Pioneering Women on Boards: Pathways of the First Female Directors

By David F. Larcker and Brian Tayan
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INTRODUCTION

There is considerable, widespread interest in increasing the representation of women on the boards of publicly traded corporations. Currently, only 17 percent of independent directors in the United States are women (see Exhibit 1).[1] Advocates of gender diversity point to the many potential benefits of increasing female representation. Gender balance can enhance board independence by encouraging healthy debate among diverse perspectives and reducing the social similarities among homogeneous groups that can lead to groupthink and premature consensus. Women might have different insights into customer behavior, particularly in industries where women are the primary purchasing agents. Women might also evaluate information and consider risk and reward differently than men, thereby improving decision making. In addition, women may exhibit higher levels of trustworthiness and cooperation, thus improving boardroom dynamics. Finally, from the standpoint of public policy, gender diversity is an important social value and one that is consistent with equality.

While advocacy groups such as Catalyst (whose mission is to advance the professional careers of women) find an association between greater female board representation and corporate performance, rigorous peer-reviewed research is inconclusive.[2] Still, there are many important reasons for increasing the number of female directors, and various approaches have been employed worldwide to do so. In Europe, several countries have made increased female board representation a legal requirement. Norway was the first country to pass such a law, requiring in 2003 that all listed company boards be composed of at least 40 percent female directors with full compliance required by 2008. France and Spain subsequently adopted similar laws, and the European Commission is currently considering a European-wide statute to this effect. Research evidence suggests, however, that while legislated targets are effective in boosting female participation rates, they might do so at the expense of director quality. For example, Ahern and Dittmar (2012) find that the Norwegian law led to considerable changes in board composition not only in terms of gender, but also in terms of age, education, and experience. They find a significant *decrease* in firm value resulting from the law, which they attribute not to greater female representation but to the unintended consequence of "younger and less experienced boards."[3]

Meanwhile, the United States continues with a voluntary approach to gender diversity, also with mixed results. According to Spencer Stuart, women represented 26 percent of the newly elected independent directors in 2012. While this suggests that participation rates will rise from current levels, it also suggests that participation rates are unlikely to approach more equal representation with men any time soon. According to a survey by Women Corporate Directors, Heidrick & Struggles, and Harvard Business School (2011), women cite male-oriented networks as the number one reason to explain why female representation on boards is not higher, while men cite a lack of female executives at the top of corporations.[4] Only 14 percent of executive officers in Fortune 500 companies are women.[5]

THE FIRST FEMALE DIRECTORS

In order to understand board membership by women, it is instructive to look at the biographies of the first women to serve as directors of large publicly traded corporations. This enables us to understand the pathways that women have taken to secure board seats. To this end, we surveyed the companies on the 2012 list of the Fortune 250 to identify their first female director, the year she joined the board, and her previous experience. Based on a sample of 68 respondents, we find that the average company elected its first female director in 1985, 28 years ago (see Exhibit 2).[6]

Some sources claim that Lettie Pate Whitehead was the first female to serve on the board of a major corporation.[7] Whitehead's husband founded the first Coca-Cola bottler; she herself managed the bottler following his death and in 1934 was invited to join the board of the Coca-Cola Company as its first female director. However, the first female director in our sample predates Whitehead. Clara Abbott, wife of founder Wallace Abbott, served two terms on the board of Abbott Laboratories from 1900 to 1908 and from 1911 to 1924—although the company was not yet publicly listed at the time.

In terms of background, 41 percent of the first female directors had significant business or executive experience prior to assuming their board seats. For example, Catherine Cleary, who was the first female director on the boards of three companies in our sample (AT&T, General Motors, and Northwestern Mutual), had extensive experience in the banking industry, serving as president of First Wisconsin Trust and as Assistant Treasury Secretary in the Eisenhower administration.[8] June Morris co-founded Morris Air before selling the company to Southwest Airlines and joining its board in 1993. Debra Starns, the first woman director on the board of Parker Hannifan, had extensive experience in the chemicals industry working for ARCO and Lyondell. Charlotte Guyman was a general manager at Microsoft before joining the board of Berkshire Hathaway. Four women in our sample had significant managerial responsibilities at IBM prior to gaining their directorships.

Seventeen percent of the first female directors had primary experience in consulting or legal professions. For example, Jill Ruckelshaus, whose husband William was the first head of the Environmental Protection Agency under Richard Nixon, was herself an environmental consultant before joining the boards of Lincoln National and Costco. Sandra Moose was a director of the Boston Consulting Company before joining the board of GTE Corporation (later Verizon). Hillary Clinton, wife of then-Arkansas Governor Bill Clinton, practiced patent infringement and intellectual property law before she became the first female director of Wal-Mart. And Carla Anderson Hills had a very extensive legal résumé as one of the original partners of the prominent law firm Munger, Tolles, Hills, and Rickershauser as well as serving as Assistant Attorney General and Secretary of Housing and Urban Development before joining the boards of Chevron and Edison International; she went on to become U.S. Trade Representative and chair the Council of Foreign Relations. Her husband Rod Hills was chairman of the Securities and Exchange Commission from 1975 to 1977.

Approximately 14 percent of the women in our sample gained their first board seat because of their academic or research experience. In some cases, their field of study was directly related to the industry of the board they joined. For example, Regina Herzlinger was a healthcare economics professor by training before joining the board of Cardinal Health. Margaret Somers Foster was an economics professor and administrative dean before serving on the board of Prudential. And Juanita Kreps was an economics professor before her election to the board of Bank of America; she went on to become the first female U.S. Secretary of Commerce. In other cases, the relationship between academic background and industry is less obvious. For example, Eleanor Sheldon and Pastora San Juan Cafferty were social scientists by training before joining the boards of Heinz and Waste Management, respectively.

Nine percent of the first female directors were company founders or members of the founding family. Doris Fisher was the sole woman in our sample who was herself a founder, launching The Gap alongside husband Donald Fisher in 1969 and joining the board that same year. Other founding family female directors include Louise Kinney Platt (daughter of Conagra co-founder Alva Kinney), Barbara Tyson (daughter-in-law of Tyson Foods founder John Tyson), Alice Sheets Marriott (wife of J. Willard Marriott), and Jeannette Kittredge Watson (wife of IBM founder Thomas Watson, Sr.). Watson assumed her board seat at IBM immediately following the death of her husband, serving a three-year term as "acting director" until 1959.

Nineteen percent of female directors have other backgrounds across a diverse array of experiences. Of note, two electric utility and power companies in our sample both appointed environmentalists as their first female directors, with natural history writer Ann Zwinger serving on the board of American Electric Power and conservationist Doris Leonard on the board of Pacific Gas & Electric. The first female director of Dominion Resources, Mary Fray, was a housewife and local and state board representative. Marian Heiskell, sister of *New York Times* publisher Arthur Ochs Sulzberger, was the first female director of both Merck and Ford Motor; Heiskell is a conservationist and head of numerous nonprofit organizations.[9] Actress Joan Crawford assumed the director seat of her husband, former Pepsico CEO Alfred Steele, following his death in 1959. Civil rights activist Margaret Young also took over the board seat of her husband Whitney Young who was a director at Philip Morris until his death in 1971.

Of note, only one company in our sample—WellPoint Financial—appointed two women at the same time to be its first female directors, with Susan Bayh (wife of former Indiana senator and governor Evan Bayh) and banker Bessie LaRae Orullian both joining the company's board in 2001. All other companies appointed a single woman as their first female director.

Taking the entire sample as a whole, almost one-third (30 percent) of the first female directors had meaningful state or federal government experience around the time of their board appointment. Some companies believe that it is beneficial to add a politically connected director to their board if the director can use his or her professional network or knowledge to help secure government contracts or improve relationships with regulators. It might very well be that some of the first female directors were selected in part for this purpose. However, the research evidence suggests that, even though investors look favorably on the appointment of politically connected directors, such connections are unlikely to yield tangible benefits.[10]

Finally, it is interesting to compare the backgrounds of the first female directors to the backgrounds of female directors serving on corporate boards today. According to Ernst & Young (2012), 80 percent of female directors today have executive experience, well above the percentage in our sample. By contrast, consulting and legal backgrounds are significantly less represented, with only 7 percent of female directors coming from these professions. Academics comprise only 5 percent of female directors today.[11] The shift in mix toward executive experience and away from other backgrounds is likely due to increased professional opportunities for women in today's corporations.

WHY THIS MATTERS

1. The first female directors of large public corporations had diverse personal and professional backgrounds. The routes these women took to become directors might provide insight into the pathways that qualified female leaders can pursue today to get on corporate boards for the first time. At the same time, the mix of professional experience among female directors today is quite different, with a strong shift toward a corporate career path. How have the pathways for women to get on corporate boards changed? Are the opportunities—and obstacles—different?
2. The first female directors were also, for the most part, highly impressive in terms of their professional and intellectual qualifications. Did the first women on boards have to be "above average" (i.e., substantially better than their male peers) in order to stand out in their selection to what were previously all-male boards? If so, is the situation the same today, or different? ■

[1] Spencer Stuart Board Index, 2012.

[2] See: Joy Lois, Nancy M. Carter, Harvey M. Wagner, and Sriram Narayanan, "The Bottom Line: Corporate Performance and Women's Representation on Boards," Catalyst Inc. (2007). For a review of the literature, see: Deborah Rhode and Amanda K. Packel, "Diversity on Corporate Boards: How Much Difference Does Difference Make?" Rock Center for Corporate Governance at Stanford University Working Paper No. 89 (September 2010). See also: Charles A. O'Reilly, and Brian G. M. Main, "Women in the Boardroom:

Symbols or Substance?" Rock Center for Corporate Governance at Stanford University Working Paper No. 117 (March 2012).

[3] Kenneth R Ahern, and Amy K. Dittmar, "The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation," *Quarterly Journal of Economics* (2012).

[4] Women Corporate Directors, Heidrick & Struggles, Boris Groysberg, and Deborah Bell, 2011 Board of Directors Survey.

[5] The term "executive officers" refers to individuals listed in Security and Exchange Commission filings as president, vice president in charge of principal business unit, division, or function, any other officer who performs a policy-making function. Source: 2012 Catalyst Census: Fortune 500.

[6] Median average. Information collected from the investor relations departments in August 2013.

[7] See: A Short History of the Coca-Cola Company, 125 Years of Sharing Happiness.

[8] When asked what contribution she could make as a female director, Cleary said, "I do not represent women…. I can't say if I'm a token director, but if I thought I was, I wouldn't be on boards." Source: "Women on the Board," *Time* (Oct. 16, 1972).

[9] This excludes Edsel Ford's wife, Eleanor, who served out the remainder of her husband's term at Ford Motor in 1943 to 1944.

[10] See: Eitan Goldman, Jörg Rocholl, and Jongil So, "Do Politically Connected Boards Affect Firm Value?" *Review of Financial Studies* (2009); Mara Faccio, "Differences Between Politically Connected and Nonconnected Firms: A Cross-Country Analysis," *Financial Management* (2010); and Marianne Bertrand, Francis Kramarz, Antoinette Schoar, and David Thesmar, "Politicians, Firms, and the Political Business Cycle: Evidence from France," (2007).

[11] Ernst & Young, "Getting on Board: Women Join Boards at Higher Rates, Though Progress Comes Slowly," (2012).

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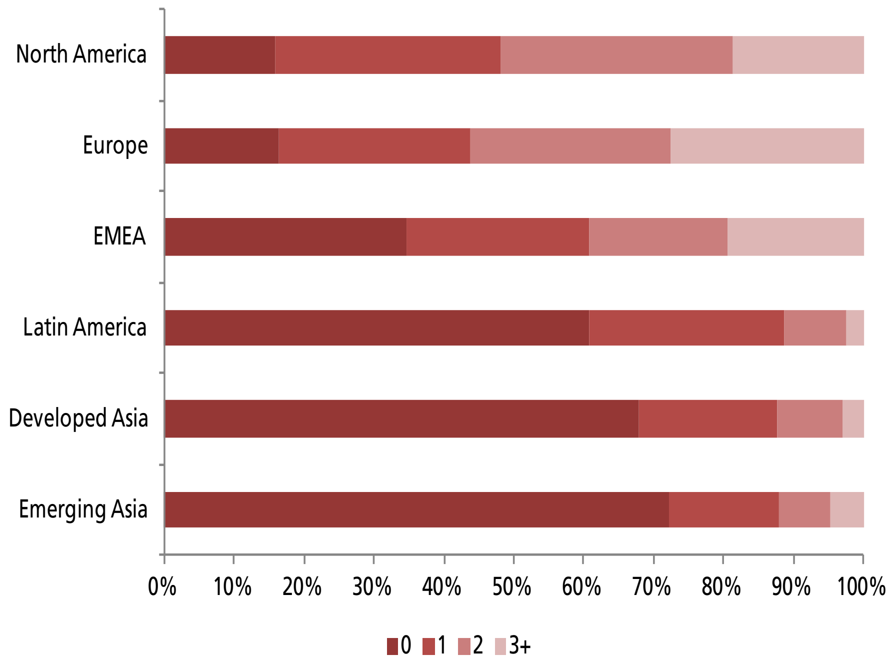
EXHIBIT 1 — FEMALE DIRECTOR REPRESENTATION (2012)



Note: Percentage of companies with zero, one, two, and three or more female directors, by region.

Source: Credit Suisse, Gender Diversity and Corporate Performance (August 2012).

EXHIBIT 1 — CONTINUED

Country	% Female	Country	% Female
Norway	36.1%	Hong Kong	9.5%
Sweden	27.0%	Spain	9.5%
Finland	26.8%	Belgium	9.2%
France	18.3%	China	8.4%
South Africa	17.9%	Italy	8.2%
Denmark	17.2%	Greece	7.0%
Netherlands	17.0%	Singapore	6.9%
Germany	14.1%	Malaysia	6.6%
Australia	14.0%	India	6.5%
United States	14.0%	Indonesia	6.0%
Poland	13.6%	Mexico	5.8%
Canada	13.1%	Brazil	5.1%
Turkey	12.7%	Russia	4.8%
United Kingdom	12.6%	Taiwan	4.4%
Austria	11.3%	Chile	2.8%
Switzerland	10.0%	South Korea	1.9%
Thailand	9.7%	Japan	1.1%

Note: Percentage of directors who are female, by country.

Source: GMI Ratings, 2013 Women on Boards Survey.

EXHIBIT 2 — THE FIRST FEMALE DIRECTORS OF FORTUNE 250 COMPANIES (SELECTED)

Company	First Female Director	Year Joined	Experience
3M	Norma Pace	1978	Economic forecasting
Abbott	Clara Abbott	1911	Wife of founder
Aetna	Beryl Robichaud	1974	Executive; ecologist
Amazon	Patricia Stonesifer	1997	Executive; consultant; nonprofit
American Electric Power	Ann Zwinger	1977	Natural history writer
Aon	Joan Manley	1984	Executive
AT&T	Catherine Cleary	1972	Executive; lawyer
Baker Hughes	Eunice Filter	1992	Executive
Bank of America	Juanita Kreps	1975	Economics professor; dean
Baxter	Mary Johnston Evans	1986	Executive
Berkshire Hathaway	Charlotte Guyman	2003	Executive
Capital One Financial	Ann Fritz Hackett	2004	Consultant
Cardinal Health	Regina Herzlinger	1995	Healthcare economics professor
Chevron	Carla Anderson Hills	1977	Lawyer; government
Coca-Cola	Lettie Pate Whitehead	1934	Wife of bottler; executive
Conagra	Louise Kinney Platt	1973	Daughter of founder
Costco Wholesale	Jill Ruckelshaus	1996	Environmental consultant
CVS	Patricia Carry Stewart	1989	Nonprofit
Dominion Resources	Mary Fray	1971	Housewife; state boards
DuPont	Ruth Patrick	1975	Ecologist
Edison International	Carla Anderson Hills	1977	Lawyer; government
Entergy	Lucie Fjeldstad	1992	Executive
FedEx	Judith Estrin	1989	Executive; entrepreneur
Ford Motor	Marian Heiskell	1976	Conservationist; philanthropist
The Gap	Doris Fisher	1969	Founder
General Dynamics	Mary Barra	2011	Executive
General Electric	Gertrude Michelson	1976	Executive
General Motors	Catherine Cleary	1972	Executive; lawyer
Guardian	Kay Knight Clarke	1989	Consultant
HealthNet	Gale Fitzgerald	2001	Executive
Heinz	Eleanor Sheldon	1979	Social science professor
Humana	W. Ann Reynolds	1991	Biology professor; chancellor
Huntsman	Marsha Evans	2004	Military; executive
Illinois Tool Works	Susan Crown	1994	Executive
IBM	Jeannette Kittredge Watson	1956	Wife of founder

EXHIBIT 2 — CONTINUED

Company	First Female Director	Year Joined	Experience
International Paper	Jane Pfeiffer	1977	Executive
Johnson & Johnson	Joan Cooney	1978	Executive
Johnson Controls	Martha Seger	1991	Economics professor
Kellogg	Dolores Wharton	1976	Nonprofit
Land O'Lakes	Connie Cihak	1994	Farmer
Lincoln National	Jill Ruckelshaus	1975	Environmental consultant
Marathon Petroleum	Donna James	2011	Executive; consultant
Marriott International	Alice Sheets Marriott	1953	Wife of founder
Marsh & McLennan	Adele Simmons	1978	History professor; nonprofit
Merck	Marian Heiskell	1973	Conservationist; philanthropist
McDonald's	Terry Savage	1990	Financial writer
Microsoft	Portia Isaacson Bass	1985	Consultant
Northwestern Mutual	Catherine Cleary	1955	Executive; lawyer
Pacific Gas & Electric	Doris Leonard	1973	Conservationist
Parker Hannifin	Debra Starnes	1997	Executive
Penske	Kimberley McWaters	2004	Executive
PepsiCo	Joan Crawford Steele	1959	Wife of former CEO
Pfizer	Grace Fippinger	1976	Executive
Phillip Morris	Margaret Young	1972	Wife of former director; civil rights
Prudential Financial	Margery Somers Foster	1973	Economics professor; dean
Rite Aid	Nancy Lieberman	1997	Lawyer
Smithfield Foods	Carol Crawford	2000	Government; lawyer
Southwest Airlines	June Morris	1993	Executive
Starbucks	Barbara Bass	1996	Executive; nonprofit
Tech Data	Kathleen Misunas	2000	Executive; consultant
Travelers	Jewel Plummer Cobb	1974	Cancer researcher; administrator
Tyson Foods	Barbara Tyson	1988	Daughter-in-law of founder; executive
UnitedHealth Group	Elizabeth McCormack	1991	Nun; administrator
US Airways Group	Hanne Merriman	1985	Consultant
Verizon Communications	Sandra Moose	1978	Consultant
Waste Management	Pastora San Juan Cafferty	1994	Social science professor
Wal-Mart	Hillary Rodham Clinton	1986	Lawyer; wife of governor
WellPoint Financial	Susan Bayh	2001	Lawyer; wife of governor/senator
WellPoint Financial	Bessie LaRae Orullian	2001	Executive

Source: Data provided by the companies. Research by the authors.