and suggests strategies for boards, policy makers, institutional investors, and corporate social responsibility organizations to promote more inclusive boards.

TABLE OF CONTENTS

I. INTRODUCTION .................................................................378
II. THE CURRENT STATE OF DIVERSITY ON CORPORATE BOARDS......379
   A. Female and Minority Representation on Corporate Boards ......379
   B. Progress or Plateau? ....................................................380
III. THE CASE FOR DIVERSITY ON CORPORATE BOARDS...............382
   A. Diversity and Firm Performance ................................383
      1. Studies Finding a Positive Relationship ....................384

*Rhode is the Director of the Stanford Center on the Legal Profession and the Ernest W. McFarland Professor of Law at Stanford. Packel is the Deputy Director of the Rock Center for Corporate Governance at Stanford. The research assistance of Stanford Law students Erin Mohan and Robert Harrington, and the comments of Frank Dobbin, Joseph Grundfest, and Aaron Dhir, are gratefully acknowledged.
I. INTRODUCTION

In recent years, increasing attention has focused on the influence of gender and racial diversity on boards of directors.\(^1\) Sixteen countries now require quotas to increase women's representation on boards, and many more have voluntary quotas in corporate governance codes.\(^2\) In the United States, support for diversity has grown in principle, but progress has lagged in practice, and controversy has centered on whether and why diversity matters.\(^3\) The stakes in this debate are substantial. Corporate boards affect the lives of millions of employees and consumers, and the policies and practices of the global marketplace. As recent scandals demonstrate, failures in board governance can carry an enormous cost; Enron is a notorious example.\(^4\) Who gains access to these boards is therefore an issue of broad social importance.

This article argues that increasing diversity should be a social priority, but not for the reasons often assumed. Part II begins the discussion by reviewing the underrepresentation of women and minorities on corporate boards.\(^5\) Part III provides a comprehensive

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\(^{1}\)See Susan Franceschet & Jennifer M. Piscopo, Equality, Democracy, and the Broadening and Deepening of Gender Quotas, 9 POL. & GENDER 310, 310 (2013).

\(^{2}\)Id. at 311.


\(^{5}\)See infra Part II.
review of the research on board diversity, financial performance, and good governance and concludes that the "business case for diversity" is less compelling than other reasons rooted in social justice, equal opportunity, and corporate reputation. Part IV turns to the barriers to achieving greater diversity, and Part V explores strategies that could address them.

II. THE CURRENT STATE OF DIVERSITY ON CORPORATE BOARDS

A. Female and Minority Representation on Corporate Boards

Close to three-quarters of members of corporate boards of the largest American companies are white men. According to the most recent data, women hold only 16.9% of the seats on Fortune 500 boards. Women occupy 14.8% of Fortune 501-1000 board seats and only 11.9% of board seats in Russell 3000 companies. The situation in other nations is not markedly better, with the exception of those countries that have mandated quotas.

In the U.S., people of color also occupy a very small percentage of board seats. Among the Standard and Poor's (S&P) 200, 13% of the

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6 See infra Part III.
7 See infra Part IV.
8 See infra Part V.
13 See generally Deloitte, Women in the Boardroom: A Global Perspective (3d ed. 2013), archived at http://perma.cc/P4LE-W975 (discussing Asian, American, European, African, and Middle-Eastern countries). Norway, which had the first quota law, has the greatest percentage, having 42% women. Id. at 15. France, which also has mandatory quotas, has 22.5% of women serving on the boards of SBF120 listed companies. Id. at 20. The average for European Union countries is less than 14%. House of Lords [H.L.], Eur. Union Comm., Women on Boards: Report 7 (Nov. 9, 2012) (U.K.); James Kanter, Europe to Study Quotas for Women on Boards, N.Y. Times, Mar. 5, 2012, at B3 (noting only 13.7% of board seats of large companies in the European Union are occupied by women).
companies have no minorities on their boards, and more than two thirds of the Fortune 500 have no women of color. Only 3.2% of directors are women of color. Within the S&P 100 companies, only 37% have minority women on their boards.

B. Progress or Plateau?

Although the overall percentage of women and minorities on corporate boards remains small, the actual number has been growing. By some measures, diversity has increased substantially over the last three decades. In 1973, only 7% of Fortune 1000 boards had any minority directors; thirty-five years later, 76% had at least one minority director. Over the same period, the number of Fortune 100 boards with at least one woman increased from 11% to 97% in 2006. In 2004, the majority of Fortune 100 companies had 0-30% board diversity; by 2012, the majority had 31% or more board diversity. For certain minority groups, the progress has been particularly striking. In the last decade, Asian-American board representation has tripled and Latino board representation has doubled.

Among S&P 100 companies, 71% "have achieved [a] critical mass of three or more diverse directors[—]a 4% increase since 2010[;]" only 2% lack any diversity on their boards.

16RACHEL S OARES ET AL., supra note 10, at 2.
18See id.
20See id. at 1108.
22See Fairfax, supra note 19, at 1107-08.
23T H E A L L I A N C E F O R B O A R D D I V E R S I T Y, W O M E N A N D M I N O R I T I E S O N F O R T U N E 1 0 0 B O A R D S 7 (2008), archived at http://perma.cc/VC99-A4VG. In more than 40% of Fortune 100 companies, women and minorities held more than 30% of board seats in 2006. Id. at 5. Only three companies had no female directors and six companies had no minority directors. Id. at 7.
25Fairfax, supra note 19, at 1108-09.
26C A L V E R T I N V S., supra note 17, at 18.
By other measures, however, progress—especially in the past decade—has stalled. For S&P 1500 companies, the share of board seats held by women has only grown from 11% in 2006 to 14% in 2012. By other measures, however, progress—especially in the past decade—has stalled. For S&P 1500 companies, the share of board seats held by women has only grown from 11% in 2006 to 14% in 2012. Women are also underrepresented as chairs of compensation, audit, and nominating committees, which are among the most influential board positions. At current rates of change, it would take almost seventy years before women’s representation on corporate boards reached parity with that of men.

Increases in minority representation pose still greater challenges. Total minority seats on Fortune 100 boards have barely increased since 2003, and the representation of women of color has grown less than 1% since 2003. African-American representation declined from 2010 to 2012. Outside of the largest, most high-profile corporations, progress has been harder to achieve, in part, “because [smaller] companies do not

28 See Charles A. O’Reilly, III & Brian G.M. Main, Women in the Boardroom: Symbols or Substance 5 (STAN. GRAD. SCH. BUS., Res. Paper No. 2098, 2012) (citing studies regarding gender disparities); Women Progress on Corporate Boards, but Going Is Slow, supra note 15, at 25 (finding women account for 6% of board leadership roles and 26% of positions on key committees); see also Diana Bilimoria & Sandy Kristin Piderit, Board Committee Membership: Effects of Sex-Based Bias, 37 ACAD. OF MGMT. J. 1453, 1469 (1994) (finding men, after controlling for experience-based characteristics, were preferred for the compensation, executive, and finance committees, while women were preferred for public affairs committees in Fortune 500 firms). The problem is not limited to the United States. See generally Colette Fagan & Maria C. Gonzalez Menendez, Conclusions, in WOMEN ON CORPORATE BOARDS AND IN TOP MANAGEMENT: EUROPEAN TRENDS AND POLICY 245, 245-58 (Colette Fagan et al. eds., 2012) (describing the situation in Europe); ANNALISA BARRETT, UNEVEN PROGRESS: FEMALE DIRECTORS IN THE RUSSELL 3000, CORP. LIBR. (2010). Cf. Craig A. Peterson, James Philpot & K.C. O’Shaughnessy, African-American Diversity in the Boardrooms of the U.S. Fortune 500: Director Presence, Expertise and Committee Membership, 15 CORP. GOVERNANCE: AN INT’L REV. 558, 568 (2007) (finding that African-American directors were more likely to sit on audit and public affairs committees and less likely to sit on executive committees).
30 See Fairfax, supra note 19, at 1110; RACHEL SOARES, NANCY M. CARTER & JAN COMBOPIANO, 2009 CATALYST CENSUS: FORTUNE 500 WOMEN BOARD DIRECTORS (Dec. 10, 2009), archived at http://perma.cc/3DJ9-CY6S; supra Part II.A. Between 2000 and 2007, the number of S&P 500 firms without any minority members actually increased from 36% to 41%, and the number of firms with only one minority member also grew from 58% to 81%. Phred Dvorak, Some Things Don’t Change: Sarbanes-Oxley Was Expected to Increase the Number of Minority Directors: What Happened?, WALL ST. J., Jan. 14, 2008, at R4.
31 In Fortune 500 companies, African-American males’ representation “[dropped] from 5.7% to 5.5%]; and the representation remained stagnant for [African American] women at 1.9%.” THE ALLIANCE FOR BOARD DIVERSITY, supra note 9, at 2.
receive as much scrutiny from those promoting gender diversity in the boardroom . . . .”

Moreover, some of the most encouraging numbers on board diversity may conceal less promising trends. The Sarbanes-Oxley Act led many corporations to reduce overall board size, meaning that the same number of women and minority directors may comprise a greater percentage of a now smaller board. In addition, much of the increase in women and minority directors over the last decade may reflect the same individuals sitting on more boards rather than the appointment of new individuals as directors. Many commentators worry that these "trophy directors," who may serve on as many as seven boards, are spread too thin to provide adequate oversight. Another concern is that the appointment of one or two token female or minority members will decrease pressure for continued diversity efforts.

III. THE CASE FOR DIVERSITY ON CORPORATE BOARDS

The growing consensus within the corporate community is that diversity is an important goal. The case for diversity rests on two primary claims. The first is that diversity provides equal opportunity to groups historically excluded from positions of power. The public has a "strong [] interest in ensuring that opportunities are available to all, . . . that women [and minorities] entering the labour market are able to fulfil their potential, and that we make full use of the wealth of talented women . . ." and minorities available for board service. The second

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32 BARRETT, supra note 28. Although 89% of S&P 500 companies have at least one woman director, only 60% of companies in the Russell 3000 have any women. Id.
33 See Joan MacLeod Heminway & Sarah White, Wanted: Female Corporate Directors, 29 PACE L. REV. 249, 254 (2009) (reviewing DOUGLAS M. BRANSON, NO SEAT AT THE TABLE: HOW CORPORATE GOVERNANCE AND LAW KEEP WOMEN OUT OF THE BOARDROOM 144 (2007)). Some research also suggests that there has been recycling of the same minority individuals, particularly African-American men, among Fortune 100 board seats. See THE ALLIANCE FOR BOARD DIVERSITY, WOMEN AND MINORITIES ON FORTUNE 100 BOARDS 6 (2005), archived at http://perma.cc/V4NP-KYS5.
34 See Douglas M. Branson, Initiatives to Place Women on Corporate Boards of Directors—A Global Snapshot, 37 J. CORP. L. 793, 800 (2012) ("[W]omen may be serving on four, five, six, or seven boards of directors.").
35 See id.; BRANSON, supra note 33, at 98-101, 155.
36 See infra Section IV.C.
37 For example, in a Catalyst survey of 325 CEOs, almost three-quarters (72%) reported that recruiting a woman director to serve on their company's board was either a "top priority" or a "priority." CATALYST, THE CEO VIEW: WOMEN ON CORPORATE BOARDS 13-14 (1995).
38 HOUSE OF LORDS [H.L.], EUR. UNION COMM., WOMEN ON BOARDS: REPORT 13-14 (Nov. 9, 2012) (U.K.).
claim is that diversity will improve organizational processes and performance. This "business case for diversity" tends to dominate debates in part because it appeals to a culture steeped in shareholder value as the metric for corporate decision making. This is also the claim on which controversy centers, so it is the focus of the discussion below.

A. Diversity and Firm Performance

Despite increasing references to acceptance of the business case for diversity, empirical evidence on the issue is mixed. While some studies have found positive correlations between board diversity and various measures of firm performance, others have found the opposite or no significant relationship. The discussion below reviews these findings, as well as their methodological limitations. One of the most significant constraints is the shortage of studies on racial and ethnic diversity. Most of the modern research focuses on gender, from which commentators often generalize without qualification.

39See James A. Fanto, et al., Justifying Board Diversity, 89 N.C. L. REV. 901, 932 (2011); Julie C. Suk, Gender Parity and State Legitimacy: From Public Office to Corporate Boards, 10 INT’L J. CONST. L. 449, 452 (2012) (noting that the moral case is insufficient to drive diversity initiatives); Fairfax, supra note 3, at 864 (noting the business community’s embrace of the business case); see also Fairfax, supra note 29, at 589-92 (showing support for the business case); Lissa Lamkin Broome & Kimberly D. Krawiec, Signaling Through Board Diversity: Is Anyone Listening?, 77 U. CIN. L. REV. 431, 446-47 (2008).


41See infra Part III.A.2.

42See infra Part III.A.2.
1. Studies Finding a Positive Relationship

One of the most frequently cited studies in support of board diversity is a 2007 Catalyst study. It ranked Fortune 500 companies according to the percentage of women on their boards and found that, from 2001 to 2004, companies in the highest quartile outperformed companies in the lowest quartile by 53% in return on equity (ROE), 42% in return on sales (ROS), and 66% in return on invested capital (ROIC). This study was a univariate analysis, which compares the means of two groups but does not include any control variables that might explain a correlation. The results of such a means comparison can also be skewed by any extreme values in the group. Further, the study did not specify whether the reported differences in means were statistically significant, which could also distort results. In addition, the strength of these relationships did not hold up in Catalyst's follow-up study covering 2004 to 2008, which found no significant difference in ROE.

More recently, advocates of increasing the representation of women on corporate boards have cited a Credit Suisse Research Institute study as evidence that the presence of women leads to better performance. This analysis of 2,360 companies from around the world

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41See Mijnie Luckerath-Rovers, Women on Board and Firm Performance, 17 J. MGMT. & GOV'T 491, 491 (2013). The Catalyst study acknowledges in a footnote that correlation does not imply causation. CATALYST, supra note 40, at n.2.

42See CATALYST, supra note 40, at 1 (using univariate tests of differences in means to compare a 4-year average over 2001-2004 of ROE, ROS, and ROIC for top quartile of firms with the highest average percentage of female directors from 2001-2003 versus firms in the lowest quartile). But see Luckerath-Rovers, supra note 43, at 497-98 (analyzing the shortcomings of the Catalyst study).

43See Luckerath-Rovers, supra note 43, at 500.

44Id. at 498.

45Id.

46NANCY M. CARTER & HARVEY M. WAGNER, THE BOTTOM LINE: CORPORATE PERFORMANCE AND WOMEN'S REPRESENTATION ON BOARDS (2004-2008) 1, CATALYST (2011), archived at http://perma.cc/BEE2-ZJMU (finding an outperformance by the highest quartile companies over the lowest quartile companies of 16% in ROS, and 26% in ROIC). This study did find, however, that for companies with three or more women board directors in at least four of the five years outperformed those with zero women directors in at least four of the last five years. Id. (finding outperformance of 84% on ROS, 60% on ROIC, and 46% on ROE).

47CREDIT SUISSE RES. INST., GENDER DIVERSITY AND CORPORATE PERFORMANCE 12-16 (Aug. 2012), archived at http://perma.cc/TC6U-FAH2. Another recent study by Thomson Reuters reported that, on average, companies with mixed-gender boards performed similar to or marginally better than a benchmark index, and that companies with no women on their boards underperformed relative to gender-diverse boards. ANDRE CHANAVAT & KATHARINE RAMSDEN, MINING THE METRICS OF BOARD DIVERSITY (2013), archived at
found that companies with at least one female director had higher net income growth during a six-year period than companies with no women directors (14% versus 10%); companies with a market capitalization of more than $10 billion that have women on their boards had share price performance 26% higher than comparable businesses with all-male boards. This study also used a means comparison of groups of companies and thus is subject to many of the same criticisms as the Catalyst study.

Other studies, using regression analyses, have also found a positive relationship between board diversity and various measures of firm performance in samples of U.S. companies. Erhardt, Werbel, and Shrader examined five years of data for 112 large companies and found a significant positive correlation between gender and minority representation on boards and return on assets (ROA) and return on investment (ROI). Adams and Ferreira also found a positive significant relationship between the proportion of female directors and financial performance in 1,066 publicly traded companies as measured by Tobin's Q (the ratio of the market value of a firm divided by the replacement cost of its assets), but they found no relationship or a negative relationship between board gender diversity and ROA.

Carter, D'Souza, Simkins, and Simpson's study of major U.S. corporations listed in the S&P 500 index, found that gender and ethnic diversity on the board had a significant positive effect on ROA, although it found no effect on Tobin's Q. Another study by Carter et al. found a significant relationship http://perma.cc/7SBF-762R ("Companies with no women on their boards . . . had slightly higher tracking errors, indicating potentially more volatility.").

51 Id.
52 Niclas L. Erhardt, James D. Werbel & Charles B. Shrader, Board of Director Diversity and Firm Financial Performance, 11 CORP. GOVERNANCE: AN INT'L REV. 102, 106-07 (2003). ROA measures net income divided by the total value of assets, while ROI measures net income divided by investment capital. Id. at 106. The authors recognized that they could be observing reverse causation: firms with better financial performance may be more open to appointing diverse boards. Id. at 108.
54 David A. Carter, Frank D'Souza, Betty J. Simkins & W. Gary Simpson, The Gender and Ethnic Diversity of U.S. Boards and Board Committees and Performance, 18 CORP. GOVERNANCE: AN INT'L REV. 396, 400 (2010) (using ordinary least squares regression with firm and time fixed effects and three-stage least squares with firm and time fixed effects on a sample of S&P 500 firms for the period 1998-2002 to measure the effect of women and minorities board representation on Tobin's Q and ROA). This study also found a positive and significant relationship between the number of women on important board committees and ROA, but it found no relationship to gender or ethnic diversity on boards or committees when
between the percentages of women and minorities on the board and return on assets and equity. Studies in other countries have also found a positive correlation between gender diversity on boards and measures of financial performance. In Australian firms, Bonn found a positive relationship between the proportion of female directors and book-to-market ratio, while Nguyen and Faff found a positive link between gender diversity and Tobin's Q. Campbell and Minguez-Vera found a significant and positive relationship in Spanish firms between the gender composition on boards and Tobin's Q. In a study of Dutch companies, Luckerath-Rovers found a significant positive relationship between female board representation and return on equity. In a study of Israeli companies in which the government owned a substantial equity interest and required relative gender balance on boards, Schwartz-Ziv found that the ROE and net profit margin were significantly higher in companies with at least three women on their boards.

measuring financial performance with Tobin's Q, and no relationship between the number of minority directors on the board or on committees and ROA. Id. at 410-11.

55See David A. Carter et al., Corporate Governance, Board Diversity and Firm Value, 38 FIN. REV. 33, 51 (2003).


57Kevin Campbell & Antonio Minguez-Vera, Gender Diversity in the Boardroom and Firm Financial Performance, 83 J. BUS. ETHICS 435, 447 (2008) (finding through panel data analysis of sixty-eight Spanish firms that the presence of one or more women on the board does not have a significant effect on firm value, but the ratio of women to men on the board has a significant positive effect on firm value as measured by an approximation of Tobin's Q). The authors concluded that the gender diversity was causing the increase in firm value because they did not find that firm value had a similar effect on diversity. Id.

58Luckerath-Rovers, supra note 43, at 499-503 (studying ninety-nine listed Dutch companies and finding a positive relationship between board gender diversity and return on equity but no relationship with return on sales or return on invested capital).

Of course, such correlations do not demonstrate causation. A few studies have claimed to show that board diversity leads to improved financial performance, but causal linkages are extremely difficult to prove. As other studies have suggested, it could be that better firm performance leads to increased board diversity rather than the reverse. More successful firms may be better positioned to attract the female and minority candidates in high demand for board service. Larger and better-performing organizations may have more resources to devote to pursuing diversity and may face more pressure from the public and large institutional investors to increase diversity on the board. Finally, some third factor could be causing both improved performance and greater board diversity.

2. Studies Finding a Negative Relationship or No Significant Relationship

Several other studies of U.S. firms found no relationship or a negative relationship between board diversity and firm performance. Looking at a random sample of one hundred Fortune 500 corporations, Zahra and Stanton found the ratio of board member minorities, including

60See, e.g., Campbell & Minguez-Vera, supra note 57, at 446-48 (concluding that gender diversity had a significant causal effect on firm value as measured by an approximation of Tobin’s Q, but performance did not have a similar effect on diversity).

61See Fairfax, supra note 3, at 862; Kathleen A. Farrell & Philip L. Hersch, Additions to Corporate Boards: The Effect of Gender, 11 J. CORP. FIN. 85, 101 (2005); O’Reilly & Main, supra note 28, at 10; CREDIT SUISSE RES. INST., supra note 49, at 17. In a sample of 300 non-regulated Fortune 1000 firms from 1990 to 1999, the authors found a positive relationship between ROA and the likelihood of adding a female director. Farrell & Hersch, supra, at 86. But the addition of female directors showed no subsequent effect on performance, which indicates reverse causation. Id. at 89, 101-02; see also Renee B. Adams & Daniel Ferreira, Gender Diversity in the Boardroom, 16, 19 (ECGI, Working Paper No. 57/2004, 2004) (finding a positive impact on Tobin’s Q when the percentage of women directors was the dependent variable, although ROA was not significant and, that firms with greater variability in stock returns had fewer women directors).

62See Broome & Krawiec, supra note 39, at 434.

63See id.; see also Siri Terjesen et al., Women Directors on Corporate Boards: A Review and Research Agenda, 17 CORP. GOVERNANCE: AN INT’L REV. 320, 327-28 (2009); Farrell & Hersch, supra note 61, at 102 (hypothesizing either that women directors select high-performing or low-risk firms, or that well-functioning firms are more able to focus on adding diversity).

64See, e.g., Amy J. Hillman et al., Organizational Predictors of Women on Corporate Boards, 50 ACAD. OF MGMT. J. 941, 944-45 (2007) (finding that organizational size, industry type, firm diversification strategy, and network effects, i.e., links to other boards with women directors, have significant effects on the likelihood of board gender diversity). These and other exogenous variables for which many studies do not control could account for an apparent correlation.
women, was inversely related to the organization's financial performance in terms of profitability and efficiency.65 They found no relationship between diversity and ROE, profit margin, sales to equity, earnings per share, or dividends per share.66 Another early study by Shrader et al. concluded that although the proportion of female managers was significantly and positively related to return on sales, ROA, ROE, and ROIC, the proportion of female directors was not significant.67 Carter et al. found no significant relationship between financial performance, as measured by Tobin's Q, and the number of women or minority directors on the board or on certain board committees.68 In a study of 250 listed companies from 2000-2006, Hussein and Kiwia found no relationship between female board representation and Tobin's Q.69 Miller and Triana's 2009 research found no significant relationship between board gender diversity and return on investment or return on sales.70 O'Reilly and Main's analysis of 2000 firms found no positive association "between either the number of women outside directors on the board or the addition of a woman to the board on [return on assets]."71 In addition, a meta-analysis of 85 studies of board composition found little evidence that it has any effect on firm performance.72

In 2009, Adams and Ferreira studied a sample of firms from 1996-2003 and found a negative relationship between gender diversity and

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66Id. at 232-35.
68Carter et al., supra note 54, at 408. This study did find a positive and significant relationship between both the number of women on the board and the number of ethnic minorities on the board and ROA. Id. at 410. But it found no relationship to gender or ethnic diversity on boards or committees when measuring financial performance with Tobin's Q, and no relationship between the number of minority directors on the board or on committees and ROA. Id. at 410-11.
69Kassim Hussein & Bill Kiwia, Examining the Relationship Between Female Board Members and Firm Performance—A Panel Study of U.S. Firms 14 (June 27, 2009), archived at http://perma.cc/9AGC-UTVQ (concluding that no relationship exists between female board representation and firm performance as measured by ROA or Tobin's Q in a study of 250 listed U.S. companies from 2000-2006).
71O'Reilly & Main, supra note 28, at 16.
both ROA and Tobin’s Q. The authors concluded "the positive correlation between performance and gender diversity shown in prior literature is not robust to any method of addressing the endogeneity of gender diversity. If anything, the relation appears to be negative." In well-governed firms, increased gender diversity on boards seemed to decrease profitability and stock prices. A study of 400 leading U.S. corporations between 1997 and 2005, by Dobbin and Jung, found that increases in board gender diversity had no effect on subsequent profitability but were followed by marginally significant decreases in stock value. The authors concluded that non-blockholding institutional investor bias—rather than changes in the board's behavior or capabilities—may explain the negative effects.

Studies of board diversity in other countries have also found no link to various measures of firm performance. For Canadian firms, Francoeur et al. found a positive correlation between female officers and financial performance, but no relationship between women directors and performance. In a recent study of UK listed companies, Gregory-Smith, Main, and O'Reilly found no significant relationship between the proportion of women directors and ROA, ROE, total shareholder return, or the price to book ratio. Wang and Clift's 2009 study of non-financial Australian firms revealed no significant relationship between gender or racial diversity on boards and ROA, ROE, or shareholder return. A

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74 Id. at 306.
75 See id. at 307-08.
77 The study found that non-blockholding institutional investors significantly decrease their holdings in firms that increase women directors, though blockholding investors significantly increase their holdings. Id. at 834. Since non-blockholders own most of the shares, their response dominates, leading to a drop in stock value. Id. at 835-37.
78 See Claude Francoeur et al., Gender Diversity in Corporate Governance and Top Management, 81 J. BUS. ETHICS 83, 84 (2008) (examining average gross returns and ROE including the Fama and French 3-factor valuation model to account for risk and using univariate and multivariate analyses to compare financial performance for top third to bottom third firms in terms of percentage of women).
79 Ian Gregory-Smith, Brian G.M. Main & Charles A. O'Reilly III, Appointments, Pay and Performance in UK Boardrooms by Gender, 124 THE ECON. J. F109, F122-23 (2014) ("The overall conclusion is . . . that there is no evidence here of any boardroom gender diversity effect showing through to overall company performance.").
80 Yi Wang & Bob Clift, Is There a "Business Case" for Board Diversity?, 21 PAC. ACCT. REV. 88, 95-98 (2009) (finding no statistically significant relationship between the percentage of female directors, the percentage of minority directors, or the percentage of
study by Rose and a study by Smith et al. both failed to find a significant link between female board representation and various measures of firm performance for Danish corporations.\footnote{See Caspar Rose, Does Female Board Representation Influence Firm Performance? The Danish Evidence, 15 CORP. GOVERNANCE: AN INT'L REV. 404, 408-10 (2007) (finding no significant link in a sample of 443 Danish corporations between female board representation and organizational performance as measured by Tobin's Q); Nina Smith et al., Do Women in Top Management Affect Firm Performance? A Panel Study of 2,500 Danish Firms, 55 INT'L J. PRODUCTIVITY & PERFORMANCE MGMT. 569, 588 (2006) (using several statistical methods and multiple measures of firm performance from 1993 to 2001 and finding no significant positive relationship between female board representation and performance, except when elected by staff).} A study of Norwegian firms found a negative effect of quotas on performance.\footnote{See Kenneth R. Ahern & Amy K. Dittmar, The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation, 127 Q. J. ECON. 137, 179 (2012). Ahern and Dittmar found significant changes in board composition not only in higher proportions of women, but also in decreased average age and experience, and the authors attributed the decrease in firm value to the law's unintended consequence of younger and less experienced boards. Id. at 188.} Other research on Scandinavian firms has found no relationship between board diversity and organizational performance.\footnote{See Rose, supra note 81, at 411; see also TROND RANDOY ET AL., A NORDIC PERSPECTIVE ON CORPORATE BOARD DIVERSITY (Nordic Innovation Centre 2006) (analyzing board diversity in Norway, Denmark, and Sweden); O'Reilly & Main, supra note 28, at 8 (discussing Randoy et al. study).}

3. Explanations for the Inconclusive Results

In sum, the empirical research on the effect of board diversity on firm performance is inconclusive, and the results are highly dependent on methodology. The mixed results reflect the different time periods, countries, economic environments, types of companies, and measures of diversity and financial performance. The relationship between board characteristics and firm performance likely varies by country because of the different regulatory and governance structures, economic climate and culture, and size of capital markets.\footnote{Helen Kang, Mandy Cheng, & Sidney J. Gray, Corporate Governance and Board Composition: Diversity and Independence of Australian Boards, 15 CORP. GOVERNANCE: AN INT'L REV. 194, 194 (2007).} Some researchers attribute the varied findings to the methodological shortcomings in many of the studies, including small sample size, short-term observations of performance, and the difficulty of controlling for reverse causation,
endogeneity, and other omitted variables that may be affecting both board diversity and firm performance. Moreover, with so many different measures of firm performance from which to choose, researchers are likely to find some values that show a positive relationship with board diversity and others that show a negative relationship. Scholars also question whether focusing on short-term accounting measures of financial performance is the best way to measure the impact of diversity. Research is lacking on the relationship between board diversity and long-term stock price performance, which is the "gold standard" measure of shareholder value.

These mixed quantitative results may reflect not only differences in research methodology, but also differences in the context in which diversification occurs. For example, some studies suggest that the influence of minority directors on corporate boards is heavily shaped not only by the prior experience of the directors, but also by the "larger social structural context in which demographic differences are imbedded." The failure to include a critical mass of women or minorities may in some cases prevent the potential benefits of diversity. Those benefits may also be dampened by corporations' well-documented tendency to appoint women and minorities who are least likely to challenge the status quo, or who are "trophy directors," with too many board positions to provide adequate oversight.

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85 See Wang & Clifft, supra note 80, at 91 (listing the various methodological shortcomings of each of the studies reviewed); see also Luckerath-Rovers, supra note 43, at 6-7 (noting that boards tend to influence strategic decisions with long-term effects, and most studies use a short time lag to examine effects on performance).


87 See Joseph A. Grundfest, W. A. Franke Professor of Law and Business, Stanford University, Diversity on Corporate Boards: When Difference Makes a Difference (Sept. 10, 2009), archived at http://perma.cc/9K4Q-Z8MG; see also Byron J. Hollowell, Examining the Relationship between Diversity and Firm Performance, 2 J. DIVERSITY MGMT. 51, 51-52 (2007) (examining the 4-year relationship between diversity reputation and shareholder value for a sample of Fortune 500 firms designated as diversity leaders and finding a significant positive relationship, but noted that there is little empirical research on the relationship between diversity and long-term stock price performance).

88 See Fairfax, supra note 29, at 592-93.


90 See Fairfax, supra note 29, at 593.

Perhaps it should not be surprising that studies of the relationship between board diversity and financial performance are inconclusive, given that a direct relationship between various other aspects of board composition and performance has been similarly difficult to establish. Empirical studies of board characteristics usually considered significant and in some cases undesirable, such as large board size, few outside directors, little or no investment by directors, and the CEO serving as board chair, "ha[ve] not yielded much evidence that these 'usual suspects' have any meaningful connection to firm performance." The relationship between board characteristics, including diversity, and company performance may be "complex and indirect." Because boards perform multiple and varied tasks, diversity may affect different

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93Yang Min Kim & Albert A. Cannella, Jr., Toward a Social Capital Theory of Director Selection, 16 CORP. GOVERNANCE: AN INT’L REV. 282, 282 (2008); see also Dalton et al., supra note 72, at 280 (meta-analysis of 54 studies on board composition finding no substantive relationship between board composition and firm performance); Sydney Finkelstein & Ann C. Mooney, Not the Usual Suspects: How to Use Board Process to Make Boards Better, 17 ACAD. OF MGMT. EXEC. 101, 101-02 (2003) (finding no significant difference in terms of board size, number of outside directors, director ownership, and CEO role for high-performing versus low-performing companies); Gavin J. Nicholson & Geoffrey C. Kiel, Can Directors Impact Performance? A Case-Based Test of Three Theories of Corporate Governance, 15 CORP. GOVERNANCE: AN INT’L REV. 585, 585-86 (2007) (noting that researchers have so far failed to identify "a clear and demonstrable link" between board composition and firm performance, as studies of board independence, leadership structure, board size, and the role of the CEO generally report no significant effect on firm performance, or small but conflicting results); Lucian Bebchuk et al., What Matters in Corporate Governance?, 22 REV. OF FIN. STUDIES 783, 823 (2009) (examining twenty-four corporate governance provisions considered significant and finding that 18 of the factors, including director indemnification, director liability, and director duties, were uncorrelated with firm valuation or abnormal returns); Sanjai Bhagat & Bernard Black, The Uncertain Relationship between Board Composition and Firm Performance, 54 BUS. LAW. 921 (1999) (finding firms with majority-independent boards do not perform better than firms with insider directors, while supermajority-independent boards may lead to worse performance); David Finegold, George S. Benson & David Hecht, Corporate Boards and Company Performance: Review of Research in Light of Recent Reforms, 15 CORP. GOVERNANCE: AN INT’L REV. 865, 871-72 (2007) (finding mixed and inconclusive results in a meta-analysis of over 100 studies of CEO roles, board independence, board size, and board ownership); Benjamin E. Hermelin & Michael S. Weisbach, The Effects of Board Composition and Direct Incentives on Firm Performance, 20 FIN. MGMT. 101, 111 (1991) (finding no relationship between board composition in terms of inside versus outside directors and performance).
functions in different ways, making it difficult to establish any consistent relationship between board diversity and firm performance.\footnote{See Nielsen & Huse, supra note 92, at 137-43 ("[M]ost empirical studies make no distinction between different board tasks and fail to acknowledge that women directors may have a differential rather than uniform impact on the effectiveness in fulfilling theoretically distinct board tasks.").}

Although empirical research has drawn much-needed attention to the underrepresentation of women and minorities on corporate boards, it has not convincingly established that board diversity leads to improved financial performance.\footnote{See Steven Brammer et al., Gender and Ethnic Diversity Among UK Corporate Boards, 15 CORP. GOVERNANCE: AN INT'L REV. 393, 394-96 (2007).} Given the limitations of these studies, many commentators believe that the "business case for diversity" rests on other grounds, particularly its effects on board decision-making processes, corporate reputation, and governance capacities.\footnote{See Broome & Krawiec, supra note 39, at 434.}

**B. Diversity and Board Process, Corporate Reputation and Good Governance**

A common argument by scholars, as well as board members of both sexes, is that diversity enhances board decision-making and monitoring functions.\footnote{Hedvig Bugge Reiersen & Beate Sjafjell, Report from Norway: Gender Equality in the Board Room, 7 & n.23 (2008), archived at http://perma.cc/X6NL-783Q (quoting Lynda Gratton & Lamia Walker, Gender Equality: A Solid Business Case At Last, FIN. TIMES, Oct. 28, 2007, archived at http://perma.cc/B6VL-NTRY) (finding corporate insiders believe that groups with gender balance deliver optimal performance in most areas that "drive innovation").} This assertion draws on social science research on small-group decision making, as well as studies of board process and members' experiences.\footnote{See Fairfax, supra note 29, at 586; see also John M. Conley et al., Narratives of Diversity in the Corporate Boardroom: What Corporate Insiders Say about why Diversity Matters 24 (N.C. Sch. L., Legal Studies Research Paper No. 1415803, 2009), archived at http://perma.cc/4Q95-SVHT (finding their qualitative interview-based study indicates that corporate insiders cite benefits to board diversity but may not have a clear picture of the precise ways in which diversity affects board processes or decision making). The John M. Conley et al. study concluded: [S]ubjects have mentioned their beliefs that diversity creates a "richer conversation," "an entirely new perspective," "different points of view," and "a very positive dynamic." But it is a theoretical narrative without concrete detail, a story without substance . . . Overall, our subjects tell a story that amounts to little more than "it seems like a good thing to do." John M. Conley, supra.} The basic premise is that diversity may lessen the tendency for boards to engage in groupthink—a phenomenon in
which members' efforts to achieve consensus override their ability to "realistically appraise alternative courses of action." 100

The literature on board decision making reflects three different theories about the process through which diversity enhances performance. The first theory is that women and men have different strengths, and that greater inclusion can ensure representation of valuable capabilities. 101 For instance, some empirical evidence suggests that women generally are more financially risk averse than men. 102 For that reason, many commentators have speculated that women's increased participation in corporate financial decision making could have helped to curb tendencies that caused the most recent financial crisis. 103 A widely discussed panel at a World Economic Forum in Davos put the question: "Would the world be in this financial mess if it had been Lehman Sisters?" 104 Many Davos participants believed that the answer was no, and cited evidence suggesting that women were "more prudent" and less "ego driven" than men in financial management contexts. 105 One study found presence of at least one woman on a company's board was associated with a reduction of almost 40% in the likelihood of a financial restatement. 106 Other research pointed in similar directions, including


101 See O'Connor, supra note 100, at 1311-13 (discussing the qualities of women managers).


104 Katrin Bennhold, Where Would We Be If Women Ran Wall Street?, N.Y. TIMES, Feb. 1, 2009, archived at http://perma.cc/G3PR-3H7C.

105 Id.

106 See Michael Cohn, Women on Corporate Boards Encourage Better Financial Reporting, ACCT. TODAY, Nov. 14, 2012 (citing a study by Lawrence J. Abbott, Susan Parker, and Theresa Presley, published in Accounting Horizons, that suggested the effect resulted from the measure of independence diversity conferred on corporate boards through more
studies from researchers at Harvard and Cambridge Universities, which found a correlation between high levels of testosterone and an appetite for risk.  

Some commentators also cite evidence indicating women have higher levels of trustworthiness or collaborative styles that can improve board dynamics. As one female director put it, "[w]omen are more cooperative and less competitive in tone and approach. When there's an issue, men are ready to slash and burn, while women are ready to approach. . . . Women often provide a type of leadership that helps boards do their jobs better." Women's experience with uncomfortable situations may give them particular capabilities in championing difficult issues. Similarly, racial and ethnic minorities' experience of needing to relate to both dominant and subordinate groups provides a form of bicultural fluency that may enhance decision-making.

A second theory of how diversity enhances performance is that women and minorities have different life experiences than white men, and bringing different concerns and questions to the table allows the board to consider "a wider range of options and solutions to corporate issues." Diversity is productive by generating cognitive conflict: questioning, greater consideration of alternative viewpoints, and a more deliberative and collaborative decision-making process that counters groupthink.

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109 See *VICKI W. KRAMER ET AL., CRITICAL MASS ON CORPORATE BOARDS: WHY THREE OR MORE WOMEN ENHANCE GOVERNANCE* 11 (Wellesley Ctrs. for Women, 2006).

110 See CREDIT SUISSE RES. INST., *supra* note 49, at 18 (discussing mentoring and concern with the needs of others).

111 Kramer et al., *supra* note 109, at 12.


114 Fairfax, *supra* note 29, at 590; see also Kramer et al., *supra* note 109, at 9; Donald J. Polden, *Forty Years After Title VII: Creating an Atmosphere Conducive to Diversity in the Corporate Boardroom*, 36 U. MEM. L. REV. 67, 85 (2005) (arguing board diversity leads
"conflicting opinions, knowledge, and perspectives that result in a more thorough consideration of a wide range of interpretations, alternatives, and consequences." For example, Phillips et al.'s study of group decision making found that when new members were "socially similar" to existing team members, subjective satisfaction was high but actual problem solving results were not. Although team members rated productivity much lower when newcomers were socially dissimilar, the more heterogeneous group was much better at accomplishing the problem-solving task. A diverse board can also enhance the quality of a board's decision-making and monitoring functions because diverse groups are less likely to take extreme positions and more likely to engage in higher-quality analysis.

Some scholars have also suggested that diverse boards can help prevent corporate corruption because they are "bold enough to ask management the tough questions." According to one study, female directors expanded the content of board discussions and were more likely than their male counterparts to raise issues concerning multiple stakeholders. Research has found that heterogeneous groups are to better governance because women and minority directors seem to ask different questions than white male directors, and that they bring different experiences and concerns to the table; Ramirez, supra note 100, at 840-41 (arguing diversity alters the functioning and deliberative style of boards and would lead to a new culture of scrutiny and reduce corporate corruption). But some commentators have questioned the degree to which gender and racial diversity necessarily equates with diverse perspectives. See, e.g., O'Connor, supra note 91, at 468 (noting women executives cannot be too masculine or feminine).


117 Id. at 346.


119 See Ramirez, supra note 100, at 841.

120 See KRAMER ET AL., supra note 109, at 9. In a study of Israeli companies in which the government holds a substantial equity interest and has required relative gender balance for 20 years, Schwartz-Ziv found that boards with at least three directors of each gender in
associated with broader information networks as well as increased creativity and innovation. One study concluded that board racial diversity increased innovation by expanding access to information and networks, and prompting more thorough evaluation. Overall, studies on the relationship between board diversity and its capacity for strategic change have reached conflicting results.

Although research suggests that functionally or occupationally diverse groups may solve problems more quickly and effectively than homogeneous teams, demographic diversity may not improve decision-making processes and outcomes in the same ways. The educational, socioeconomic, and occupational backgrounds of women and minority directors tend to be quite similar to those of other directors. Accordingly, some commentators have questioned the extent to which demographic diversity brings relevant diversity in perspectives. Even when women and minorities have a different view, if they are attendance were twice as likely to both request further information and to take an initiative, compared to boards without such "critical masses," boards with at least three female directors were more likely to experience CEO turnover when performance was weak, and individual male and female directors were more active when at least three women directors were present at board meetings. See Schwartz-Ziv, supra note 59, at 22.

This study found that board racial diversity had a positive and significant relationship with innovation and reputation and that board gender diversity had a positive and significant association with innovation but not with firm performance. Id. at 755. Board racial diversity had a positive and significant relationship with firm performance, though board gender diversity did not have a significant effect. See id. When control variables for innovation and reputation were included in the regression, the effect of board racial diversity on performance was reduced. Id. at 769, 771-73. The authors attempted to determine if causation was running in the opposite direction and concluded that the possibility of reverse causality was minimal. Id. at 774.

Compare Jerry Goodstein et al., The Effects of Board Size and Diversity on Strategic Change, 15 STRATEGIC MGMT. J. 241, 246 (1994) (finding that boards with members from diverse occupational backgrounds were less likely to initiate strategic change during periods of environmental flux), with Christopher M. Treichler, Diversity of Board Members and Organizational Performance: An Integrative Perspective, 3 CORP. GOVERNANCE: AN INT'L REV 189 (1995) (finding that at least under certain conditions, diversity is positively associated with strategic change), and Morten Huse et al., Women and Employee-Elected Board Members, and Their Contributions to Board Control Tasks, 89 J. BUS. ETHICS 581, 583 (2009) (suggesting that women may positively influence qualitative tasks, such as strategic controls and corporate social responsibility, while men tend to focus on quantifiable issues to the exclusion of the human and social aspects of business).


Fairfax, supra note 118, at 832-36.

O'Reilly & Main, supra note 28, at 23; O'Connor, supra note 91, at 468.
represented at only token levels, they may lack sufficient leverage to influence the discussion. Studies on the influence of gender on leadership behavior are mixed, but some suggest that men and women who occupy the same role tend to behave similarly.\footnote{Nielsen & Huse, supra note 92, at 138. For a review of the research, see Deborah L. Rhode & Barbara Kellerman, Women and Leadership: The State of Play, in WOMEN AND LEADERSHIP: THE STATE OF PLAY AND STRATEGIES FOR CHANGE 1, 16-20 (Barbara Kellerman & Deborah L. Rhode eds., 2007).} Moreover, in some studies, demographic diversity leads to increased conflict and poor communication, which tend to counteract or dominate the benefit of broader perspectives.\footnote{See Dobbin & Jung, supra note 76, at 817; PAGE, supra note 124, at 325; O'Reilly & Main, supra note 28, at 24; see also Karen A. Jehn et al., Why Differences Make a Difference: A Field Study of Diversity, Conflict, and Performance in Workgroups, 44 AD. SCI. Q. 741, 756 (1999) (unless carefully managed, diversity can lead to negative outcomes).} Research also shows mixed effects of gender diversity on problem-solving abilities.\footnote{See Susan E. Jackson & Aparna Joshi, Diversity in Social Context: A Multi-Attribute, Multilevel Analysis of Team Diversity and Sales Performance, 25 J. ORG. BEHAV. 675, 676 (2004). One meta-analytic review of research showed no consistent link between diversity and group performance. See Sheila Simsarian Webber & Lisa M. Donahue, Impact of Highly and Less Job-Related Diversity on Work Group Cohesion and Performance: A Meta-Analysis, 27 J. MGMT. 141, 142 (2001).} Diverse teams may also experience increased levels of anxiety and frustration.\footnote{Fairfax, supra note 118, at 834.} One study found that racial (but not gender) diversity increased the risk of emotional conflict and that such interpersonal clashes characterized by anger, frustration, and other negative feelings adversely affect performance.\footnote{See Lisa Hope Pelled et al., Exploring the Black Box: An Analysis of Work Group Diversity, Conflict, and Performance, 44 ADMIN. SCI. Q. 1, 2, 20-24 (1999) (finding that gender diversity had no effect on emotional or task conflict, with task conflict defined as when group members disagree about goals, key decision areas, procedures, and appropriate actions).} As Scott Page summarizes the evidence, demographically diverse groups tend to outperform homogeneous groups "when the task is primarily problem solving, when their identities translate into relevant tools, when they have little or no [difference in what they value], and when their members get along with one another."\footnote{PAGE, supra note 124, at 328.}

A third theory on how diversity enhances performance is that the very existence of diversity alters board dynamics in ultimately positive ways. Mannix and Neale, for example, argue that the presence of visibly diverse members enhances a group's ability to handle conflict by signaling that differences of opinion are likely.\footnote{See Elizabeth Mannix & Margaret A. Neale, What Differences Make a Difference? The Promise and Reality of Diverse Teams in Organizations, 6 PSYCHOL. SCI. IN THE PUB. INT. 31, 35-38 (2005).}
diversity is less likely to handle conflict well because it is not expected.  

Other scholars have drawn on this signaling theory to argue "that a diverse board conveys a credible signal to relevant observers of corporate behavior . . .".  

Board diversity can convey a commitment to equal opportunity, responsiveness to diverse stakeholders, and a general message of progressive leadership, which can enhance the corporation's public image.

Empirical evidence is limited, but some findings are consistent with this theory. Catalyst has found a relationship between the proportion of female directors and the proportion of female officers a corporation is likely to have in the future. Other studies have indicated that in some sectors, the presence of female or minority directors can enhance a firm's reputation with consumers.

In explaining these findings, researchers have suggested that board diversity may enhance firm reputation by sending signals to investors "about the robustness of the governance mechanisms in place and the quality of the firm." Yet the significance of such claims should not be overstated. It is unclear how aware employees, consumers, and the general public are concerning board composition.

Scholars also have attempted to determine whether diversity might affect the likelihood and effectiveness of whistleblowing. Some theorists have claimed that women's frequent outsider status and greater experience of unfairness might increase their willingness to report misconduct. By contrast, other commentators have noted that

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134 See id. at 33 (discussing the value of diversity).
135 See id. at 448; CATALYST, ADVANCING WOMEN LEADERS: THE CONNECTION BETWEEN WOMEN BOARD DIRECTORS AND WOMEN CORPORATE OFFICERS 9 (2008), archived at http://perma.cc/37BC-FR65; Fairfax, supra note 118, at 852; Fanto et al., supra note 39, at 931.
136 CATALYST, supra note 136, at 6 (noting firms with two or more women board directors in 2001 had nearly 30% more female corporate officers in 2006 than firms with only one woman board director in 2001).
137 See Stephen Brammer et al., Corporate Reputation and Women on the Board, 20 BRIT. J. MGMT. 17, 19-21 (2009) (discussing the positive effects of gender diversity on a firm's reputation); Miller & del Carmen Triana, supra note 70, at 775 (discussing the positive effects of racial diversity on firm reputation); see also supra note 70 and accompanying text.
138 Miller & del Carmen Triana, supra note 70, at 762.
whistleblowing is correlated with high levels of self-esteem and perceived power—traits more likely to be associated with men.\(^{142}\) Empirical evidence yields conflicting results. Early studies of federal workers showed that men were more likely than women to be whistleblowers.\(^{143}\) Subsequent studies have reached inconsistent conclusions, and more recent studies have found no gender differences in the likelihood of whistleblowing.\(^{144}\)

Additional empirical studies have identified a positive correlation between diversity and other measures of good governance. Adams and Ferreira, for example, found firms that have a higher representation of women hold more meetings, have higher attendance rates, experience greater participation in decision making, engage in tougher monitoring, and are more likely to replace a CEO when the stock performs poorly.\(^{145}\) Ibrahim and Angelidis' survey of nearly 400 corporate directors concluded that female directors exhibit a stronger commitment to corporate social responsibility.\(^{146}\) A study by the Conference Board of Canada found that, on average, organizations whose boards have two or more women adopt a greater number of accountability practices and regularly review more non-financial performance measures than

\(^{142}\)MICELI & NEAR, supra note 141, at 121; MICELI, NEAR & DWORINK, supra note 141, at 62 (noting that "theory suggests that men will be somewhat more likely to report wrongdoing than will women" because men occupy a greater proportion of high-status positions with opportunities to observe wrongdoing and a greater proportion of professions with ethical codes that encourage whistleblowing, and women may experience greater harm from whistleblowing because it is seen as a nonconforming behavior).


\(^{144}\)See MICELI, NEAR & DWORINK, supra note 141, at 61; Joyce Rothschild & Terance D. Miethe, Whistle-Blower Disclosures and Management Retaliation, 26 WORK & OCCUPATIONS 107, 113 (1999) (suggesting that internal whistleblowers were more likely to be women). See generally Terance D. Miethe & Joyce Rothschild, Whistleblowing and the Control of Organizational Misconduct, 64 SOC. INQUIRY 322, 334 (1994) (hypothesizing about reasons behind women and men's whistleblowing); Randi L. Sims & John P. Keenan, Predictors of External Whistleblowing: Organizational and Intrapersonal Variables, 17 J. BUS. ETHICS 411, 418 (1998).

\(^{145}\)See Adams & Ferreira, supra note 61, at 2 (attendance); Adams & Ferreira, supra note 73, at 298-301 (attendance and monitoring).

\(^{146}\)See Nabil A. Ibrahim & John P. Angelidis, Effect of Board Members' Gender on Corporate Social Responsiveness Orientation, 10 J. APPLIED BUS. RES. 35, 36 (1994) ("[D]iscretionary activities are purely voluntary and guided by a firm's desire to make social or philanthropic contributions not mandated by economics, law, or ethics.").
organizations with all-male boards.\textsuperscript{147} The study further found that boards with more women paid greater attention to audit and risk oversight than all-male boards.\textsuperscript{148} However, as in many of the preceding studies, correlation does not demonstrate causation, and it could be that well-governed corporate boards are more committed to diversity and seek greater gender parity.\textsuperscript{149} Moreover, in Adams and Ferreira's 2009 study, although a higher proportion of women correlated with better board monitoring, it had a negative effect on financial performance in well-governed firms.\textsuperscript{150}

Given the competing findings and methodological limitations of these studies, the financial benefits of board diversity should not be overstated.\textsuperscript{151} But neither should boards understate other justifications for diversity, including values such as fairness, justice, and equal opportunity, as well as the symbolic message it sends to corporate stakeholders.\textsuperscript{152} A diverse board signals that women's perspectives are important to the organization, and that the organization is committed to gender equity not only in principle but also in practice.\textsuperscript{153} Further, corporations with a commitment to diversity have access to a wider pool of talent and a broader mix of leadership skills than corporations that lack such a commitment.\textsuperscript{154} For example, the adverse publicity that Twitter received when it went public with a board of all white men is a case study in the reputational costs of a leadership structure that fails to reflect the diversity of the user community it serves.\textsuperscript{155}

\begin{thebibliography}{99}
\bibitem{148} Id.
\bibitem{149} See Broome & Krawiec, supra note 39, at 434.
\bibitem{150} Adams & Ferreira, supra note 73, at 308.
\bibitem{151} Fairfax, supra note 118, at 853.
\bibitem{152} Id. at 850 ("[A]dvocates should use their energies to develop new modes of thinking about the moral and social imperatives for diversity . . . ."); see also Fanto et al., supra note 39, at 934 (noting the symbolic value of diverse boards in reaffirming anti-discrimination norms); Rushworth M. Kidder, Diversity on Corporate Boards—Why it Matters, MINORITY BUS. ROUNDTABLE, archived at http://perma.cc/46ZX-PBDA (last visited Apr. 27, 2014); see also Brammer et al., supra note 96, at 393-94 (discussing ethical arguments based on equal opportunity and equal representation).
\bibitem{153} Brammer et al., supra note 96, at 394-95.
\bibitem{154} Credit Suisse Res. Inst., supra note 49, at 18.
\bibitem{155} Claire Cain Miller, Curtain is Rising on a Tech Premier with (as Usual) a Mostly Male Cast, N.Y. TIMES, Oct. 4, 2013, archived at http://perma.cc/K2L2-NJDS. Men and women use Twitter almost equally. Id. Twitter has since appointed a woman, Marjorie Scardino, to its board of directors. Vindu Goel, Twitter Appoints Marjorie Scardino as First Female Board Member, N.Y. TIMES, Dec. 5, 2013, archived at http://perma.cc/DPS3-MY6Z.
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IV. BARRIERS TO ACHIEVING DIVERSITY

Given the growing support for diversity on corporate boards, why has it been so difficult to achieve? One obvious explanation is that the research on performance is too mixed to make diversification a priority. Antonio Perez, CEO of Kodak, put the point bluntly: "the real barrier . . . [is that many] corporations don't believe that it is a business imperative." Other explanations involve unconscious bias and the counterproductive effects of tokenism. These factors both directly impede appointment of qualified female and minority candidates, and prevent others from gaining the leadership experience that would make them attractive choices. A third explanation is resistance to "special preferences." As with other forms of affirmative action, opponents believe that selecting members on the basis of race or gender reinforces precisely the kind of color consciousness and sex stereotyping that society should be seeking to eliminate.

A. Lack of Leadership Experience

One of the most common reasons for the underrepresentation of women and minorities on corporate boards is their underrepresentation in the traditional pipeline to board service. The primary route to board directorship has long been through experience as a CEO of a public corporation. Indeed, one study found over one-half of male Fortune 500 directors were CEOs or former CEOs. A National Association of Corporate Directors survey found CEO-level experience the most

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156 See Antonio Perez, Chairman and Chief Executive Officer, Eastman Kodak Company, Diversity on Corporate Boards: When Difference Makes a Difference (Sept. 10, 2009), archived at http://perma.cc/V2XJ-WFEV.
157 See Fairfax, supra note 29, at 595-96.
158 See id. at 600-02.
159 See id.
161 See Fairfax, supra note 29, at 599-600 (finding a "dearth" of women among the executive ranks); Fairfax, supra note 3, at 880 (stating that executive experience is the most common characteristic of Fortune 1000 directors).
important functional background in the search for a new director, with 97% of respondents considering professional experience "critical" or "important" for board candidates. Given the low representation of women and minorities in top executive positions, their talents are likely to be underutilized if selection criteria are not broadened. Women constitute only 3.5% of Fortune 1000 CEOs and 14.6% of Fortune 500 executive officer positions. Minorities make up 4.6% of Fortune 500 CEOs.

Even women and minorities who reach upper-level management positions often do so through routes other than profit and loss responsibility, which provides crucial experience for board positions. From male directors' perspective, lack of executive experience is the primary reason why the percentage of women on boards is not increasing.

However, recent developments—including requirements of director independence and financial expertise, restrictions on current CEOs serving on outside boards, and increased attention on age and tenure limits—may encourage boards to revisit traditional criteria for board service and expand the pipeline for women and minorities. The number of active CEOs who serve on the boards of other public companies, and the proportion of newly elected independent directors who are CEOs, has decreased significantly during the last decade.
There is "no widely accepted" research demonstrating that active CEOs make better board members or lead to improved advice or monitoring by the board. In fact, one survey found that 79% of corporate directors do not believe that "active-CEO directors [are] better than average directors." As more corporations have positive experiences with board members of varied backgrounds, they may see the value in relying less on chief executives, whose experience may come at a cost because they are "used to running the show" and juggle intense competing priorities.

B. Bias

Another barrier to diversity in the selection of corporate boards, and in the corporate management pipeline that feeds them, is "in-group" bias—the preferences that individuals feel for those who are like them in important respects, including race, ethnicity, and gender. Such bias is particularly likely in contexts where selection criteria are highly subjective, as is often true in board appointments. Indirect evidence for the importance of such favoritism comes from research showing that when CEOs are more powerful than their boards, new directors are likely...
to be similar to the CEO.\textsuperscript{175} Conversely, when the board is more powerful, new directors are more likely to be similar to existing board members.\textsuperscript{176} In-group bias keeps women out of the informal networks of advice and support from which appointments are often made.\textsuperscript{177} Female directors see exclusion from such networks as the most important reason for women's underrepresentation on corporate boards.\textsuperscript{178}

In-group favoritism also influences perceptions of competence.\textsuperscript{179} Members of in-groups tend to attribute accomplishments of fellow members to intrinsic characteristics, such as intelligence, drive, and commitment.\textsuperscript{180} By contrast, the achievements of out-group members are often ascribed to luck or special treatment.\textsuperscript{181} Even in experimental situations where male and female performance is objectively equal, women are held to higher standards, and their competence is rated lower.\textsuperscript{182} As one Australian study concluded, "women's competence has to be widely acknowledged in the public domain or through family connections before boards . . . will be prepared to 'risk' having a woman on the board."\textsuperscript{183} Many women directors report they have to be "twice as good as men" to get board appointments.\textsuperscript{184} In-group preferences often

\begin{thebibliography}{99}
\bibitem{176}Id.
\bibitem{178}GROYSBERG & BELL, supra note 167, at 3.
\bibitem{180}Dovidio & Gaertner, supra note 179, at 170-71; Foschi, supra 179, at 237-39.
\bibitem{183}Allison Sheridan & Gina Milgate, \textit{Accessing Board Positions: A Comparison of Female and Male Board Members' Views}, 13 CORP. GOVERNANCE: AN INT'L REV. 6 (2005).
\bibitem{184}Maria C. Gonzalez Menendez et al., \textit{Introduction}, in \textit{WOMEN ON CORPORATE BOARDS AND IN TOP MANAGEMENT: EUROPEAN TRENDS AND POLICY} 1, 3 (Colette Fagan et al. eds., 2012).
\end{thebibliography}
exclude women and minorities from the informal network of mentoring, contacts, and sponsorship support, all of which are critical for advancement. It follows that women and minorities are less likely to have the experience and credentials thought necessary for board appointments. Women of color in particular experience difficulties of isolation and exclusion.185 Lack of mentoring of minority and women directors also keeps them from obtaining additional board appointments.186

Stereotypes about competence compound the problem. Despite recent progress, women and minorities often lack the presumption of competence enjoyed by white men, and need to work harder to achieve the same results.188 Male achievements are more likely to be attributed to individual capabilities such as intelligence, drive, and commitment, and female achievements are more often attributed to external factors such as chance or special treatment—a pattern that social scientists label "he's skilled, she's lucky."189 The more subjective the standard for assessing

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185 See Rhode & Kellerman, supra note 127, at 6-15; SYLVIA ANN HEWLETT ET AL., THE SPONSOR EFFECT: BREAKING THROUGH THE LAST GLASS CEILING 22 (2010). A survey of upper-level American managers found that almost half of women of color and close to a third of white women cite a lack of influential mentors as a major barrier to advancement. CATALYST, WOMEN OF COLOR IN CORPORATE MANAGEMENT 10-15 (1999).


188 See Eli Wald, Glass Ceilings and Dead Ends: Professional Ideologies, Gender Stereotypes, and the Future of Women Lawyers at Large Law Firms, 78 FORDHAM L. REV. 2245, 2256 (2010); Cecilia L. Ridgeway & Paula England, Sociological Approaches to Sex Discrimination in Employment, in SEX DISCRIMINATION IN THE WORKPLACE, 189, 195-96 (Faye J. Crosby et al. eds., 2007). Even in experimental situations where male and female performance is objectively equal, women are held to higher standards, and their competence is rated lower. Foschi, supra note 179, at 240, 246; see also Fairfax, supra note 3, at 883 (citing several studies based on bias research).

qualifications, the harder it is to detect such biases. Because subjective
criteria are particularly significant in upper-level positions, women and
minorities are particularly likely to be underrepresented in the pool from
which directors are chosen. In one Harvard Business School
experiment, MBAs were given two case studies, identical except in one
the CEO was named John and in the other was named Jane. Students
rated Jane more negatively.

Other gender stereotypes create further problems. Men continue to
be rated higher than women on most of the qualities associated with
leadership. People more readily credit men with leadership ability and
more readily accept men as leaders. What is assertive in a man may
seem abrasive in a woman, and female leaders risk seeming too feminine
or not feminine enough. Women who come across strongly may be
seen as "ice queens" or "iron maidens," while women who adopt less
assertive styles may seem weak or indecisive. In effect, women face
tradeoffs that men do not, making it more difficult for them to be both
liked and respected in corporate board contexts, which require both. A
telling recent experiment by Stanford Business School professor Francis
Flynn gave participants a case study about a leading venture capitalist
with outstanding networking skills.

Approach to Discrimination and Equal Employment Opportunity, 47 STAN L. REV. 1161
(1995) (social stigma and Title VII jurisprudence); Ridgeway, supra note 181, at 227-30.
190 See Fairfax, supra note 29, at 602.
191 Id. at 599-600.
192 See CREDIT SUISSE RES. INST., supra note 49, at 28.
193 Id.
194 See CATALYST, WOMEN "TAKE CARE," MEN "TAKE CHARGE:" STEREOTYPING OF
U.S. BUSINESS LEADERS EXPOSED 6 (2005), archived at http://perma.cc/6Q3-K47D; Linda L.
Carli & Alice H. Eagly, Overcoming Resistance to Women Leaders: The Importance of
Leadership Styles, in WOMEN AND LEADERSHIP: THE STATE OF PLAY AND STRATEGIES FOR
CHANGE 127, 127-129 (Barbara Kellerman & Deborah L. Rhode eds., 2007).
195 Carli & Eagly, supra note 194, at 128; Laurie A. Rudman & Stephen E. Kilianski,
Implicit and Explicit Attitudes Toward Female Authority, 26 PERSONALITY & SOC. PSYCHOL.
BULL. 1315, 1315, 1325 (2000).
196 Carli & Eagly & Steven J. Karau, Role Congruity Theory of Prejudice Toward
Female Leaders, 109 PSYCHOL. REV. 573, 578 (2002). On the one hand, women leaders may
appear too "soft," i.e., unable or unwilling to make the tough calls required in positions of
greatest influence. Id. On the other hand, women that mimic the "male model" are often
viewed as strident and overly aggressive or ambitious. Id.; see also DONNA L. BROOKS &
LYNN M. BROOKS, SEVEN SECRETS OF SUCCESSFUL WOMEN 195 (1997); LINDA BABCOCK &
SARA LASCHEVER, WOMEN DON'T ASK: NEGOTIATION AND THE GENDER DIVIDE 87-89
(2003); Alice H. Eagly, Achieving Relational Authenticity in Leadership: Does Gender
197 BRANSON, supra note 33, at 66-68.
198 Joyce Routson, Networking is More than Lots of Names, Says Heidi Roizen, STAN.
GRAD. SCH. BUS. NEWS, Nov. 1, 2009, archived at http://perma.cc/6LAA-9WVF.
that the individual was Howard Roizen; the others were told that she was Heidi Roizen. The participants found working with Howard more enjoyable than working with Heidi, and they found Heidi less humble and more self-promoting and power hungry.

Minorities also confront traditional stereotypes, and women of color are doubly disadvantaged. The stereotypes vary somewhat across different racial and ethnic groups, but share common features. The most common is the devaluation of competence; minorities who reach positions that might qualify them for board leadership are often assumed to be the beneficiaries of "special treatment" rather than meritocratic selection. Class poses further obstacles. For example, Westphal and Stern have found that minorities from underprivileged "backgrounds must engage in a higher level of ingratiatory behavior toward [] CEO[s] . . ." than non-minorities and economically privileged individuals in order to obtain recommendations for board positions where the CEO is the lead director, or on boards on which the CEO is a member.

C. Tokenism and Critical Mass

Whether appointment of only one or two female or minority directors will significantly improve board decision making remains unclear. Rosabeth Moss Kanter's path-breaking research, confirmed in multiple subsequent studies, found that token members often encounter "social isolation, heightened visibility, . . . and pressure to adopt stereotyped roles. They are likely to do less well in the group, especially if the leader is a member of the dominant category." Token members are often marginalized as representing the "woman's" or the "minority's"

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199 Id.
200 Id.
202 Rhode & Kellerman, supra note 127, at 9-11 (noting that this phenomenon occurs as part of "in-group favoritism").
204 See ROSABETH MOSS KANTER, THE PROBLEMS OF TOKENISM 39 (1974) (monograph prepared for the Center for Research on Women in Higher Education and the Professions); see also BRANSON, supra note 33, at 109-23; Heminway & White, supra note 33, at 257-64 (exploring behavior of token women directors on all-male boards).
205 KANTER, supra note 204, at 2; see also Heminway & White, supra note 33, at 257-64.
point of view, as if it were a monolithic position. Thus, tokenism may make it more difficult for women and minorities to be heard on an equal basis with other board members. Outsiders also may have limited opportunities to influence group decisions, particularly in the context of corporate boards where much of the real decision making takes place outside of official meetings and token members are excluded from informal socializing.

According to some research, a "critical mass" is necessary to realize fully the benefits of diversity on corporate boards. As a report by the Wellesley Center for Women notes, "The magic seems to occur when three or more women serve on a board together. Suddenly having women in the room becomes a normal state of affairs. . . . [They] are no longer seen as outsiders and are able to influence the content and process of board discussions more substantially." However, many women and minorities who have served on boards challenge critical mass theories to the extent that they imply that anyone serving as the first or second outsider "is doomed to fail." They also fear that claims of tokenism may discourage women and minorities from accepting nominations, or that boards will treat three as "a safe harbor." Already, some companies lose their sense of urgency once they appoint even a single outsider. As one board member noted, "When you're the only woman on the board and you talk about adding another woman, they say, 'But we've got you . . . .'

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206See KANTER, supra note 204, at 3.
207Terjesen et al., supra note 63, at 328. One study "found that directors who were the sole woman on a board had to struggle to be heard in board discussions, while being one of two or three women on the board dramatically changed the situation." Beate Elstad & Gro Ladegard, Women on Corporate Boards: Key Influencers or Tokens?, 16 J. MGMT. & GOVERNANCE 595, 598 (2012).
208See William B. Stevenson & Robert F. Radin, Social Capital and Social Influence on the Board of Directors, 46 J. MGMT. STUD. 16, 33 (2009) ("As one CEO said [:] 'Don't confuse board actions with board decisions. Board decisions don't take place in the boardroom. Board actions take place in the boardroom.'"); Menendez et al., supra note 184, at 5 (discussing women's exclusion from informal socializing).
209KRAMER ET AL., supra note 109, at 34.
210Id. at v.
212See Mary Cranston, Senior Partner, Pillsbury Winthrop Shaw Pittman LLP, Diversity on Corporate Boards: When Difference Makes a Difference (Sept. 10, 2009), archived at http://perma.cc/F9M4-KGMT.
The marginalization that token members experience may also impair their performance, which discourages further appointment of outsiders. For example, a director may "make herself socially invisible to avoid disrupting perceived group harmony and alleviate discomfort felt by the rest of the (all male) board."214 As one woman put it, "[I]f you emphasize how different you are, you are considered a troublemaker."215 The result is that women's strengths may go unrecognized, and their silence may reinforce "antiquated beliefs that a woman brings nothing new to the table."216 Alternatively, some directors may fall into the role that sociologists identify as the "Queen Bee" syndrome, meaning that they "revel in the notoriety of token status,' enjoy[] the perceived advantages of being the only woman in the group and 'excessively criticiz[e] potential women peers."217

V. STRATEGIES FOR CHANGE

Strategies to counteract these dynamics and increase board diversity fall into three main categories. The first category focuses on increasing individuals' capacity for service.218 The second category includes legal strategies that might expand the pool of qualified members and level the playing field for their appointment.219 The third category targets institutions, and attempts to motivate corporations to take voluntary steps to enhance diversity.220 In recent years, countries throughout the world have taken significant steps through legislation, regulation, and encouragement of voluntary efforts to increase the representation of women on boards.221 These efforts have led to some measurable progress, but their most significant contribution may be the increased focus on gender diversity on corporate boards and in other leadership positions.

214 Heminway & White, supra note 33, at 261.
215 Menendez, Fagan & Anson, supra note 184, at 5.
216 Hemingway & White, supra note 33, at 261.
218 See infra Part V.A.
219 See infra Part V.B.
220 See infra Part V.C.
221 See Knowledge Center, Increasing Gender Diversity on Corporate Boards: Current Index of Formal Approaches, CATALYST (Aug. 21, 2013), archived at http://perma.cc/8J2Z-DLP8 (providing a comprehensive list of formal legislative, regulatory, and voluntary approaches in countries around the globe).
A. Strategies for Individuals

One obvious way to expand the number of women and minorities on corporate boards is to increase the pool of qualified applicants. Formal mentoring programs, leadership workshops, diversity advisors or coaches, and related strategies can all help interested applicants shape their career paths, refine their resumes, develop networking strategies, and overcome barriers to self-promotion. In recent years, mentoring and networking programs targeted toward increasing women's representation on boards have become more prevalent in some countries, including the UK, Canada, France, and Australia. Providing mentors who themselves have had board experience may be especially critical in bringing qualified candidates to the attention of board nominating committees. Australia has had success in educating potential female directors and then pairing them with mentors who pledge to assist them for a year and at the close of the relationship to help place them on a corporate board. In the United States, many private groups, in association with advocacy groups and universities, have pursued a strategy of establishing and expanding female director networks and providing mentors to aspiring board members.

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222See Fairfax, supra note 29, at 603-05. Little research is available to evaluate the cost effectiveness of such approaches. However, the most systematic large-scale study to date has found that mentoring programs are correlated with modest gains in female representation in managerial positions and that women of color benefit most. See Kalev et al., supra note 159, at 611. Other smaller-scale studies suggest that executives identify influential mentors as an important success strategy and that having more mentors increased the number of promotions that corporate women receive. See CATALYST, WOMEN AND MEN IN U.S. CORPORATE LEADERSHIP: SAME WORKPLACE, DIFFERENT REALITIES? 11-13 (2004), archived at http://perma.cc/BL93-L3TQ (discussing success strategies); CATALYST, WOMEN OF COLOR IN CORPORATE MANAGEMENT: THREE YEARS LATER 12-15 (2002), archived at http://perma.cc/VASZ-5C2Y (discussing promotions); see also Rhode & Kellerman, supra note 127, at 21 (discussing the need to combat barriers to self-promotion among women); Liao & Tseng, supra note 201 (discussing the barriers among Asian-Americans); Gordon C.C. Liao, Vice President, Baird Capital Partners, Diversity on Corporate Boards: When Difference Makes a Difference (Sept. 10, 2009), archived at http://perma.cc/6UJN-7CTZ.


224See id.; Fairfax, supra note 29, at 603-04.


B. Legal Strategies

Law can also play a greater role in reducing the obstacles to women and minorities who seek leadership positions, including both board appointments and the managerial experience that makes candidates attractive.

One common proposal is to require corporations "over a certain size to disclose data concerning recruitment, retention, and promotion[]" of women and minorities. A number of countries mandate such disclosures, and obligating U.S. companies to supply such information would make it easier for corporations to benchmark their performance relative to other similarly situated organizations, and for stakeholders to hold poor performers accountable. The government could also require transparency surrounding the board search process by requiring companies to disclose whether women and minority candidates were considered or interviewed for open positions. An even stronger approach would be to encourage corporations to adopt a version of the "Rooney Rule," applicable to professional football. The National Football League (NFL) requires teams to pledge to include a minority candidate among the finalists for each coaching and general manager position and to conduct an on-site interview with that finalist. In the seven years after the rule was adopted in 2003, the number of black head coaches in the NFL increased from 6% to 22%. Securities and Exchange Commissioner Luis Aguilar has suggested that "many corporate boards may need their own Rooney [R]ule . . . ."

A second legal strategy would be to increase enforcement resources for anti-discrimination initiatives. Although in theory individuals can sue for sex or racial discrimination in leadership positions, the difficulties of proof and the threat of blacklisting make

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227Rhode & Kellerman, supra note 127, at 31.
229See Rhode & Kellerman, supra note 127, at 31.
231Branson, supra note 34, at 806.
such litigation extremely rare. However, state and federal equal opportunity agencies could be more proactive in investigating organizations with a poor performance on gender and racial equity.

A third possibility would be to follow the example of sixteen countries that have established quotas for board membership for at least some companies. Some commentators argue that quotas for women directors are necessary in the United States to overcome structural impediments and to help female directors reach or exceed a critical mass. Norway led the way by requiring publicly listed firms with corporate boards of nine or more members to have a minimum of 40% of female directors by 2008, or face dissolution. The Norwegian government has reported full compliance with the program, which increased women’s share of board seats from 7% in 2002 to over 40%. Spain and the Netherlands have recently followed suit with legislation requiring firms to meet a 40% female director minimum by 2015. Belgium requires a third of directors to be female; Italy requires one-third of directors to be women.

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233 See Fairfax, supra note 29, at 603.
234 See Rhode & Kellerman, supra note 127, at 31 (discussing the current limitations of federal and state agencies in enforcing antidiscrimination laws).
235 The countries are Austria, Belgium, Denmark, Finland, France, Greece, Iceland, Ireland, Israel, Italy, Malaysia, the Netherlands, Norway, Spain, Switzerland, and South Africa. Franceschet & Piscopo, supra note 1, at 311.
236 See Bruce Kogut, Jordi Colomer & Mariano Belinky, Structural Equality at the Top of the Corporation: Mandated Quotas for Women Directors, 35 STRAT. MGMT. J. 891 (2014).
1. If the board of directors has two or three members, both sexes shall be represented.
2. If the board of directors has four or five members, each sex shall be represented by at least two members.
3. If the board of directors has six to eight members, each sex shall be represented by at least three members.
4. If the board of directors has nine members, each sex shall be represented by at least four members, and if the board of directors has more members, each sex shall represent at least 40 percent of the members of the board.
See also Sharon Reier, In Europe, Women Finding More Seats at the Table, N. Y. TIMES, Mar. 22, 2008, archived at http://perma.cc/S8MS-8DQK (noting that Norway filled 40% of corporate board seats with women since 2008).
239 Clark, supra note 238, at 1.
fifth; and Finland requires government bodies and state-owned enterprises to have equal representation of men and women absent "special reasons to the contrary." Effective in 2017, France will impose a 40% quota.\textsuperscript{240} UK, Germany, Belgium, and Sweden are also debating similar legislation.\textsuperscript{242} In other parts of the world, the United Arab Emirates and India now require certain companies to have women on their boards.\textsuperscript{243}

Critics contend quotas do not address the problems that prevent underrepresented groups from obtaining leadership experience, and that the focus should be on eliminating those obstacles and enhancing the qualifications of women and minorities.\textsuperscript{244} According to some commentators, the dramatic increase in Norwegian female directors "has done little—yet—to improve either the professional caliber of the boards or to enhance corporate performance."\textsuperscript{245} Quotas have not changed women's underrepresentation in top management, nor have they stimulated changes in the gender composition of small private companies not subject to quotas.\textsuperscript{246}

\textsuperscript{240}\textit{DELOITTE}, supra note 13, at 17, 19, 23.
\textsuperscript{241}Id. at 20.
\textsuperscript{242}See Clark, supra note 238, at 1. \textit{But see James Kanter, Britain Objects to Quota For Women on Boards, N.Y. TIMES, Nov. 14, 2012, archived at http://perma.cc/4LB3-T34E. The European Union, where the percentage of board seats held by women stands at 11%, is also considering implementing a quota, possibly 20%. See EU Mulls Gender Quotas on Company Boards, EURACTIV (July 15, 2010), archived at http://perma.cc/LW69-W8SZ.}
\textsuperscript{243}See Sara Hamdan, \textit{U.A.E. Promotes Women in the Boardroom, N.Y. TIMES, Dec.19, 2012, archived at http://perma.cc/4VD7-H9JR (reporting that the U.A.E. has made it mandatory for every company and government agency in the country to have female board members); David A. Katz & Laura A. McIntosh, Corporate Governance Update: Developments Regarding Gender Diversity on Public Boards, at 4, AMERICANBAR.ORG (2013), archived at http://perma.cc/P6K2-D4QQ ("[India’s] August 2013 Companies Act now requires every listed company to have at least one female director within one to three years of its listing, depending on the size of the company.").}\textsuperscript{244}See Amy Ditmar et al., \textit{Using Quotas to Raise the Glass Ceiling, N.Y. TIMES, March 22, 2010, archived at http://perma.cc/WS5-LMJ. One Norwegian investor and corporate director stated, "When the law says you must have 40 percent women, of course you can get to 40 percent—that is not an achievement[.] An achievement would be to find a way to get women to rise above middle management. So far we don't have an answer for that." Clark, supra note 238, at 2 (quoting Ruilf Rustad).}
\textsuperscript{245}Clark, supra note 238, at 1.
\textsuperscript{246}Fagan & Menendez, supra note 28, at 249; Mari Teigen, \textit{Gender Quotas for Corporate Boards in Norway: Innovative Gender Equality Policy, in WOMEN ON CORPORATE BOARDS AND IN TOP MANAGEMENT: EUROPEAN TRENDS AND POLICY 70, 83 (Colette Fagan et al. eds., 2012); see also Miller, supra note 238 ("In Norway, the quotas have not led to an increase in the overall number of female executives, or to a decrease in the gender pay gap, a boom in the number of young women pursuing careers in business, or to more family-friendly workplace policies.") (reporting the results of Marianne Bertrand, Sandra E. Black, Sissel
experience has led to trophy directors, or "golden skirts" as they are called in Norway. 247 Some worry that the phenomenon has become self-perpetuating because "young female executives [] faced with the choice of pushing on to reach top positions or taking several board roles" have opted for the latter course. 248 Partly for that reason, women lack the experience that would give them board leverage and are underrepresented in the most powerful board positions: they account for 40% of board members but only 7% of board chairs. 249 Critics further argue quotas will simply lead to more unqualified directors, either because of an insufficient supply of well prepared women, or because boards will fill seats with women who won't speak up. 250 For example, in France, "[i]n private, chief executives say they will look for female board members . . . who will look decorative and not rock the boat." 251

Evidence on the impact of quotas on financial performance and governance is mixed. Some research suggests that the increased presence of women correlates with slight losses in companies' bottom lines, which has been linked to women's lower levels of top management experience. 252 However, the presence of more women on boards has also reportedly led to more focused and strategic decision making and decreased conflict. 253


248 Milne, supra note 247.

249 See Teigen, supra note 246, at 87.

250 A 2010 study found that with increased number of women directors from the quota, Norwegian boards have grown younger and more inexperienced, and financial performance has declined. Id. at 85. Companies performed an average of 20% worse in terms of Tobin's Q in the year after adopting the quotas; companies requiring the most drastic changes suffered the largest negative impact. See Ahern & Dittmar, supra note 82, at 167-68. The authors of the study point out that gender did not directly influence performance; once the study accounted for age and experience, gender was not significant. Id. at 173-74.


252 See Amy Ditmar et al., supra note 244 (discussing the Norway numbers).

253 See Nielsen & Huse, supra note 92, at 143-45. Another study, however, found that most corporate decisions were unaffected by the increased representation of women on the board, but that firms affected by the quota conducted fewer employee layoffs after female board representation increased, leading to higher relative labor costs and reduced short-term profits). David A. Matsa & Amalia R. Miller, A Female Style in Corporate Leadership? Evidence from Quotas, 5 AMER. ECON. J.: APPLIED ECON. 136, 137-38 (2013) (comparing Norwegian firms affected by the quota to other public and private Nordic firms unaffected by the legislation).
In the United States, resistance to quotas builds on longstanding concerns about any departure from meritocratic principles. Facebook CEO Mark Zuckerberg typifies this view. When asked in 2011 why his five-member board had no women, he responded, "I'm going to find people who are helpful, and I don't particularly care what gender they are . . . . I'm not filling the board with check boxes." Many individuals worry that preferential treatment will stigmatize beneficiaries and diminish their credibility. That may be part of the reason why a majority of American female directors oppose quotas, even though they believe the strategy would be effective in increasing board diversity.

Some of the resistance to quotas in the U.S. may also be based on skepticism that increasing the number of women on boards is an important goal, as evidenced by the fact that the discussion often still focuses on why it matters to have more women on corporate boards. Other countries, particularly in Europe, have moved past that stage and are debating the appropriate mechanism by which to achieve that objective. So far in the U.S., the only legislative action related to

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254 See Civil Rights Act Veto—Bush Turns His Back On American Workers, SEATTLE TIMES, October 25, 1990, archived at http://perma.cc/GKV5-F9ND (vetoing the Civil Rights Act of 1990 on the grounds that it would impose quotas on employers); Anthony Lewis, The Case of Lani Guinier, N.Y. REV. OF BOOKS, Aug. 13, 1998, archived at http://perma.cc/6GZ9-AJ5 (withdrawing the nomination of Lani Guinier to head the Justice Department Civil Rights Division after she was labeled a "quota queen").


256 See HOUSE OF LORDS [H.L.], EUR. UNION COMM., WOMEN ON BOARDS: REPORT 27 (Nov. 9, 2012) (U.K.) (noting that quotas would be unpopular among many potential beneficiaries and would risk fostering the perception that women appointed were not there on their merit).

257 One study shows that 39% of women directors opposed quotas, although 51% believed that they are an effective tool for increasing board diversity. GROYSBERG & BELL, supra note 167, at 4 (noting also that 25% of men believe quotas to be an effective tool and that 18% of men support the use of quotas).


259 See Katz & McIntosh, supra note 243, at 6: [I]n the United States, there is still a sense that an emphasis on gender diversity needs to be justified rather than pursued as a matter of course. In Europe and elsewhere, the discussion surrounding legislative initiatives tends to be focused on the best way to achieve greater gender diversity rather than whether or not it is a worthwhile goal.

increasing gender diversity on boards has taken a voluntary approach. For example, in August 2013, the California State Senate passed a resolution formally urging companies to increase gender diversity on their boards.\footnote{The California State Senate passed the following resolution: [W]ithin a three-year period from January 2014 to December 2016, inclusive, every publicly held corporation in California with nine or more director seats [should] have a minimum of three women on its board, every publicly held corporation in California with five to eight director seats [should] have a minimum of two women on its board, and every publicly held corporation in California with fewer than five director seats [should] have a minimum of one woman on its board . . . . S. Con. Res. 62 (Cal. 2013) (enacted) (introduced July 11, 2013 and passed August 26, 2013), archived at http://perma.cc/7NJV-AH4D.}

Given the resistance to quotas, some advocates of diversity recommend a "comply-or-explain" approach.\footnote{See Rachel Sanderson & Kate Burgess, Directors Must Be Re-Elected Annually, FIN. TIMES, May 28, 2010, archived at http://perma.cc/49MJ-TA85.} This approach can take several forms. A common proposal is "companies with a lower proportion [than 30% women on their boards] would have to explain [in their annual reports] if they proposed to fill a vacancy with a man."\footnote{How to Build Diversity on Boards: A Voluntary Thirty % Quota for Women Would Signal Intent, FIN. TIMES, May 19, 2009, at 12.} Similarly, companies with no minorities or a small percentage of minorities on their boards would have to explain if they intended to fill a vacancy with a non-minority.\footnote{See id.} Social science research suggests that requiring individuals to give reasons for particular actions improves decision-making quality, reduces reliance on stereotypes, and helps to level the playing field for underrepresented groups.\footnote{See Jennifer S. Lerner & Philip E. Tetlock, Accounting for the Effects of Accountability, 125 PSYCHOL. BULL. 255, 263 (1999); Martha Foschi, Double Standards in the Evaluation of Men and Women, 59 SOC. PSYCHOL. Q. 237, 251 (1996); Stephen Benard et al., Cognitive Bias and the Motherhood Penalty, 59 HASTINGS L.J. 1359, 1381 (2008).} The UK has a different version of comply-or-explain.\footnote{See id.} The 2010 revision of the country's corporate governance code (with which the country's largest 350 companies' boards should comply) included the principle that companies should conduct searches for board candidates "with due regard for the benefits of diversity on the board, including gender."\footnote{See Sanderson & Burgess, supra note 261.} Companies must comply with the principle espoused in the revision or explain their non-compliance.\footnote{Id.} Similarly, Australian public
corporations are subject to a comply-or-explain mandate. 268 “Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.” 269 Seventeen other nations have similar comply-or-explain provisions, 270 and the European Council is considering a directive that would require large, publicly traded firms to describe their policy on board diversity and the outcomes that have flowed from it. 271 If companies do not have such a policy, they must provide a “clear and reasoned explanation as to why this is the case.” 272

The United States has adopted a comply-or-explain approach in other corporate governance contexts. For example, under the Sarbanes-Oxley Act of 2002, companies must disclose whether they have adopted a code of ethics for senior financial managers and whether their boards' audit committees have at least one financial expert. 273 If they have not adopted such a code or appointed an expert, the companies must explain why. 274 Also, under the Dodd-Frank Wall Street Reform and Consumer Protection Act, firms must disclose whether they have separated the role of the board chair and chief executive officer, and if they have not done so, explain why not. 275

The Securities and Exchange Commission (SEC) enacted a rule, which went into effect in 2010, pushing companies in the direction of

268 ASX CORP. GOVERNANCE COUNCIL, CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS WITH 2010 AMENDMENTS at 11 (2d ed. 2010).
269 Id.; see also E. MERVYN DAVIES, WOMEN ON BOARDS 19-20 (2011), archived at http://perma.cc/LM7U-YXJU (discussing the need to measure board attrition rates, establish diversity policies, and explain board appointments); Branson, supra note 34, at 807-08 (same); Hazen & Broome, supra note 225, at 43 (same). But see BLACKROCK INV. MGMT. (AUSTL.) LTD., GLACIAL CHANGE IN DIVERSITY AT ASX 200 COMPANIES – CAN CORPORATE AUSTRALIA ESCAPE THE IMPOSITION OF DIVERSITY QUOTAS? 3, 5 (2012) (reporting on the negative effects of the provision).
271 Id. at 12.
273 Id.
274 DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT, PUBL. L. NO. 111-203, § 972, 124 STAT. 1376 (2010).
comply-or-explain on diversity issues. The rule requires companies to disclose "whether, and if so how, the nominating committee (or the board) considers diversity in identifying nominees for director." In addition, companies whose boards have a diversity policy must explain how the policy is implemented and how the company assesses its effectiveness. The SEC allows companies to define diversity "in ways that they consider appropriate," and acknowledges that some may focus on racial, ethnic, and gender diversity, while others may "conceptualize diversity expansively to include differences of viewpoint, professional experience, education, skill and other individual qualities and attributes that contribute to board heterogeneity . . . ."

Aaron Dhir's forthcoming analysis of the first two years of experience under this rule finds that almost all companies (98%) claim to consider diversity in making board appointments. Only 8%, however, reported having a formal diversity policy. According to Dhir, his study's "most salient" finding is that when interpreting diversity, the "dominant corporate discourse is experiential . . . rather than identity-based. In other words, most frequently firms define diversity in reference to a director's prior experience, or other generic factors, rather than his or her socio-demographic characteristics." The rule would be stronger if the SEC made clear that consideration of diversity constitutes a policy triggering additional disclosure requirements, and if the Commission defined diversity to include race, gender, and other demographic characteristics. As Dhir notes, identity-related characteristics were what commentators on the rule wanted to see disclosed. An even more effective approach in securing transparency and accountability would be to require companies to adopt policies with measurable objectives for achieving diversity and assess progress in achieving them, or to explain why they have not adopted such policies.

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277 Id.
278 Id.
280 See Dhir, supra note 270.
281 Id.
282 Id.
283 Id.
284 Dhir, supra note 270.
285 Id.
Comply-or-explain approaches are more politically palatable than mandatory quotas, but their effectiveness remains uncertain.\textsuperscript{286} Future research will be necessary to see if these approaches actually produce higher rates of female and minority representation on boards.

\textbf{C. Institutional Initiatives}

Corporations can intensify their diversity efforts, both at the board level and in their internal policies, to help build the pipeline of women and minorities qualified for future appointments.\textsuperscript{287} One option is to set their own goals or requirements for new appointments to ensure a critical mass of women and minorities.\textsuperscript{288} Some commentators advocate a "structured search" that starts with an analysis of the board's functional needs and then identifies female and minority candidates who could fill them.\textsuperscript{289} Whatever the process, companies need to establish an inclusive nominating committee that is sensitive to the value of diversity.\textsuperscript{290} They also need to expand their searches beyond the traditional pool of CEOs and consider other corporate executives, nonprofit directors and officers, and academic presidents and experts.\textsuperscript{291} Many commentators believe the current pool of potential members is large enough to achieve diversity if qualifications are appropriately broadened.\textsuperscript{292} Professional consultants, who now conduct approximately half of board searches, can help identify promising candidates outside the board's network or from less traditional

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\item\textsuperscript{286}See David Seidl, Paul Sanderson, & John Roberts, Applying the "Comply-or-Explain" Principle: Discoursive Legitimacy Tactics with Regard to Codes of Corporate Governance, 17 J. MGMT & GOVERNANCE 791, 797-804 (2013) (finding substantial rates of noncompliance); see also Dhir, supra note 270 (finding similar limitations in the comply-or-explain approach in other studies).
\item\textsuperscript{287}See Rhode & Kellerman, supra note 127, at 27-30 (discussing strategies to ensure equal opportunity in leadership positions, such as well-designed mentoring programs and accountability structures); see also Frank Dobbin et al., Diversity Management in Corporate America, 6 CONTEXTS 21, 25 (2007) (discussing the positive effects of mentoring programs for women and minorities); Kalev et al., supra note 159, at 590 (finding accountability structures enhance the various programs' effectiveness).
\item\textsuperscript{288}See Branson, supra note 33, at 144 (noting the relative ease and flexibility of board structures).
\item\textsuperscript{289}See Clarence Otis, Jr., Chairman and CEO, Darden Restaurants, Inc., Diversity on Corporate Boards: When Difference Makes a Difference (Sept. 10, 2009), archived at http://perma.cc/M4GK-5ZX9.
\item\textsuperscript{290}See Butler, supra note 100, at 85-86.
\item\textsuperscript{291}See Fairfax, supra note 29, at 605-07.
\item\textsuperscript{292}See generally Kramer et al., supra note 109 (discussing why having one woman on a board may lead to more female directors).
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These and other efforts to demonstrate a commitment to diversity could help boards make service seem more attractive to well-qualified members of underrepresented groups. Companies could also institute age limits and term restrictions, which open up seats for women and minorities. As one commentator put it, "What's holding women back isn't bias. It's the fact that no one ever leaves the boards." Board members are often reluctant to give up positions that provide prestige and a significant salary, especially at the end of their careers. Despite the thousands of board seats within large public companies, relatively few seats turn over on a yearly basis. The number of available positions has been decreasing in recent years, although in 2013 S&P 500 boards added the most new independent directors since 2008. The reduced turnover among public company directors is in large part due to the increasing average age of directors. Forty percent of public company directors are age 68 or older. Even if women were to receive the majority of new board appointments, the progress in increasing women’s representation on corporate boards will continue to be slow unless the number of seats becoming available significantly increases.

Another institutional initiative for increasing the pace of progress is to reduce the influence of CEOs in the membership selection process. Some commentators argue that the interests of top corporate executives

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293 See Barnard, supra note 162, at 708-09; VRTCOM CONSULTING, BOARD DIVERSIFICATION STRATEGY: REALIZING COMPETITIVE ADVANTAGE AND SHAREOWNER VALUE 23 (2008) (discussing practices that help board diversification).
294 See VRTCOM CONSULTING, supra note 293, at 23-24.
295 See Barnard, supra note 162, at 709-10.
297 See NAT'L ASS'N OF CORP. DIRS., THE DIVERSE BOARD: MOVING FROM INTEREST TO ACTION 11-14 (2012) (discussing structural factors creating barriers to improving representation of women on boards, including absence of tenure-limiting mechanisms, small sizes of boards, directors’ reluctance to lose prestige associated with board seats, and inadequate use of director evaluations as a tool for board turnover).
299 Id. (reporting that the S&P 500 added only 291 new independent directors in 2012, down from 401 directors in 2002, and the smallest number of new directors in a decade).
300 SPENCER STUART, supra note 14, at 8.
301 See Holly J. Gregory, Board Composition, Diversity and Refreshment, PRACTICAL LAW, June 2013, archived at http://perma.cc/W5VL-X7HY. As more directors near retirement age, a higher percentage of companies (88%) have retirement ages set at 72 years or older as compared to a decade ago, when the majority of companies with a mandatory retirement age set it at 70 or younger. SPENCER STUART, supra note 14, at 16.
302 Id.
may be skewed by their desire to maintain control and high levels of compensation. Such considerations may lead them to prefer candidates who share their interests—socially similar, fellow CEOs. Simply giving the board more power over the appointment process could expand the pool of potential candidates.

A fourth institutional initiative should focus on making board diversity (or its absence) more visible and enlisting pressure from stakeholder groups to hold organizations accountable. Some empirical research has demonstrated a significant increase in women and minority directors when companies include pictures of the board in annual reports. Several companies in Silicon Valley, including Hewlett-Packard, Intel, Google, Yahoo, Facebook, and LinkedIn, have released information about the diversity of their employees and leaders. The breakdowns by gender and race and ethnicity are very similar for many of these technology companies, whose workforces tend to be 60-70% male and approximately 90% white and Asian, with only 3 to 4% Hispanic employees and 2% African-American employees. Many of the companies released the numbers through official blog posts pledging their commitments to increasing diversity and transparency.

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303 See NAT'L ASS'N OF CORP. DIRS., supra note 297, at 13. 
304 See Steven A. Ramirez, Games CEOs Play and Interest Convergence Theory: Why Diversity Lags in America's Boardrooms and What to Do About It, 61 WASH. & LEE L. REV. 1583, 1598-99 (2004). However, one recent study suggests that women directors may be more generous than their male counterparts in setting compensation policy. See O'Reilly & Main, supra note 28, at 5. If that pattern is confirmed in further research, CEOs might find women to be more attractive candidates.


308 See, e.g., Maxine Williams, Building a More Diverse Facebook, FACEBOOK NEWSROOM, June 25, 2014, archived at http://perma.cc/E6Z3-79S3 ("We have a long way to go, but we're absolutely committed to achieving greater diversity at Facebook and across the industry."); Laszlo Block, Getting to Work on Diversity at Google, GOOGLE OFFICIAL BLOG, May 28, 2014, archived at http://perma.cc/M5AR-F7MW ("Put simply, Google is not where we want to be when it comes to diversity, and it's hard to address these kinds of challenges if you're not prepared to discuss them openly, and with the facts."); Jacqueline Reses, Workforce Diversity at Yahoo, YAHOO, June 17, 2014, archived at http://perma.cc/3UWC-8488 ("Here at Yahoo we are committed to attracting, developing, and retaining a diverse workforce."); Pat Waldors, LinkedIn's Workforce Diversity, LINKEDIN OFFICIAL BLOG, June 12, 2014, archived at http://perma.cc/H5ZX-LSPJ ("[T]here is a cycle of responsibility associated with transparency. This is why we thought it important to publish our own numbers regarding diversity at LinkedIn — to better ensure accountability.").
disclosure efforts such as these can help bring more attention to the issue and may increase pressure on companies to make more diverse board appointments.

Large institutional investors could also demand such disclosure and use their leverage as shareholders to advance gender diversity among companies in which they hold significant stakes. The Thirty Percent Coalition is a group—composed of leading women’s organizations, institutional investors, executives, elected officials, and concerned individuals—that joined together in 2011 to achieve 30% representation of women on public company boards in the United States by 2015. The Coalition has reported some success using letter-writing campaigns and shareholder resolutions to target companies with no women serving on their boards. Organizations can bring more attention to the performance of particular companies by publishing report cards evaluating companies on board diversity. One organization, 2020 Women on Boards, publishes an annual Gender Diversity Index of Fortune 1000 Companies. U.S. Stock exchanges, such as NASDAQ and NYSE, could follow the example of exchanges in Australia and New Zealand that require listing companies to provide greater

309 See NAT’L ASS’N OF CORP. DIRS., supra note 297, at 16 (noting that large public pension funds such as CalPERS and CalSTRS have used shareholder proposals and the threat of those proposals to negotiate with companies whose stock they own regarding board diversity); see also Barbara Black, Stalled: Gender Diversity on Corporate Boards, 37 U. DAYTON L. REV. 7, 10 (2011) (noting that CalPERS and CalSTRS are working with a panel of leading corporate governance experts to create a digital database aimed at increasing board diversity).


311 Institutional Investors Note Progress as Eight Companies Appoint Women to their Boards, THIRTY PERCENT COAL. (Sept. 18, 2013), archived at http://perma.cc/6ZY8-593Q. As of September 2013, 8 of the targeted companies had appointed women to their boards. Id. After participating in the filing of 25 shareholder resolutions during the 2013 proxy season, the Coalition reported that it withdrew 18 of the proposals when companies agreed to include diversity considerations in their corporate governance guidelines on the nominating process. Id. Three of the shareholder resolutions went to a vote in 2013, and one received support of 50.7%, “mark[ing] the first time a board diversity resolution has received majority support from shareholders.” Id.


313 See ASX LTD., ASX Listing R. 4.10.3, archived at http://perma.cc/VDH5-UNDM (requiring listed companies to disclose their diversity policies, including measurable objectives and progress, or to explain why they do not disclose the information).

314 See NZX LTD., NZSX/NZDX Listing R. 10.5.5(j), archived at http://perma.cc/JB9K-MTWG (requiring a “quantitative breakdown” of officers and directors as well as a comparison from the year before).
disclosure regarding board composition and search processes, or even adopt a comply-or-explain approach as a best practice. 315

Investors can also act, individually and collectively, to make board diversity a higher priority in investment decisions. For example, in 2009, the Women’s Leadership Fund was created to invest up to $2 billion in publicly listed companies with a high percentage of women in senior positions, including board members, and to take activist positions in companies lacking such gender representation. 316 As a general matter, however, diversity-related proxy proposals submitted to American corporations have not been frequent. 317 Nor have investors initiated significant informal contact with companies concerning issues of gender and racial inclusion. 318 More investors should pursue such strategies to reward and reform companies based on their diversity records. 319

A final institutional strategy is for organizations that publish indexes for socially responsible investing and corporate social responsibility to include measures of diversity in leadership. 320 Only a few publications now compile information along these lines, despite evidence that some investors are interested in receiving it. 321 If diversity on boards becomes part of the standard criteria for measuring corporate social responsibility, then the ability of investors, consumers, and public-interest organizations to hold corporations accountable would increase.

315 See Black, supra note 309, at 17-18; Katz & McIntosh, supra note 243, at 5.
316 Richard Milne, Fund to Invest in Gender Diversity, FIN. TIMES, Oct. 26, 2009, archived at http://perma.cc/L85P-4URH; see also Julia Werdiger, Fund Plans to Invest in Companies with Women as Directors, N.Y. TIMES, Oct. 26, 2009, archived at http://perma.cc/92R2-7Y5Z (noting the organization's board includes Cherie Blair, wife of the former UK Prime Minister, and Jenny Shipley, a former Prime Minister of New Zealand); LINDA TARR-WHELAN, WOMEN LEAD THE WAY: YOUR GUIDE TO STEPPING UP TO LEADERSHIP AND CHANGING THE WORLD 140 (2011) (urging investors to invest in companies that support gender diversity).
317 See DELOITTE, supra note 13, at 1; DHIR, supra note 270.
318 See SPENCER STUART, 2012 BOARDROOM DIVERSITY SURVEY: SUMMARY REPORT (2012), archived at http://perma.cc/A6VH-E9V8 (reporting only 11.3% of surveyed firms received contact from investors within the previous three years on issues of racial or gender diversity on the board).
319 See TARR-WHELAN, supra note 316, at 140 (finding corporations responded positively when an investment firm made the proposal).
321 Id.; see also 2012 Best Companies for Diversity, BLACK ENTER. (July 11, 2012), archived at http://perma.cc/G57V-BRA2. An Ethical Investment Research Service survey found the majority of women want their pension funds to favor companies with good records on equal opportunity. Grosser & Moon, supra note 228, at 333-35.
VI. Conclusion

As recent initiatives make clear, board membership remains a significant issue in the struggle for more equitable leadership structures. In this context, it matters to get the arguments right, and to make the case for diversity on the basis of strong equitable and reputational arguments rather than more contested links between board membership and financial performance. The gains in diversity that corporate America has made over the last quarter century testify to our capacity for progressive change. But the distance we remain from truly inclusive corporate boards reminds us of the progress yet to be made.