A Step in the Wrong Direction

By Steven Grossman and Gloria Cordes Larson

When The Boston Club reported in its 2010 census of the 100 largest public corporations in Massachusetts that only 11.3 percent of their board seats were filled by women, our reaction was “what’s wrong with this picture?” Most recently, after the organization of women business and professional leaders reported that the number had fallen to 11.1 percent, perhaps we should modify the question: what’s terribly wrong with this picture?

Only 88 women fill the 836 seats on those 100 boards. Further, a total of 41 companies have no women on their boards at all. Particularly troubling is the fact that the critical manufacturing and technology sectors recorded only single-digit percentages.

The Boston Club census didn’t contain all bad news. Sixty-eight women now hold 9.6 percent of the 710 executive officer positions in the companies surveyed, up from 8.9 percent in 2010, marking a second consecutive year of improvement. However, both the number and percentage of women executive officers remain well below the 11% peak recorded in 2006-2007. Further, when compared to other states with a similar range of companies, Massachusetts fares poorly.

These facts paint a picture that is inconsistent with the progressive reputation of the Commonwealth. This is not just bad for women. It is bad for business.

Professors Anita Woolley of Carnegie Mellon University and Thomas Malone of the MIT Sloan School of Management reporting on their research in a recent article in Harvard Business Review pointed out: “There’s little correlation between a group’s collective intelligence and the IQs of its individual members. But if a group includes more women, its collective intelligence rises.” The article’s title: “What Makes a Team Smarter? More Women.”

Their research confirms what we would have assumed as a matter of common sense: if you exclude half the population, you exclude half the potential talent in the population. As a result,
corporations with overwhelmingly or all-male boards are limiting the range of expertise they have among their directors to the detriment of corporate performance.

Moreover, boards with no women also often have other features that governance experts associate with threats to shareholder value, such as too few directors, too few outside directors, or too many directors who have served together for so long that their independence from management can be questioned. And numerous reports show that the presence of women directors is associated with greater attention to ethics and to risk, surely among today’s most pressing needs.

Fortunately, Massachusetts can boast of several large public companies, including Akamai Technologies, Biogen Idec, Staples and TJX, that have at least 20 percent of the combined number of board and executive positions held by women. That these are also among the most successful corporations in Massachusetts underscores our point.

There are steps that can be taken to promote diversity, primarily by leveraging positions of leadership. For example, Massachusetts’ pension fund recently adopted new proxy policies that support pro-diversity resolutions presented to shareholders and make diversity a criteria in voting on director candidates. In addition, Bentley’s newly created Center for Women and Business combines innovative research and programming to enable women leaders at each stage of their lives to realize their full potential and to enable the global business community to successfully harness that potential.

Other activities can be undertaken at the grassroots level. We encourage people to go to http://www.thebostonclub.com, get the latest survey, and direct their business to the companies that scored well in The Boston Club study. The most important thing, however, is for the leadership of our Massachusetts companies to finally get the message: this is a changing society and successful businesses must change with it.

We know some of the executives involved in lagging firms. We don’t think they are sexist or intentionally discriminatory. The problem typically is that they don’t like to go outside their comfort zone or that diversity is simply not at the top of their agenda. In the long run, however, this is not a path that leads to maximizing the business success they seek.

Inclusion will make their companies stronger, and positive change in the boardroom and executive ranks is long overdue. It is time for corporate leaders to see the picture – and change it. Now.

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