I would like to thank you for this opportunity to contribute to the important debate on Board of Directors Gender Parity. My goal is to share with you an academic point of view and the result of my own research in the field of corporate governance.

Recent corporate governance scandals and the financial crisis that followed have led us to question the composition of corporate boards of directors and their ability to address issues of business ethics and accountability. Similarly, abuses of managerial power in the form of excessive compensation have been tied to the absence of cultural diversity in the boardroom. Ernst and Young suggested that we need board members who can suggest new ways of tackling old problems and who reject the group-think that may have contributed to the global financial challenges we are facing at this time [1].

In the same line of thought, Harvard professor Rosabeth Kanter recently asked: “What if Lehman Brothers had been Lehman Sisters?” [2]. Experts at the recent World Economic Forum/Harvard Kennedy School conference presented research data implying that women were more trustworthy, risk averse, and altruistic, and that high testosterone levels could possibly be associated with more aggressive decisions and excessive risk taking [3]. Kanter therefore theoretically tied the higher inclusion of women on boards with a reduction of self-interested greed leading to less imprudent risk taking and more solid asset values leading to healthier balance sheets.

Women on corporate boards - Literature review

Academics have long followed board composition, including the slow advancement of women onto corporate boards despite four decades of equal opportunity policies1. Arguments for greater diversity in boardroom representation have been explored within the literature following two approaches. The first is based on economic arguments whereas the latter rests upon a moral viewpoint.

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Grounded in economic arguments, firms that fail to select the most able candidates for the board of directors damage their financial performance. From this perspective, women on corporate boards are deemed experts because of their specific knowledge which could increase the economic value of the specific firm whose boards they sit on. For example, greater diversity promotes a better understanding of the marketplace and can enhance problem solving, considering the variety of perspectives that emerge from a more diverse board. A more gender diverse board can also advance a firm’s competitive advantage by improving its image, which in turn may have a positive effect on customer behaviours and ultimately on firm performance [5-8].

The moral perspective argues that it is immoral for women to be excluded from corporate boards on the grounds of gender, and that firms should increase gender diversity to achieve a more equitable outcome for society as a whole. Accordingly, it has been suggested that firms should regard greater female representation not as a means to an end but as a desirable end in itself. Research has shown that greater gender diversity among board members generates more opinions and critical questions, which may cause decision-making to be more time-consuming and perceived as less effective [9] however more likely to reflect societal concerns.

The business case for boardroom diversity seems unambiguously clear, both from an economic and a moral viewpoint. So where does Canada stand and what stands in our way?

The Canadian situation

In 2009, women held 14 percent of board seats at Financial Post 500 companies, an increase of one percentage point since 2007. In both 2007 and 2009, more than 40 percent of companies had no women directors. Similar to 2007, women held just 3.2 percent of board chair seats in 2009. It seems that reliance on informal “old boys’ networks” continues to be a significant factor in the recruitment of new board directors [10].

Upon passing of this Bill, Canada will follow countries such as Norway, Spain and Iceland which have implemented 40 percent female representation quotas for publicly traded companies [11-12]. My attention as a researcher turned to women on corporate boards following Quebec’s presentation of Bill 53 in December 2006, requiring that the boards of directors of its most important enterprises include an equal number of women and men within a five year span. The nominations that followed quickly led to a 66% increase in the number of women on the boards of 24 state-owned enterprises, giving them equal access to boardrooms, as they now form 46% of membership. I interviewed many board members - both women and men - and would like to share with you a few of my findings and hopefully contribute to tear down obstacles that stand in way of this legislation.
What can we learn from the Quebec experience?

A) Initial resistance is normal

While the thought of a board nomination resulting from biological imperatives was perceived as offensive by 88% of interviewees, most nonetheless agreed that board parity regulation is necessary to accelerate a stagnant trend. They were concurrently frustrated by the idea that, as a society which values education for all and prides itself on its equalitarian morals, the glass ceiling had not been broken naturally. Conflict between the opposing sexes was avoided by shifting the focus from masculine and feminine expertise to discourses of competence, thus fluidizing gendered roles.

Considering that resistance to change is normal, that groups have a tendency to naturally enlist people who are similar to themselves and that some competent men may lose their seat on a board as a result of this bill, we need to step away from individual considerations and recognize this bill as a necessity to change mentalities and attitudes. This process is essential to a full recognition of women’s place in society [13]. A common resistance mechanism which I would like to address is the idea that board parity legislation will lead to less competent board members.

B) Board parity leads to redefining board competence

Let me reassure you that board competence is not masculine. Studies have not shown that firms suffer from the presence of women on their boards, to the contrary [14]. Board competence in today’s business is grounded in much more than experience as a former CEO. There is an important pool of competent candidates if we learn to look elsewhere; for example there are close to 20 000 female chartered accountants (CA) in Canada, 15,000 Certified management accountants (CMA) and more than 40,000 Certified General Accountants (CGA). In Canada, 20,000 lawyers are women, over 16,000 are engineers, hundreds are actuaries and many thousands are university professors. All these women have extended knowledge; most have considerable experience and would consider serving on boards if approached.

While women have constituted more than 50% of graduates in Canadian business schools for over fifteen years, we continue to give birth to 100% of children and therefore we, as women, generally have to put our career aside in the process. This leads women to have less linear career paths than their masculine counterparts. However, these different life experiences were reported to be beneficial for boards, as they contribute to the richness of debates. I also found that as a possible result of childbearing, women didn’t have the opportunity to work on their social networks as men do, as a result, they are less often considered for board positions. Parity legislation urges nomination committees to broaden their horizons, and reconstruct the image we have of a typical board member. In Quebec, this was done by contacting professional orders, academics and groups such as Women in finance. The perception is that in broadening the pool of candidates, boards were reinforced without significant disruption to their processes and potential outcomes.
C) Board transformations

While most of the board members I interviewed agreed that women were more analytical and showed more preparation for board meetings, new boardroom dynamics were not otherwise redefined in gendered terms. This means that board parity didn’t cause a dramatic break, but was rather viewed as a part of the modernization of boardrooms initiated by Bill 52-110 in 2003. Women brought their professional expertise to the table, rather than radical feminist viewpoints.

I agree that in an ideal world, parity would be achieved without legal intervention. However considering the current trend and for reasons mentioned above, this is not likely to happen before several decades without the adoption of proposed Bill S-206. I recognize it takes courage to promote social values of equality and initiate transformations that diffuse power and I congratulate you for stepping up.
References

1. Ernst and Young, *Groundbreakers. Using the strength of women to rebuild the world economy*. 2009.