

FACES AT THE TOP

Treating women as 'one of the boys' in fact can make them feel more excluded

Leveraging the value of female directors

Why do women directors regularly receive lower peer evaluations than men? The truth is, it has little to do with performance

Alfredo Enrione, Donna Finley & Gordon Allan

Alfredo is the founder and director of the Corporate Governance Centre at ESE Business School in Chile. Donna and Gordon are managing partner and senior associate at Finley and Associates



While there is still a lot of room for improvement, corporate boards around the world are finally tackling the gender bias in their composition.

Fortune 100 corporations have increased female director representation from 19.6 per cent in 2011 to 25.7 per cent in 2018. Most noticeably, corporations, such as GM, Viacom and Best Buy, are going beyond the 50 per cent threshold for female board seats, even in countries without mandatory quotas imposed by law, including Norway, Finland and Italy. Yet, a dark secret seldom told – and which the authors have experienced first-hand in different parts of the world – is that female directors tend to receive poorer evaluations than their male peers. However, these lower evaluations have much more to do with board culture and biases than with women's performance per se.

This article argues that women directors and board performance overall can be improved by addressing these biases and correcting the misperceptions of gender performance gaps.

The case for more diversity in boards of directors

The pledge for gender equality – understood as equal ease of access to resources and opportunities, including economic participation and decision-making – is probably thousands of years old. Yet, the case for a significant presence of women on corporate boards is much more recent. In fact, it's just a few decades old. Two forces are pushing the agenda for change. The first one, is scientific and evidence-based, which attempts to prove how women on boards have a positive effect on corporate performance, and the second force addresses inequality as an ethical problem and a political issue.

The first force could be categorised into three lines of research. One underlines the positive effects of diversity in decision-making and group performance. The second addresses how specific feminine traits, like different cognitive abilities and values, improve board and, ultimately, corporate performance. The third builds on specific female behaviours and their influence on board dynamics – for instance, the fact that boards with a larger female presence increase their monitoring and strategising tasks.

The second force draws from the ideals of social justice and common sense. After all, men never had to scientifically prove their worth to join corporate boards. If women represent half the population, consumers, workers and – do not forget – voters, it is reasonable and fair that society demands an equitable proportion of those leading and making the calls.

These forces are having a gradual but global effect. In just two decades, women

directors increased from non-existent to a visible minority on corporate boards. Pushed by social science, regulations, market forces, activism and common sense, the proportion of women on boards in Europe and North America doubled in less than a decade, reaching approximately 25 per cent. A quarter is indeed a significant proportion, although still far from 'egalitarian', notwithstanding the fact that in many parts of the world, such as Latin America, the proportion is still closer to 10 per cent.

A dark secret

After almost two decades of board evaluation experience in different parts of the world, the authors observed a frequent finding. It's a finding that, in most cases, remains hidden and hurts the efficacy of boards and, likely, policy-making: women directors tend to receive lower peer evaluations than their male colleagues. Strikingly, this perceived gap has more to do with culture, perceptions and biases than with actual female performance.

Directors' evaluations are not public in most parts of the world, so there is not sufficient research on the performance of individual directors, and women in particular. Yet, the aforementioned finding is consistent with evidence collected on gender biases in organisations and team dynamics.

It is fundamental to acknowledge that performance expectations of directors' behaviours, attitudes, styles, values and ways of interaction, have been historically imprinted by male role models

Some research, for example, shows that female-led teams perform significantly better than male-led teams. The effect arises from the fact that female leaders emphasise 'feminine' qualities, such as collaboration, mentorship and cooperation, which helps team members perform at higher levels. Female leaders also tend to go out of their way to help team members perform better and volunteer for work that goes beyond their role.

However, those same female leaders tend to receive lower evaluations by their teammates. A woman leader will tend to focus more on the productivity of the team than on how her peers perceive her own performance. In addition, females tend to give themselves less credit than men in achieving the team's overall objectives.

It is fundamental to acknowledge that performance expectations of directors' behaviours, attitudes, styles, values and

ways of interaction have been historically imprinted by male role models. Until recently, 'good' effective corporate board dynamics, leadership, decision-making and governance had few alternative benchmarks.

What can and should be done: a case study

Consider the case of a North American municipal board, whose job was to oversee the operation of public parking facilities in a city of approximately two million. In 2015, the organisation's board engaged a third-party facilitator with extensive governance expertise to help it deal with a series of challenges: low director engagement; lack of strategic direction; CEO turnover; and a major lawsuit, among others things.

Initially, the facilitator introduced an evaluation process from which a two-year board development plan was created to address overall board performance gaps. Several years later, this evaluation was augmented with annual individual director evaluations. These evaluations were reviewed by the chair with each individual director and, together, they identified ways to improve the director's contribution. All directors and the CEO evaluated each other, as well as themselves on 20 dimensions.

Considering the 'top notch' professional credentials of the women directors, the results of the peer evaluations were surprising. Men consistently scored higher than women. Operating in a male-dominated sector, typically prone to gender stereotyping, this board's data uncovered the directors' unconscious bias towards its female directors. For example, the head of the governance committee was a female banking executive with several decades of senior finance experience. However, she was rated by her peers to have a financial literacy score of only 57 per cent, compared to her male counterparts who averaged 75 per cent, regardless of having a financial background or not. When compared to a male director with a similar financial background, this female's overall score was 62 per cent compared to his 77 per cent. What was happening?

Two key issues were at play: biased perceptions were colouring individuals' abilities to make objective evaluations of female performance and, at the same time, board culture was negatively impacting the women's overall performance. The difference in ratings seemed to be related to 'observed performance', as a woman's interactions in a male-dominated group may be less effective than those of a man with similar qualifications, skills, experience and/or abilities. In these cases, the behaviours and biases – either conscious or unconscious – were adversely affecting the women's perceived and actual performance, and hence the overall effectiveness of the board. »

» Following an analysis of the data, the facilitator made a point to meet with the male chair to discuss the findings. When the biases towards the female directors was highlighted, the chair was shocked as he believed he was doing a good job by treating all directors the same. He quickly realised that the two genders required different treatment. Desiring to improve the board's performance and shift the culture, the chair committed to adjusting his behaviour.

After five biennial board evaluations and five annual individual director evaluations, the results were significant (see graph, right). They showed:

- Average individual director performance ratings improved (from 75 per cent to 89 per cent)
- Women directors improved at almost twice the rate of men after their first evaluation (15 per cent compared with eight per cent)
- Overall, the board's performance improved significantly (virtually doubling its initial performance ratings from 45 per cent to 90 per cent)

Tips for action

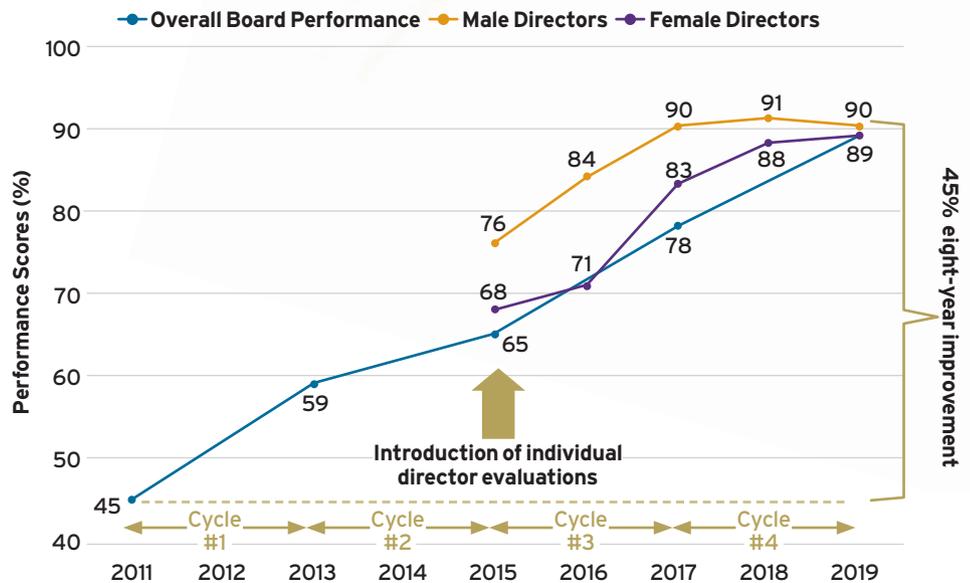
After years of board evaluation experience, including the case described above, the authors learned several important lessons on how to improve board effectiveness. In particular, that uncovering and tackling gender biases on boards resulted in significant performance improvements. Here are our tips for overcoming bias.

For board chairs

The board chair must recognise that improving board performance is a continuous process, requiring periodic overall board evaluations. However, these evaluations are insufficient on their own. Individual director evaluations are also necessary to uncover the conscious and unconscious biases that hinder the board reaching its full potential. Through the board chair's leadership both types of evaluations need to be adopted and repeated over multiple cycles.

In addition, the chair moderates and sets the tone of board behaviour and has the power – and duty – to influence the directors' conduct. The chair must 'make space' (opportunity and time) for the female directors to share their opinions and ideas to ensure they fully participate. The chair has to call out 'mansplaining' – a tendency for some men to explain something to women in a condescending or patronising way that assumes she has no knowledge of the topic – as inappropriate. A female director's participation can be encouraged by reinforcing her comments and fostering further exploration (e.g. 'that's an interesting point – let's think more about the implications of that idea').

OVERALL BOARD AND DIRECTORS PERFORMANCE SCORES 2011-19



A third tip for the chair deals with feedback. McKinsey found that women received less feedback than their male counterparts despite asking for informal feedback as often as men do. In the case above, the chair took it upon himself to introduce individual meetings with each director to privately review their specific evaluation results, and, together, identify ways to improve their contributions. In this case, the chair also provided mentorship and support for the female directors, encouraging them to take on ever greater leadership roles. As the literature points out, women tend to work harder and their teams benefit more from their guidance. These actions improve communication and engagement between directors and provide an 'early warning system' to emerging issues so that they can be dealt with promptly.

For male directors

Male directors can improve their self-awareness regarding their behaviour, actions, body language and speech. Calling out inappropriate behaviour by other directors and providing specific gender bias training can help to raise awareness of unconscious biases, begin to correct behaviour and move towards shifting the culture.

Though treating a female member as 'one of the boys' may be meant with the best of intentions, it may create the exact opposite: an environment where women feel excluded or marginalised. Developing self-awareness and making conscious efforts to moderate any stereotypical male behaviours, such as aggressiveness, talking over, (literal) finger-pointing, help to create a more inclusive and productive environment.

For female directors

Women need to go into the boardroom with their eyes open and be aware that their male peers will probably have an unconscious bias

when evaluating their performance. Women can promote the use of tools like structured evaluations, longitudinal individual performance data, and formal gender equity training to highlight where behaviours need to change. It is recommended that a female director develops strong relationships with the chair for at least two reasons. First, to encourage richer and more frequent feedback on her performance at the board table. Secondly, to create a safe place for her to bring forward potentially inappropriate behaviours by peer directors. In a male-dominated board, a higher pitch of voice and an intonation that rises at the end of a sentence can be unconsciously interpreted as weaker, hesitant and less convincing. Therefore, female directors may benefit from developing a lower pitch in voice and a confident tone when delivering their arguments.

Conclusion

Research and life teach us that men and women are different and the boardroom is no exception. Each gender offers different strengths, traits and values, all of which have a great impact on board performance.

This article has addressed a very important, yet very specific, bias. In a world that is valuing diversity to a greater extent, it is important to understand that there are also other dimensions of diversity. Age, race, nationality and gender fluidity will each have their own associated biases that could affect board performance.

If boards do not account for the unconscious biases that emerge from these differences, the performance of directors, the board and, ultimately, the organisation will not achieve their true potential. Implementing the right diagnostic tools, such as individual director evaluations, and leading the necessary actions are all in the hands of the chair. 🌐