CONCLUSION

Our 2011 census shows once again that women continue to occupy fewer than one in 10 of the board and highest-paid executive positions in California's 400 largest corporations. This figure shows minimal improvement over time and may even be stagnating. This finding is particularly interesting in light of a recent trend in Europe toward corporate gender quotas as a solution (see below). While 136 firms in our census (34% of the sample) have no women at all among directors and highest-paid executives, the highest representation of women in our census this year is a substantial 40% women (one firm, or 0.25% of the sample). We show that there is considerable variation, attributable in part to the industry of primary business, location of headquarters and company size. Firms in the semiconductors and software industries, as well as those located in Silicon Valley, tend to include fewer women on the board and in highest-paid executive positions. The largest firms tend to have more women directors and highest-paid executives. These results are largely consistent with findings from previous years.

CORPORATE QUOTAS

This census publication comes at a time when corporate gender quotas are receiving increasing attention in the international arena. To date, Norway is the only country whose corporate gender quota (40%) has gone into effect (January 2008), although France and Spain have passed similar legislation. The goal of Norway's quota was primarily to promote gender balance among corporate leadership, and the quota has dramatically increased the share of women on boards of directors, from 5.1% in 2002 to 40.7% in 2008 after a substantial ramping-up period.

Since 2008, research on the Norwegian quota has flourished, and there are many new studies this year. The new research shows a mixed reaction to the quota from financial markets, depending on which point in time is analyzed. Ahern & Dittmar (2011) find a statistically significant and negative impact on financial performance as measured by Tobin's Q—which is based on stock performance—when the Norwegian Minister of Trade and Industry made a surprise announcement in a newspaper interview in 2002 of his intention to impose such a quota. On the other hand, Nygaard (2011) finds a statistically significant and positive market reaction when the legal quota was officially ratified by the legislature (also a surprise) in 2005.

Interestingly, Nygaard (2011) finds that a subset of firms benefitted from the quota, namely companies for which corporate information is highly available to the general public. If CEOs dislike being monitored, Nygaard theorizes, they create suboptimal boards that are more aligned with themselves than with shareholders. Furthermore, when necessary information is not publicly available, adding outside directors results in limited improvement of corporate monitoring. However, for firms with publicly available information the presence of additional corporate outsiders, which women tend to be (Staubo, 2010), alleviates this market inefficiency. Thus, the 54% of firms with highly public information experienced positive and statistically significant cumulative abnormal stock returns (CAR) and return on assets (ROA) as a result of the quota, while the other 45% experienced negative and insignificant returns. This presents an intriguing direction for future research.

References:

Ahern, Kenneth; Dittmar, Amy (2011). "The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation." http://ssrn.com/abstract=1364470.

Nygaard, Knut (2011). "Forced Board Changes: Evidence from Norway." http://ssrn.com/abstract=1793227.

Staubo, Siv (2010). "Do Female Directors Increase Board Independence? Evidence from Norwegian Board Rooms after Adoption of the 'Gender-Mix-Law'." http://www.hha.dk/nat/valde/CEO/Staubo.pdf.