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Females on DJIA Corporate Boards Compared Globally

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Key Implications

- Norway is the undisputed leader in achieving gender parity on its corporate boards.
- The largest U.S. companies generally lack gender diversity on its board of directors.
- With no U.S. national legislative conversation of gender diversity on corporate boards, a few states have considered unenforced laws for its registered companies.

Background

It is well-established that corporate boards around the world have been overwhelmingly male. Since the 21st century in the U.S. was ushered in by numerous corporate scandals – with women taking important roles in dismantling unethical behavior – women's inclusion on boards of directors has become an increasing focal point of research and discourse. Despite the increased research and attention, women continue to be under-represented on corporate boards in most countries around the world – including the U.S. But one country has taken dramatic action to change this trend. Other first-world countries have approached the subject less forcefully and, therefore, have realized no or little change in gender diversity or parity on its boards.

African continent. It became apparent there are three dominant perspectives of countries approaching gender diversity / parity on corporate boards: Interventionist quota (legislation), Comply-or-explain and Voluntary. There are also levels of gender inclusion on corporate boards as well: tokenism (1 female board member or less than 20%) and critical mass (3 or more women or 40% or above).

Research Design

The design of the study was quantitative, explorative and longitudinal. To determine the status of gender diversity on corporate boards, the DeClouette (2009) study was extended to a third data point (2000, 2007, 2016) for a census of all thirty Dow Jones Industrial Average (DJIA) companies. Secondary data was collected in the form of required proxy statements (DEF 14A) from the U.S. Securities and Exchange Commission's EDGAR (Electronic Data Gathering, Analysis, and Retrieval) database.

Information regarding countries other than the United States was collected solely through extensive literature review.

Focus of Study

The two-fold approach addresses the recent and current states of gender diversity among the 30 U.S. Dow Jones Industrial Average (DJIA) component companies. Then the same phenomenon (gender diversity or parity on corporate boards) was researched for countries around the globe, particularly emerging countries, those included in the European Union and various regions of the
Discussion

Only one country – Norway – has taken the bold step of legislative intervention (40% quota with sanction of liquidation). Therefore, it is the only country to approach parity. No other country has combined a rate that engenders parity with such a severe sanction. So, other countries that have enacted laws had modest or very low quotas and / or the lack of credible sanctions that do not compel companies to comply. Such countries include France, Spain, Germany, South Africa and India.

Other countries have taken the approach of Comply-or-Explain: the government suggests a target. If companies do not meet that target, the company must explain what is preventing it from doing so and what actions will be taken to comply. Finland, the Netherlands and Australia take this approach.

The third notable approach to changing gender demography on corporate boards is Voluntary. This ranges from the United Kingdom with an articulated goal of 20% by 2020 with no sanction or disclosure requirements to the United States, which has had no national legislative discussion on the matter. It is left up to the free market to decide but some states have discussed. Sweden is also voluntary.

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In reviewing three data points for U.S. DJIA companies, three companies (10%) reach critical mass but none reach 40%. Interestingly, the company that mostly closely approaches 40% is a technology company – in an industry that has been criticized for the lack of gender diversity in the workforce. Over half (16) of the companies have between 20% and 29% female board representation. Regrettably, three of those companies only have 2 female board members and only meet or exceed the 20% threshold because the overall boards are small. Finally, eight boards have less than 20% women directors. And one of those companies – a technology company – has only one token female.

Overall, the largest companies in the U.S. are very slow to lead on the issue of gender parity on corporate boards. And the U.S. – on a national or federal level – appears to favor letting free market capitalism decide this issue.

Significance

Considering the mounting evidence that gender diversity on boards of directors yields positive results, too few companies welcome women at this highest level. Understanding how other countries approach and achieve gender diversity on corporate boards could inform the U.S. on an approach that would quickly transform it from laggard to leader.

Learn More About This Brief

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The Study:

The Brief: