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The Boardroom: Still a Fraternity?

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Dell Mitchell

Boards of directors of corporations may represent the last fraternity at the top of the economic power structure. Although they represent an important pool of candidates, highly qualified women are grossly underrepresented on such boards. This article describes the strategy behind the ongoing effort in New England to position women for appointment as corporate directors.

Large corporations resemble public institutions in many ways: they employ large segments of the public; their products or services enhance the commonweal; and their actions, from borrowing money to polluting oceans or acquiring real estate and major buildings, affect the public.

Increasingly, in a time of public/private partnerships, corporations, their executives, and directors are viewed as key actors in shaping public policy.¹ Furthermore, as public resources become increasingly constrained, the private sector has been asked to become more involved in social policy matters, from educational reform to child care.²

Policy matters and the allocation of resources by corporations are often determined in the executive office suite, and the board of directors, to whom the chief executive officer is responsible, holds the ultimate power over such matters. As more issues regarding the economic empowerment of women reach the board level, the makeup of boards becomes a key question.³

Women as Candidates

According to the latest study of corporations by Korn/Ferry International, a leading executive search firm, 49 percent of the respondents (224 of 458) expect a board vacancy in 1989, yet the majority of respondents believe there is a shortage of qualified directors to fill vacancies.⁴ Notwithstanding the fact that almost 58 percent of the boards in the survey have at least one woman on them, corporations still do not seem to be adequately aware of

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the supply of highly qualified women who could fill such vacancies. Businesses that overlook women and minorities in choosing board members are risking the loss of contributions from a major segment of the consuming public.

Felice Schwartz, founder of Catalyst,⁵ points out the varied backgrounds from which women come and believes women directors represent all the stockholders, not just a female constituency. Schwartz says that “as women and as executives, they have much to add to a board. As women become more and more willing to forgo the security of playing by traditional male rules, they can make vital contributions to the understanding of the family, the community, the children, the consumer and the human needs within the corporation and the community.”⁶

Since 1984 there has been only about a 12 percent increase in the number of women serving on boards of corporations (see Table 1).⁷ One reason is probably the manner in which outside directors are identified for board service. In 1984, 78 percent of outsiders were recommended by chairmen of boards. In 1988 the percentage of chairman recommendations had increased to 81 percent; 76 percent of the recommendations came from other board members.⁸ Thus, potential women candidates for board membership must have profiles recognized by board chairmen and board members.

As great as their contributions are and as qualified as women may be, the reasons to include them have not yet been clearly delineated by those making selections. Rather they are often chosen under pressure from various quarters, including stockholders, employees, especially high-level women employees, from consumers, and from regulation. This pressure was most evident in the late seventies, when many companies feared criticism if

Table 1

Board Composition

Are one or more of the following individuals on the board?

| | Five-year Trend | | |
|--|-----------------|--------|--------|
| | % 1984 | % 1987 | % 1988 |
| CEO/COO of other companies | na | 83.0% | 83.4% |
| Retired executive (other companies) | 69.4% | 66.7% | 67.2% |
| Woman | 44.7% | 52.8% | 57.7% |
| Academician | 51.5% | 54.5% | 52.4% |
| Retired corporate officer | 46.0% | 46.5% | 43.3% |
| Senior executive (other companies) | 87.5%* | 40.5% | 40.8% |
| Attorney (does not provide legal services for the company) | 33.5% | 33.7% | 35.3% |
| Ethnic minority member | 26.2% | 31.3% | 33.2% |
| Former government official | 30.8% | 27.6% | 29.6% |
| Major shareholder (not officer of the company) | 29.2% | 22.2% | 26.0% |
| Commercial banker | 31.3% | 20.8% | 26.0% |
| “Professional” director | 17.9% | 24.0% | 25.7% |
| Investment banker | 24.3% | 22.0% | 23.9% |
| Attorney (provides legal services for the company) | 28.4% | 21.8% | 19.4% |
| Non-U.S. citizen | 14.8% | 11.2% | 10.7% |
| International executive (U.S. citizen) | 7.6% | 6.4% | 6.4% |

*Not comparable. 1984 percentage included CEOs/COOs of other companies. This became a separate category in 1986.

Source: “Sixteenth Annual Board of Directors Study,” Korn/Ferry International, 1989, 16. Used with permission.

they did not include women board members. By 1984, however, the trend seemed to have abated. According to Lester Korn, CEO of Korn/Ferry International: "For better or for worse, the feeling that you must have a woman on the board has crested."⁹

Developing Female Candidates

There are few women on corporate boards today, but there were even fewer in 1981, when a group of Boston-area professional and business women, members of the Boston Club for Business and Professional Women,¹⁰ first started to discuss the issue. At an annual meeting of the National Alliance of Business and Professional Women's Networks, several members of the Boston group were introduced to a concept being pursued by members of the Financial Women's Association of New York¹¹ in attempting to open doors for women at the corporate board level. These women, who had been involved in their effort for about twenty years, had achieved some degree of success. During a seminar they shared their experiences, described their strategies, and encouraged other women's networks to set up similar programs.

Inspired by these ideas, and realizing that corporate directorships were one avenue for inclusion in Boston's circle of powerful decision makers, the Boston Club formed the Corporate Board Resource Committee, whose goal was to increase the number of women serving on boards of local corporations. There were enormous roadblocks, however, and many excuses given for women not being appointed to boards: CEOs said the few qualified women were already too busy on other boards; women lacked credibility; women had to be "older" to be acceptable to other board members; criteria for board membership at most corporations included being president or CEO of a corporation, and college presidencies were almost the only CEO positions women held at the time.

It was difficult for the committee members to know how to proceed to attain their goal. They began by asking women already serving as directors for their suggestions, insights, and understanding of the criteria for board membership. The committee then compiled a list of women who were serving on boards and examined their backgrounds. Finally it created a list of other women with similar backgrounds who were *not* serving on boards.

Several women on the committee had strong connections in the business community, and through these women John Larkin Thompson, head of Blue Cross/Blue Shield and chairman of the Vault¹² at that time, became interested in the committee and its endeavor. At his suggestion the committee started to collect résumés of women who seemed to have personal and professional profiles appropriate for board service. These résumés were eventually compiled into a "Resource" book. Thompson volunteered to form an advisory committee of businessmen who would help distribute the book and lend it credibility among their male colleagues.¹³

The Strategy and the Resource

In 1984 the committee published its first "Corporate Board Resource," containing profiles of twenty-five women from the Boston area whom the committee deemed qualified to serve as directors. In the introductory remarks of the "Resource," the committee stated that its goal was to assist the business community in the search for qualified women to serve on boards of corporations.¹⁴ Each page of the "Resource" contained the résumé of one woman. The format consisted of background material, the candidate's professional

history, various affiliations, boards on which she served, and recognition and awards she had received.¹⁵ About two hundred copies of the "Resource" were printed the first year.

Because female representation on boards of corporations seemed a sensitive subject, the committee realized that to be successful it had to avoid being confrontational. It was decided early on that the approach would be low key, by word of mouth, and in a spirit of cooperation and "enlightenment." One strategy involved a series of small luncheons to which each member of the committee invited a CEO as her guest. The luncheon usually included ten to twelve people who participated in a single round-table discussion. The agenda included an explanation of the goals, a request for advice on how to achieve them, an inquiry about the process for board member selection, and a request for assistance in getting the word around. Each CEO was given a copy of the "Resource" book and encouraged to consider women when searching for new board members.

The response to these luncheons was positive, and the committee learned that, although not clearly defined for any company, the criteria for selection of a director included: the prospective director must function at a senior level in her own organization; experience on boards of major nonprofits is a strong consideration; experience of a specific nature is helpful (law, finance, and so on); the proposed director must be known by other directors. The committee found that it was important for women to be not only highly qualified but also to be known in the community, mainly by serving in business or major nonprofit organizations, in order to develop personal cognizance among members of the business community.

The CEOs expressed their strong preference for other CEOs to serve on their boards, believing they will have experienced many situations similar to problems, challenges, or opportunities that the board might face.¹⁶ Women who are heads of large corporations and fit this definition are still rare, however. Corporations, therefore, have turned to the academic and political sectors, in which women have traditionally had much greater success in reaching top positions. "A woman college president or a woman who has held public office is in some ways more of a peer to the chief executives on the board than a corporate woman at a lower level who has never actually had the experience of being the one running an organization."¹⁷

The committee followed the luncheon strategy with each successive edition of the "Corporate Board Resource" and distributed 1,000 copies (containing more than 100 entries) of the latest volume, which was printed in the spring of 1988.

Realizing that personal name recognition is important, the Boston Club sponsors an annual event to which CEOs are invited. The event features a prominent female speaker and gives awards to specific companies for their support of women.¹⁸ Each member of the Boston Club invites a CEO to this event, which has been held annually since 1986 and has enhanced the concept of recognition. Ideally, a CEO who has a board vacancy to fill will in all likelihood already have met some of the qualified women represented in the "Resource" book. Other benefits have been derived from the creation of the "Corporate Board Resource." In addition to helping boards identify and include female directors, it has raised the general awareness of the business community of the many qualified women working in prominent positions in Boston. As a result, more women have been invited to serve and to contribute their expertise to major nonprofit organizations, city initiatives, and civic associations.

Women are now more aware of and supportive of one another. They use one another as resources and can muster considerable political clout when needed. They can, and do,

provide empowerment for themselves and other women. For example, a woman unable to accept an appointment or nomination to a board uses the “Resource” to suggest others who might be appropriate.

A Change in Strategy

Times change and strategies must be retuned. Many of the male business leaders targeted in the early eighties no longer wield economic power and leadership in the city. Some have retired and others have been displaced through mergers or because their companies are no longer based in Boston.¹⁹

At a 1989 luncheon, the Corporate Board Committee targeted a different audience — men who are not yet at the top. The guests included lawyers and professionals working in advisory positions who are frequently called upon to suggest names of potential directors to their client companies.

Not only have the actors in the business community changed, but the role of corporate directors has changed as well. Board members today must bear greater responsibilities, liabilities, and risks than in the past. Increased challenge and accountability, as well as a greater time commitment, are apportioned to those who serve on boards. These factors must also be considered when implementing a strategy for advising corporations about qualified women available for board service.

The next step is to identify the corporate leadership of tomorrow, understand the evolving structure, and recommit the key people to our mission. The benefits of past experience, more women holding leadership positions, and a strong network of influential women will ensure continuing success.

A Closing Window?

Are the opportunities for board service fading for women? Is the novelty of female directors wearing off? The general political and economic climate is becoming more conservative, and there is less emphasis on affirmative action and inclusion. The community’s corporate structure is changing by mergers and takeovers. As companies are no longer based in Boston, the opportunity for area businesspeople, men or women, to serve on their boards is greatly diminished.

The news is not all bad, however. The women’s networks in the Boston area have grown strong from the work that has been done. Professional women are catching up to their male peers — the “new woman” network is as cohesive as the “old boy” network. In addition, many of today’s influential women are in their forties or early fifties, whereas the senior executive men are in their fifties and sixties. The next generation of corporate leaders is closer in age to the current core of powerful and knowledgeable women. The men in the ranks of the next generation have been exposed longer to the idea of women’s active participation in the leadership of business and the professions. Furthermore, new women are coming into the network each day as they rise to the top in city government, law, business, politics, and academia. Fifteen private colleges in Massachusetts have female presidents, and 22 percent (44) of the two hundred colleges and universities in New England have women CEOs.²⁰ (See Sherry Penney’s article in this volume.) These numbers are important in light of the fact that studies indicate most women who are chosen for board membership (26.5%) are drawn from academia.²¹ Other categories from

Table 2

Board Composition

From which of the . . . functions [listed in Table 1] are most women and ethnic minorities drawn?

| Function | % Women | % Minorities |
|--|---------|--------------|
| Academicians | 26.5% | 35.2% |
| CEOs/COOs (other companies) | 16.5% | 25.0% |
| Attorneys (do not provide legal services) | 9.1% | 20.3% |
| Former government officials | 11.7% | 10.2% |
| Senior executives (other companies) | 12.6% | 8.6% |
| Major shareholders (not officers of the company) | 6.1% | 0.8% |

Source: "Sixteenth Annual Board of Directors Study," Korn/Ferry International, 1989, 16. Used with permission.

which women move to board membership include CEO/COOs of other companies (16.5%) and former government officials (11.7%).²² (See Table 2.)

The Future

The effort to create opportunities for women to serve on corporate boards created several other collaborative projects in addition to the "Resource" book. This special issue of the *New England Journal of Public Policy* is an indirect result, as was the formation of the Women's Economic Forum, with its focus on the economic empowerment of women. Formal and informal networks of business and professional women in the Boston area have seen their membership increase, and the groups have been greatly strengthened and solidified.²³ (See Elizabeth Cook's article in this volume.) Issues of concern and areas of public policy affecting women have been more clearly identified, strategies have been mapped, and campaigns initiated to address these problems and situations. Commitments to social action by women of influence and power in Massachusetts have been even more strongly affirmed in light of the state budget cuts affecting human services and the chilling indications at the level of the federal government regarding erosion of civil rights and the threat to women's reproductive freedom.

Now, more than ever, women must attain positions of power to have a voice in business policies affecting the entire economic community. Left undisturbed, social evolution is slow. Entrenched power structures do not give way easily. But by persistent and thoughtful effort, women will increase their roles as active members of the economic and political power structure, and in doing so have the opportunity to bring a new perspective and different priorities into the policymaking decisions of business. Not only will these women enhance their own careers, but they will be, and are, a vital link to the economic and social empowerment of all women. ♀

Notes

1. An example of the role of corporations, their executives, and directors in shaping public policy is the involvement of the Boston business community in establishing the Boston Compact, a partnership with the Boston public schools to provide jobs and improve the quality of the educational experience of Boston public school students.
2. See the article by Carol Goldberg, Aileen Gorman, and Kathleen Hansen in this volume for a discussion of corporate policy on workplace issues affecting women.

3. Corporate policies on child care, affirmative action, promotion and mentoring of women, employee benefits, charitable contributions, and purchases of services and resources are not the only issues affecting women. Decisions about research and development of new contraceptive drugs, additives in food products, and content of packaging and disposable household products are among the issues discussed by women concerned with family life and health.
4. "Sixteenth Annual Board of Directors Study," Korn/Ferry International, 1989, 2. One thousand companies were asked to participate in this study. There were 458 responses available for tabulation at the time of deadline. The companies included the Fortune 500, the Fortune 100 major service companies, the Fortune 100 major banking institutions, 50 major insurance companies, 50 major diversified financial companies, 50 major retailers, 50 major transportation companies, and 100 selected small companies.
5. Felice N. Schwartz, "'Invisible' Resource: Women for Boards," *Harvard Business Review*, March/April 1980, 6–18. Schwartz is president and founder of Catalyst, the national nonprofit organization that promotes the productive utilization of women in corporations and the professions.
6. "Women Are Slowly Gaining More Seats on Corporate Boards," *New England Business*, April 5, 1982, 29.
7. "Sixteenth Annual Board Study," 16.
8. *Ibid.*, 12.
9. Tamar Lewin, "Women in Board Rooms Are Still the Exception," *New York Times*, June 12, 1984, C1.
10. The Boston Club, as it is known, was established in 1976 by several women who worked that year to ensure the successful passage of the Equal Rights Amendment to the Massachusetts Constitution. By 1989 the club had over 200 senior business and professional members.
11. The Financial Women's Association of New York is an organization of over 350 women holding positions of responsibility in finance and related fields.
12. The Coordinating Committee, also called the Vault, is a group of 20 to 25 Boston business leaders, mostly board chairmen and chief executive officers, who meet regularly to discuss and try to influence the city's economic and political future. The committee, which formally began in 1959, was nicknamed the Vault because it met in the Boston Safe Deposit and Trust Company offices.
13. Marie Gendron, "Women Execs Make Slow Gains In Boardrooms," *Boston Business Journal*, 6, 4 (March 1986): 24.
14. "Corporate Board Resource," sponsored by the Boston Club, from the introductory statement of the Corporate Board Resource Committee.
15. Candidates listed in the "Resource" book are not necessarily Boston Club members, and membership in the club does not guarantee inclusion in the book.
16. Schwartz, "'Invisible' Resource," 6–18.
17. Lewin, "Women in Board Rooms," C1.
18. Recent speakers at the annual event include Governor Madeline Kunin of Vermont, Professor Rosabeth Moss Kanter of the Harvard Business School, and Cathleen Black, publisher of *USA Today*.
19. For a good description of the network of business, civic, and business associations and politics, see *Who Rules Boston?*, published by the Institute for Democratic Socialism, Boston, 1984.
20. New England Association of Schools and Colleges, 1988–1989 statistics.
21. "Sixteenth Annual Board Study," 16.
22. *Ibid.*
23. See, e.g., New England Women in Real Estate (NEWIRE) or the Women's Bar Association, both based in Boston.

Friendship of a kind that cannot easily be reserved tomorrow must have its roots in common interests and shared beliefs, and even between nations, in some personal feelings.

— Barbara Tuchman