



## Gender Parity:

# What California's Change Means for Women on Corporate Boards

California recently passed the first legislation of its kind, requiring all companies headquartered and incorporated in the state to have at least one woman on their boards by the end of 2019. What does this legislation mean for your business, even if you're not domiciled in California? Dive into the advantages of having women on corporate boards and how your company can benefit from elevating diverse voices at every level.

With only 5% of companies listed on the Standard & Poor's® (S&P®) 500 list having a female CEO, representation for women in corporate America is low. However, the number of women on corporate boards is about to get a boost.

California's groundbreaking legislation aimed toward gender parity in the upper echelons of publicly held companies could be the catalyst needed to boost representation and performance for the state's corporations.<sup>1</sup> What can other states learn from California's bold step?

## Advantages of having women on corporate boards

According to a 2018 study, less than 4% of the boardroom chairs in S&P companies are held by women. These low numbers led California to drive for parity legislation on corporate boards as far back as 2013.<sup>2</sup>

### Key takeaways



Less than 4% of the boardroom chairs in S&P companies are held by women.



Companies headquartered and incorporated in California must have at least one woman board member by the end of 2019.



Building an inclusive corporate culture from the ground up will help elevate women at all levels of your company.



From a historical standpoint, the number of women on corporate boards has grown. In 1980, none of the public companies in the United States had a woman on their board. By 2001, 11% of Fortune 100 companies included a woman on their boards. Representation was, indeed, moving forward, but numbers for female board members have stalled between 12% and 15%.<sup>3</sup>

Representation within corporate boardrooms shows other women that it's possible to attain those leadership positions. But it's not just about representation; company performance is another notable decision-maker for boards to include more women. In a 2017 survey of seven companies with predominantly female boards, four of those boards outperformed their annual sector indices. The leading French company on the survey, Kering, clocked a year-to-date return over 83%, compared to its sector peers reporting just under 22%.<sup>4</sup>

It has long been reported that having more women on corporate boards would make U.S. companies more competitive in the global economy as well.<sup>3</sup> Representation at all levels of leadership allows companies to better tune into the needs of their customers and stakeholders.

However, the most persuasive case for including women at the highest levels of corporate leadership comes from recognizing that woman as a talent pool are often an underutilized asset in the workplace. Companies that don't include pipelines that develop female leadership

will lose those valuable employees to companies that will. Representation, cultivation, emulation, and aspiration are the four critical benefits for companies seeking to boost female board representation. Those moves make for a more inclusive culture which may, then, lead to increased retention, collaboration, productivity, and profits.

## How California's legislation works for public companies

California's latest legislation solely affects companies that are headquartered and incorporated in the state — an important distinction since many companies with in-state headquarters may be incorporated in other states.

The qualifying companies must include at least one woman on their corporate board by the end of 2019. Companies with five or more board seats must have at least three female board members. Failure to meet these requirements comes with financial penalties — \$100,000 for the first violation and \$300,000 for subsequent violations.<sup>1</sup>

## Implications for companies in your state

While California's law has significant legal challenges ahead, there are benefits that companies in other states can emulate.

First, look for ways to increase representation across the spectrum at all levels of company leadership. This may start with in-depth studies to get the current lay of the leadership landscape. To find areas for improvement, you must first identify the gaps.

Next, look at company culture and examine your internal efforts to cultivate talent from the ground up. How do you support employee growth so that team members can grow with the company and become long-term assets? If you need to bolster internal development, mentoring, and training programs, it's the time to invest in those initiatives — and you don't need legislation to do it.

Finally, consider creating thought leadership teams within your company to amplify the voices of underrepresented populations. Focused feedback can help pave the

way for changes that include people at every level and challenge your company to do better for employees who contribute to your bottom line.

One of the biggest takeaways from California's move to diversify their boards is the importance of building a corporate culture that is focused on inclusion — one that cultivates talent from the ground-up. Once you notice your company's blindspots and where women might be underrepresented, put in place development programs and feedback systems to transform those deficiencies. These efforts will help you create an expansive and inclusive workplace and assist talent across the identity spectrum to excel and become long-term assets for your company.

## Steps to consider

- Look for ways to increase diverse representation across the spectrum at all levels of company leadership.
- Bolster internal development, mentoring, and training programs to develop future leaders.
- Consider creating thought leadership teams within your company to amplify the voices of underrepresented populations.

## The support you need

For more Key4Women resources to help you reach your goals, visit [key.com/women](https://key.com/women), or [email us](#) to learn more.

Would you like to weigh in on future topics? Please take our [survey](#).



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<sup>1</sup> Laurel Wamsley. "California Becomes 1st State to Require Women on Corporate Boards." <https://www.npr.org/2018/10/01/653318005/california-becomes-1st-state-to-require-women-on-corporate-boards>. October 1, 2018.

<sup>2</sup> Papadopoulos, Kalb, Valderrama and Balog. "U.S. Board Study: Board Diversity Review." <https://www.issgovernance.com/file/publications/us-board-diversity-study.pdf>. April 11, 2018.

<sup>3</sup> The Committee for Economic Development. "Fulfilling the Promise: How More Women on Corporate Boards Would Make America and American Companies More Competitive." [https://www.fwa.org/pdf/CED\\_WomenAdvancementonCorporateBoards.pdf](https://www.fwa.org/pdf/CED_WomenAdvancementonCorporateBoards.pdf). 2012.

<sup>4</sup> Gillian Tan. "Want More Women on Boards? This Stat Helps." <https://www.bloomberg.com/opinion/articles/2017-12-11/want-more-women-on-boards-this-stat-helps>. December 11, 2017.

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