

CONCLUSION

Few Gains for Women Overall

In the first *UC Davis Study of California Women Business Leaders* published in 2005, we established a benchmark to measure the presence of women in corporate governance and executive leadership in the state's largest public companies. Unfortunately, we have not seen many changes this year as women continue to be scarce in top decision-making positions.

As the epicenter of innovation, the eighth largest economy in the world in its own right, and a trailblazer in social trends, California should be on the forefront of women's leadership in the corporate arena. The truth is it is not.

Despite women's critical role in the economic health of the nation, California's largest public corporations are leaving largely untapped a highly skilled and highly educated pool of talented women.

This pool of qualified women for board and executive positions is growing at a time when stock exchanges and the SEC have mandated that board directors have more financial expertise and independence.

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 double 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 statement.¹
- Recent research published by the Wellesley Centers for Women (WCW) 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 in top management teams is correlated with higher return on equity and total shareholder return.⁴

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 are missing 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 seven partners of the InterOrganization Network (ION) and by Catalyst, a national research and advisory organization working with businesses and the professions to build inclusive environments and expand opportunities for women at work.

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: Connecting Corporate Performance and Gender Diversity" Catalyst 2004.