

BOARD DIVERSITY



LAGGING BEHIND

Women and minorities are making inroads onto North Texas company boards. Yet, their representation is still shockingly below the national average for public companies.

BY KAREN NIELSEN | CORRESPONDENT

As the Virginia Slims slogan liked to point out, “You’ve come a long way, baby” — that is, unless you’re a woman vying to serve on a corporate board. Women make up nearly half of the labor pool and make more than 70% of household decisions, but their representation on corporate boards in Texas lags behind even the national average.

Texas is home to more *Fortune* 1000 companies than any other state. Of the 416 board seats among *Fortune* 1000 companies based in Dallas-Fort Worth, only 49 are held by women, according to The Board Connection Census Study, which is due out in the first quarter. Not surprisingly, 34% of D-FW companies had no female directors at all.

In a survey of public company directors by the National Association of Corporate Directors, 51.6% of respondents living in Texas said their corporate boards have female directors. That

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DIVERSITY: Study links female board representation, company performance

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compares with 66.6% among national survey respondents. Of those same 74 Texas respondents, 29.7% said their board had minority directors, compared with a 43.9% response from 632 survey respondents nationally. So what gives?

NACD North Texas Chapter President Elizabeth E. Solender said the D-FW area is making some strides. She sees more women joining corporate boards and an openness from men to discuss diversity at NACD meetings.

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“Boards want diversity of opinion because it helps them make better decisions,” said Solender, who is both president of Solender/Hall Inc. in Dallas and a Community Trust Bank of Texas board member. “This is a really good time for boards to seek out women and minorities to serve. There are fewer CEOs who can sit on multiple boards than in the past. It creates more opportunities.”

North Texas-based companies such as J.C. Penney Co., AT&T and Texas Instruments have solid track records of diverse representation on their boards dating back at least a decade. Others, such as XTO Corp., Affiliated Computer Services and D.R. Horton, have no women on their boards, according to a 2009 census on female board representation among Fortune 500 companies by Catalyst Inc., a nonprofit research and advisory organization with the mission to advance women in business.

Some studies indicate that companies in the financial services or business-to-consumer industries embrace board diversity faster. No matter the industry, experts here say, the tone is set by board leaders who then make it acceptable to raise the bar.

A study called “Different Is Better — Why Diversity Matters in the Boardroom” by global search and assessment firm Russell Reynolds Associates suggests that board homogeneity can be a hindrance in “an increasingly dynamic environment.”

“If a board is not diverse, the company under-leverages a very important resource and prevents the board from representing the breadth of constituencies that they serve in the marketplace,” said Stuart Guthrie, Russell Reynolds’ managing director and area manager of the Dallas office. “Without diversity, you don’t get the range of perspectives that you need to test and challenge the company’s strategy and to ensure that the company is heading in the right direction to maximize shareholder value.”

But he added: “Just because a board is homogeneous in gender doesn’t mean it is not diverse. Having board members from varied functional, industry and educational backgrounds helps guide the company’s strategic decision-making and provides the necessary diversity of perspective; there will always be a wide spectrum in terms of how gender or ethnically diverse boards will be.”



JAKE DEAN

A BROADER PERSPECTIVE: Stuart Guthrie, Dallas office area manager for Russell Reynolds Associates, says studies indicate a corporate board that is not diverse fails to represent the constituencies of its market and also will not get the benefit of a wide range of perspectives.



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National Association of Corporate Directors—North Texas Chapter



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Woman power

Board responsibilities have hit a new high for risk management — with globalism and terrorism at the core — and shareholders are razor-focused on the bottom line.

A study comparing corporate performance with female board representation found that companies with more female board directors outperform those with the least female board representation by 53%, according to Catalyst.

Stronger-than-average results also prevail at companies with at least three female directors.

“It’s time businesses take action and leverage the talent that women bring to the workplace,” said Ilene H. Lang, president and CEO of New York City-based Catalyst. “It’s good for women, good for men, and as our research demonstrates, good for business.”

A wider pool

Finding qualified female and minority candidates poses a challenge for some companies, particularly those in the middle markets — from \$700,000 to about \$1 billion in revenue — where there aren’t enough C-level contenders in the pool, said Constantine “Connie” Konstans, Ph.D.,

founding executive director of the Institute for Excellence in Corporate Governance at the University of Texas at Dallas.

But, he noted: “The more women you get on boards, the more you see starting to get into the C-level of a company.”

The Institute for Excellence offers a program called “positioning women for corporate boards” that can better prepare candidates for upcoming roles.

Solender said nominating committees should be more creative in their recruiting efforts, which could include company division heads or longtime small-business owners with *Fortune* 500 experience and a history of community leadership.

“As these boards realize there is that wider pool out there, they will find it easier to diversify their boards,” she said. “They’re going to find it’s a very rich talent pool.”

Lang agreed that there are plenty of women who run multibillion-dollar divisions of companies whose “talents would make (them) fantastic board members.”

The Catalyst survey shows that women in 2009 held just 15.2% of all *Fortune* 500 company board seats nationally.

“At the end of the day, you can’t be a successful global company without women in leadership,” Lang said.

Filling the gaps

The point of board diversity isn’t to just hire female or minority board members, but to improve the quality and breadth of insight the board can provide, said Guthrie of Russell Reynolds.

“When we do board work for clients, we sit down with the nominating committee chair and the CEO and try to understand the strategic direction of the company and challenges and issues they face,” he said. “They want a board that will provide a depth of perspective and expertise to help the CEO and company management tackle those issues.”

That discussion leads to developing a list of eight to 10 director attributes and of the experience and skill requirements needed to fill the gaps. Incumbent on that is diversity, Guthrie said.

“It’s not trying to add diversity for diversity’s sake,” he said. “We are composing a board that best reflects the company’s key stakeholders and acts in the best interest of shareholders.”

DIVERSITY POLICY RULE TAKES EFFECT

The Securities and Exchange Commission is adopting additional corporate governance disclosure rules so shareholders can better evaluate the leadership of public companies.



Effective Feb. 28, the SEC will require corporations to disclose in proxy and information statements if they have a diversity policy and how a nominating committee considers diversity in selecting directors and the effectiveness of its policies.

The SEC also requires disclosure on the background and qualifications of directors and nominees and any legal actions involving company executives, directors and nominees.

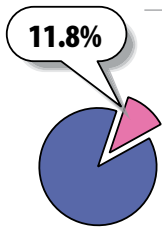
The SEC expects that the new rules will improve accountability on the issues of risk, compensation and corporate governance through transparency, SEC Chairman Mary L. Schapiro said.

NIELSEN is a freelance writer in Plano.

— Karen Nielsen

Do men still rule the boardroom? Seems so.

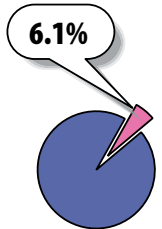
Here's a snapshot of Dallas-Fort Worth female director representation



In 2008, there were 416 board seats in the 42 Fortune 1000 companies based in the Dallas/Fort Worth area.

■ **49 of these seats were held by women, or 11.8%.** Nationally, the ratio is 15.1%.

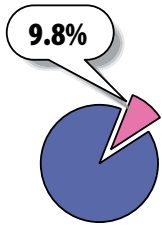
■ In 2008, the percentage of D-FW companies with no female directors was 35.7%, compared with a national rate of 13.6%.



Where women stand: top compensation and the executive suite

■ **Only 6.1%, or 13 women, were among 213 executives in the "top compensation" category** among the pool of 42 D-FW companies.

■ In 2008, 35.7% of D-FW Fortune 1000 companies had no female executive officers.



■ **9.8% of the executive officers in D-FW were women,** compared with 13.5% nationally. None of the local female executives served as CEO.

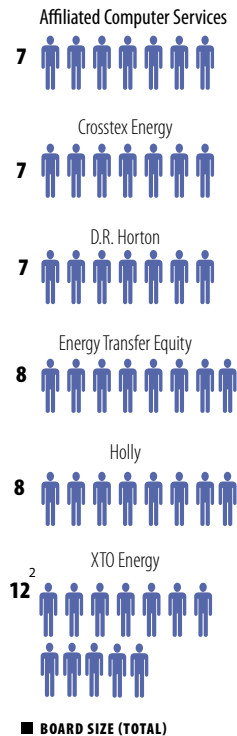
Note: The top compensation category is defined as the group of the five highest paid executives per company.

SOURCES: The Board Connection, with data compiled by the Institute for Excellence in Corporate Governance at the University of Texas at Dallas. Data, the most recent available, was based on annual public filings of 42 North Texas Fortune 1000 companies as of the fiscal year ending Dec. 31, 2008. National data from the InterOrganization Network's ION Study 2009. ION is a group of 13 regional organizations that works to advance women in business roles.

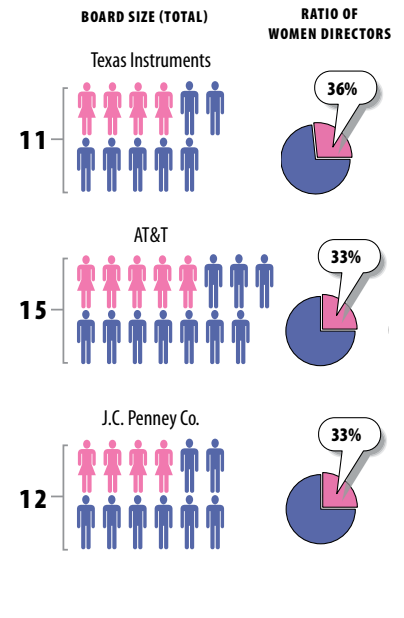
Now see which D-FW boards welcome women

North Texas Fortune 500 company boards rate both well and poorly in terms of female representation. Check out these big-company leaders and laggards.

Companies with no female board representation



Companies with at least 25% female board representation



1: Data directly from companies or based on company Web site information as of Jan. 27, 2010.
2: Includes three advisory directors.

SOURCES: 2009 Catalyst Census of Fortune 500 Women Board Directors and DBI research

WOMEN DIRECTORS: WHO ARE THEY?

A national study by Russell Reynolds Associates shows the professional backgrounds of 636 female board directors. Their backgrounds are heavily weighted in the government, financial, consumer and academic sectors.



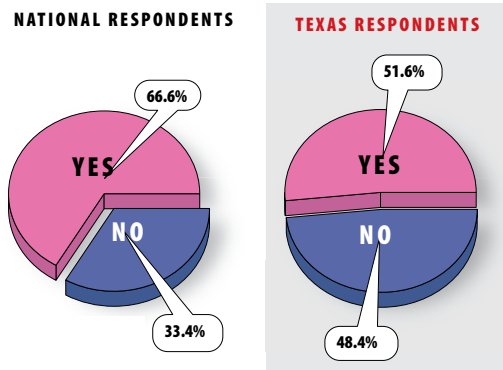
SOURCE: Russell Reynolds Associates. Data based on mid-2009 interviews with board directors of more than 100 Fortune 250 companies nationally.

IS TEXAS A LAGGARD IN BOARD DIVERSITY? Survey statistics say so....

The National Association of Corporate Directors conducted its annual Public Company Survey, asking questions about board diversity. Of 632 respondents for the 2009 survey, here are the national results, followed by results broken out for 74 of those respondents who live in Texas.

Source: National Association of Corporate Directors Public Company Survey. The data represents responses between March and June 2009 from 632 respondents and does not represent all public company boards. Of the national respondents, 66.6% were outside directors, 9.8% were nonvoting attendees, 7.6% were inside directors and 16% held other positions, such as corporate secretary.

Does your board include female directors?



Does your board include minority directors?

