

CONCLUSION

Small Change amid Persistent Stability

This year's census paints a picture of fundamental stability amid small change. Women still constitute only a small minority—just over 10%—of directors and top executives at the 400 largest public companies in California. And the distribution of top decision makers who are women based on company size, industry and location remains much the same as last year and in previous years.

Still, the proportion of women on the board of directors and top management teams did increase slightly since 2007. And individual firms, size-classes, industries and locales did change slightly their relative positions with respect to the representation of women.

Overall, however, women remain underrepresented on the boards of directors and top management teams of large public California firms. Based on the number and quality of women that business schools are graduating, the percentage of women in the work force with the skills, experience and talent for leadership positions is greater than the percentage of women currently being tapped for the boards and top management teams of these firms.

Making an Impact

Several studies have shown that having more women in the boardroom and executive suite makes a difference in corporate governance and company performance:

- *Corporate Social Issues Reporter*, published by the Social Issues Service of Institutional Shareholder Services, found that more companies are discussing board diversity in their proxy statements. The number of Fortune 100 companies that specifically stated or strongly implied that they take race and gender into consideration when evaluating board nominees nearly doubled from 10 in 2004 to 19 in 2006. In January 2004, the Securities and Exchange Commission put into effect a rule that requires companies to report to shareholders on the board nomination process in their annual proxy statements.¹
- Recent research published by the Wellesley Centers for Women shows that a critical mass of three or more women serving on a corporate board can cause a fundamental change in the boardroom and enhance corporate governance.²
- Greater gender and ethnic diversity on boards is correlated with higher return on assets and return on investment, as well as higher firm value.³
- Greater gender diversity on the boards of Fortune 500 companies is correlated with higher return on equity, return on sales and return on invested capital.⁴

The Future

Some companies have successfully diversified their boards and executive suites. They should be applauded and are models for other firms to follow. But for the most part, California's largest public companies continue to miss an opportunity to bring a greater diversity of perspectives, experiences and viewpoints into their boardrooms and executive suites. The trend is evident across the country, as shown by similar studies of gender diversity in companies in other states and major cities by the 10 partners of the InterOrganization Network and by Catalyst, a national nonprofit organization working to expand opportunities for women in business.

¹ "Companies Start Discussing Board Diversity in Proxies," *Corporate Social Issues Reporter*, October 2006.

² "Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance," Wellesley Centers for Women, 2006.

³ "Board of Director Diversity and Firm Financial Performance," *Corporate Governance: An International Review*, 2003; "Corporate Governance, Board Diversity, and Firm Value" *The Financial Review*, 2003.

⁴ "The Bottom Line: Corporate Performance and Women's Representation on Boards," Catalyst, October 2007.