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Women Board Members And Technology Companies

Big tech firms offer a valuable diversity model.

by Dora Vell

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Women Board Members And Technology Companies

by Dora Vell

The technology industry has an (often deserved) reputation as a boys' club that has stymied the progress of women into leadership positions, particularly the boardroom. Yet the largest tech corporations, such as Apple and HP, are leaders in building gender diversity into their boards. Smaller techs lag behind. A few strategic changes could offer a model for women's board advancement.

The proportion of women on public company boards continues to rise steadily, though many would argue too slowly. The 2015 Catalyst Census found women occupying 19.9 percent of the seats on S&P 500 boards, an increase of about 5 percent over the last decade. Women were appointed in 26.9 percent of *new* board roles.

Most studies analyze large companies (S&P 500 and Fortune 500), but some are broader in their scope. Vell Executive Search looks at technology companies, starting with $100 million in revenues and more. A 2015 board study found that only three percent of S&P 500 boards were all male, down from 12 percent in 2005. Further, 73 percent of those boards had two or more women directors, up from 49 percent in 2005. The average number of women on boards has risen from 1.6 to 2.1 over that time.

Gender diversity on Silicon Valley boards has been even lower than the overall tech sector's, especially among its smaller companies. A 2013 study found that even among the larger companies (the "SV150"), 43 percent still had no women directors, and only 17 percent had two or more.

However, among the largest technology companies, women representation on boards is relatively high. It is important to consider smaller companies and look at the entire ecosystem of board membership to diagnose accurately the problem of under-representation and start to formulate possible solutions.

The representation of women on tech company boards varies dramatically with company size. Larger tech companies are much more likely to have women on their boards. All 35 of the companies above $10b in annual revenue have women directors. In contrast, among companies in our lowest revenue range, fewer than 60 percent have women on their boards.

In terms of total board seats, women hold 25 percent of the seats among tech companies with over $10 billion in revenue. Representation drops steadily with smaller company size ranges, until it is only 11.5 percent among those in the $100-500 million range.

Larger companies have larger boards and hence more "real estate" available to incorporate a diverse range of skills and experiences, so gender diversity is naturally higher. The average board size in companies over $5 billion in revenue is just over eleven. In the $100-$500 million range, the average board has only 7 members.

On tech boards, what should be the wide end of the funnel is constricted for women. The majority of board opportunity is in companies below $3 billion—where women are most under-represented.

What does that mean for the pipeline of women directors? Large company boards would like to have a robust pipeline of women with experience and track records on smaller company boards. Women directors need the opportunity to gain experience on smaller company boards. The preferred outcome is to have a robust number of women board members in all company sizes with the appropriate ones funneling up to the most prestigious and demanding board appointments. However, on tech sector boards, what

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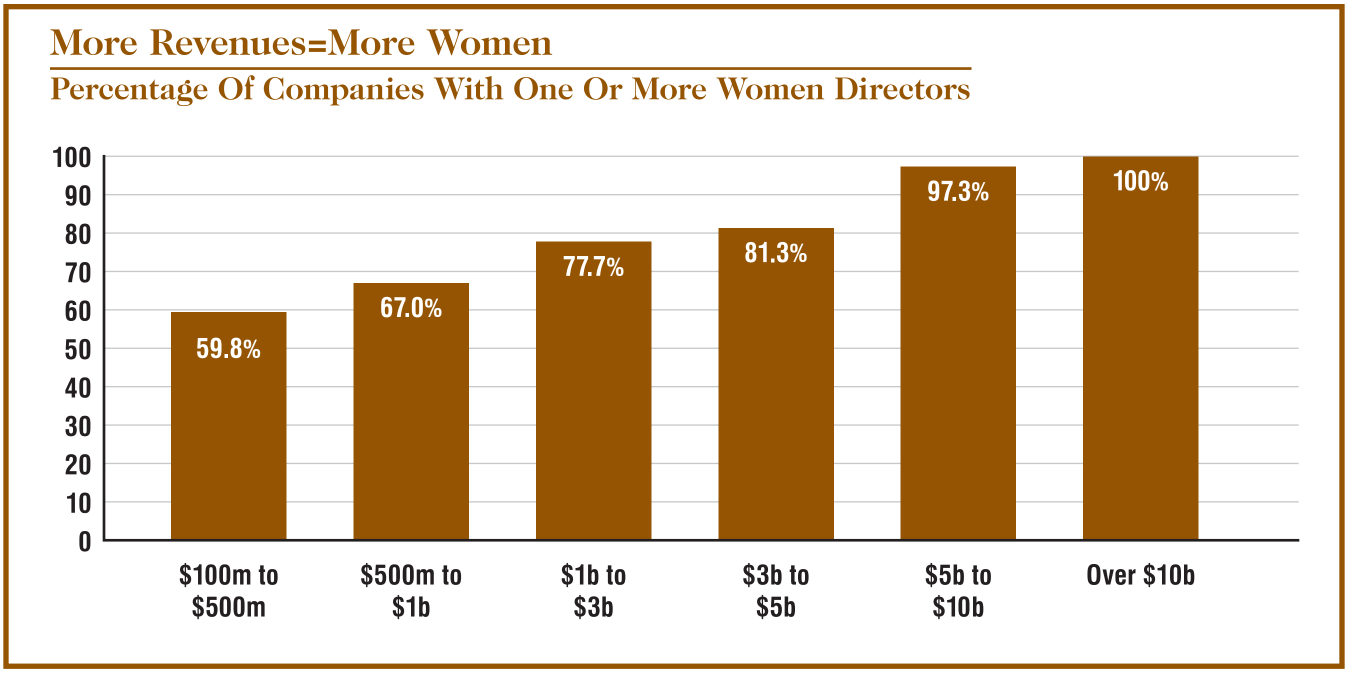

should be the wide end of the funnel is constricted for women. The clear majority of the board membership opportunity is in companies below $3 billion, the very ones where women are most under-represented.

Out of 4,826 board seats in our study, 3,710 (or 77 percent) are for companies under $3 billion. A full 39 percent of potential board opportunities are for the smallest companies in our study, where women representation is only 11.5 percent. Conversely, for men directors, the conventional funnel has an extra-wide opening.

The problem for tech boards is less a glass ceiling than too-narrow entryway—too little opportunity to grow a pool of qualified candidates.

Studies of only the larger company boards fail to recognize the full situation. The problem is less a glass ceiling than too-narrow entryway—too little opportunity to develop and grow a pool of qualified candidates. This is akin to trying to develop more Olympic athletes or Navy Seals while reducing the opportunities for candidates to get basic training.

To remedy this diversity gap we need to create more opportunity to grow the pipeline of women candidates by getting more women onto the smaller company boards. Given the disproportionate number of men directors on these boards, the size of this opportunity is very large.

Women fill board leadership roles in 223 companies in our study. That amounts to 38 percent of the 581 total companies and 54 percent of the 411 companies that have women directors. So roughly half the companies that have a woman board member have a woman in a leadership role.

When we compare this board leadership data with a Catalyst study of the S&P 500, we find that these technology companies generally lag in women director representation. The gap is greatest in chair and lead director, where women fill 11 percent of the S&P 500 positions and only 6.7 percent among the tech boards.

The main challenge women face finding a seat on a smaller board is that these boards are more likely to recruit via word of mouth, networks women are not plugged into. There are opportunities for women executives to serve on their own boards, and outside candidates do well to get acquainted with the boards by networking with both insider and independent executives.

We took a close look at the 20 largest tech companies. All have women directors, and all but three have more than one. Across these companies, women hold nearly 25 percent of the board seats: 55 of 226. While overall these companies have better diversity, the bottom three are below average in terms of gender diversity.

It is interesting that the two HP entities are at the top with five women each, or 38.5 percent and 35.7 percent of their boards. At the other end of the spectrum, Sprint, Tech Data and T-Mobile have one woman each, with the first two having a relatively small board of eight. T-Mobile has a board of 11, and hence more opportunities to diversify its board.

While 72 percent of software companies have at least one woman on their board, women occupy only 14 percent of total board seats.

Another way to look at the opportunity to increase women representation is to note the sectors where many companies have *none*. Of the 170 companies with zero female directors, 112 are in three sectors—software (50 companies), hardware (43) and communications equipment (19).

Looking at the actual number of seats filled by women, the picture is bleaker. However, this also reveals the size of the opportunity to add women to boards. For example, while 72 percent of software companies have at least one woman on their board, women occupy only 14 percent of the total board seats. Overall representation is highest on more consumer-facing sectors, including media and internet retail. It is lowest in core-technology sectors including hardware, communications equipment, and electronic components. In many organizations, the token woman director is still the rule.

Who are the women who serve on multiple tech company boards? Ann Mather serves on five. Susan Bostrom and Mercedes Johnson serve on four each. Eleven other women serve on three boards, and 55 serve on two. These 69 women hold a total of 156 board appointments.

What can we learn about the women who sit on multiple boards? They are in demand more than the others. Of the three women serving on four and five boards, two are financial experts and one is a marketing expert.

As expected, CEOs and GMs take up 53 percent of the roles, and CFOs make up for another 22 percent of the roles. Between them, 75 percent are with more “traditional’ functions. CFOs appear to shoulder a lot of the burden, with 13 directors serving on 34 boards.

Among the four women with other backgrounds, one is a retired Air Force General. We may expect to see more retired military officers on tech boards, especially if they bring experience in cybersecurity.

The others have respective backgrounds in HR, Legal, and management consulting. CTOs seem under-represented, and there are no CIOs. However, several of the directors listed in other categories also have deep roots in technology before moving up the general management ladder.

The preponderance of these women directors—over three-fourths—are in their 50s and 60s. However, among companies with over $5 billion in revenue, the order is reversed—women directors in their 60s outnumber those in their 50s.

Why look at the youngest and the oldest? The under 40 and over 70 have extraordinary skills that help defy the age norms.

“Fast starter” women directors are entrepreneurs, digital experts, and women with investment banking and strategy experience.

☐ ***The fast starters.*** Fourteen of these women board members are under age 40, and thus have gotten early starts on their board careers. They are highly accomplished young women, and their backgrounds and resumes make sense for public board roles. They are entrepreneurs, experts in digital transformation, and women with investment banking and strategy experience in a variety of industries, including media and technology. Most are highly educated, graduating from top schools. These fast starters further break down into three groups:

▫ *Strategists and investors.* Experience in venture capital and consulting firms as well as business management positions.

Diversity Strategies
Building An Ecosystem

☐ *Set a target of a least three highly qualified women directors by a certain date.* Three women is the minimum required to have good correlation with performance.

☐ *Significantly extend the succession planning horizon to match executive succession planning.* Building an ecosystem can start with large company boards. Larger companies understand succession planning well, and they have strong interest in developing their executives for future roles. The board succession planning horizon would need to extend to a term that rivals executive succession planning. This would build the ecosystem of potential future board members, up to five to ten to fifteen years out.

☐ *Develop the pipeline of most promising executives.* This is an extension of the board succession planning process. Identify skills and experience the board is likely to need in the future, and identify the up-and-coming talent among women executives anywhere in the board members' business networks.

☐ *Use networks to seed these high potential executives into "starter" boards.* Many of large company board members, male and female, also serve on boards of smaller companies, and have access to these networks. These large company board members can encourage the smaller companies in their spheres of influence to diversify. The primary objective would be to open up opportunities in the smaller more abundant boards to help women build their public board experience. A secondary objective is to enable the larger companies to plan their own board succession pipelines five to ten years out. Large companies should help build and nurture the entire ecosystem.

☐ *Within your own company, help women ready to serve on boards get positioned and mentor them.* Some women may be ready or close to ready for serving on a board—it should be a board function to assist them to serve. Loosen restrictions that may block executives who serve on boards.

☐ *Make governance education part of the training for qualified internal executives. Help them beef up on governance topics.* There are plenty of excellent organizations that offer such training. These will seed future committee chairs and committee experts.

☐ *For high potentials, help them beef up their education credentials.* Sponsor them to attend one of the top schools, or get an advanced degree, especially an MBA.

☐ *Technologists and entrepreneurs.* Focused on the latest technology trends, including big data, analytics, digital transformation, and novel interfaces and media such as virtual reality.

☐ *Well connected.* Through family enterprises and foundations

☐ ***The pioneers.*** These women board members over 70, include corporate executives, entrepreneurs, tech industry and public sector leaders, and women who are major shareholders in companies they helped build with their spouses. These women bring a tremendous amount of experience, gravitas and education, and are true trailblazers.

Overall, women directors in tech companies are also, as expected, well-educated. More than three-fourths hold advanced degrees, with nearly one in three holding an MBA. Thirty-eight individuals, or six percent, have PhDs. Those with doctorates are slightly more likely to be serving on multiple boards. An advanced degree, especially an MBA, is a huge asset for women considering public board roles. While it is not necessary to have gone to a top school to be on a top board, it certainly helps.

Harvard leads the way, thanks largely to 53 MBA graduates of Harvard Business School. The University of Chicago grads are also on larger boards and average 60 years old. The 12 women with MIT degrees account for five PhDs, five MBAs, and five MAs. They are most likely to hold multiple board seats and average 60 years old. They serve on tech boards of companies averaging $3.4 billion in annual revenue—much higher than the average of any other university cohort. University of Chicago is second in that regard with average company size around $2 billion.

Those on multiple boards also hold more advanced degrees, so the additional educational attainment seems a point in their favor. They have higher concentrations of MBAs, other MAs, and JDs.

Closing the gender gap is a matter of building up the pipeline, and that requires looking at the entire ecosystem of large and small companies together.

As we have shown, there is a significant diversity gap in women representation between large and small company boards in the technology sector. Closing the gap is not a matter of breaking through a glass ceiling—large company boards want more women with appropriate experience. Rather, it is a matter of building up the pipeline.

Seventy-seven percent of available board seats (of the total opportunity in this ecosystem) are in companies below $3 billion in annual revenue. The objective should be developing more women through experience on smaller company boards to enlarge the pipeline of candidates who can progress to more and more challenging board roles. With more women in the C-suite, the candidate pool continues to grow.

However, there are impediments. Smaller companies have smaller boards to begin with, often in the name of speed and efficiency in decision making. They have smaller board budgets, and are less ready to fund formal searches for board members. Of all searches, 92 percent get filled through networking, and the networks remain predominantly male. Under less public scrutiny than large companies, smaller companies tend to have less formal governance procedures and pay less attention to board diversity. It is not top-of-mind when looking to fill the next board seat.

Building a strong ecosystem does not only help women. A good succession plan can help the best and the brightest in companies get seeded and placed into boards as part of their executive careers. ■

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About Vell Executive Search

Founded in 2005 by a team of Heidrick & Struggles veterans, Vell Executive Search is a retained executive search firm focused on recruiting technology executives and board members for both public and private companies. *www.vell.com*