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EXECUTIVE DIGEST

Women and corporate boards of directors: The promise of increased, and substantive, participation in the post Sarbanes-Oxley era

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Abstract Few aspects of corporate board diversity have generated the focused attention that the participation, position, and promise of women's service on the board has generated, especially in recent years. Of particular note is the extent to which women serve on large firm boards of directors (e.g., Fortune 500 firms). Increases in levels of participation have been described as glacial. While critics decry the level of participation of women on large-scale corporate boards, careful scrutiny suggests substantial progress. Concurrent with steady increases in the overall participation of women on corporate boards are increases in their presence on key board committees. Importantly, women's leadership of key board committees and their service as lead directors has improved in parallel with increases in their board memberships. These increases are particularly noteworthy in the post Sarbanes-Oxley (SOX) period. Such trends suggest the continued progress of women in assuming prominent positions in the corporate governance landscape, and provide evidence that the increasingly challenging environment in the post-SOX era has not attenuated the gains noted in the pre-SOX period.

1. Women in the boardroom: Promise for continued progress

Observers have been increasingly critical of the progress of women's membership on Fortune 500 boards (e.g., Branson, 2007; Catalyst, 2007, 2008; Ryan & Haslam, 2007; Warner, 2009). Because that membership has been steady—some would say dormant—at just under 15% for the last several years, there has been pervasive disappointment and some derision about the exclusion of women in the process whereby board members are nominated and elected (Francis, 2007; Joy, 2008; Konrad & Kramer, 2006; Rosenberg, 2008; Sellers, 2007).

While we do not dismiss these concerns, we do suggest that reliance solely on board membership seriously underestimates the substantial gains by women in securing high-profile leadership positions on corporate boards. Moreover, collateral progress on several derivative elements associated with women's board participation and leadership has provided and promises to further augment women's opportunities.

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Herein, we provide a brief history of women's roles on large-scale, publicly-traded boards of directors. In addition, we discuss the impact of the passage of the Sarbanes-Oxley Act (SOX) and the essentially parallel corporate guidelines set forth by the listing exchanges (e.g., NYSE, NASDAQ) on women's board roles. We also provide—relying on data available through June 2009—an update regarding women's membership on Fortune 500 company boards, their participation on the key board committees (audit, compensation, nominating/governance, and executive), and their selection as chairperson of these committees. We also provide an overview of an essential precursor of board membership (e.g., enterprise experience), a manifest gain in network enablement, and the theoretical foundations in which these improvements are grounded.

2. SOX and the regulations of the listing exchanges

In the wake of a series of high-profile corporate scandals nearly one decade ago, The U.S. Congress—with near unanimity of a 423-3 vote in The House of Representatives and a 99-0 vote in the Senate—passed the Public Company Accounting Reform and Investor Protection Act of 2002, aka Sarbanes-Oxley, or SOX (Bradley & Wallenstein, 2006; Gourevitch & Shinn, 2005). SOX has since been referred to as "the most significant piece of federal legislation concerning public corporations since the post-1929 stock market crash legislation creating the SEC" (Monks & Minow, 2008, p. 329; see also Linck, Netter, & Yang, 2009; Romano, 2005). The SOX guidelines most relevant to our discussion refer to the composition of boards of directors' audit committees. These must be comprised of a minimum of three persons, all of whom must be independent. Derivatively, of course, the audit committee chairperson will be independent as well.

In the year following the passage of SOX legislation, the listing exchanges (NYSE, NASDAQ) revised their corporate governance guidelines. These, too, were comprised of a host of requirements, but those germane to our examination are guidelines for the composition of the overall board (a majority of whom must be independent), and the composition of the compensation committee and the nominating/corporate governance committee (a minimum of three members, all independent, derivatively chaired by an independent member of the board).

None of these guidelines specifically address women on boards or, more generally, any aspect of diversity. We suggest, however, that the provisions of SOX and the listing exchanges have not only had a major impact on boards' composition and governance, but on the roles and responsibilities of women on the board as well.

3. A brief history of women's service on boards of directors

Early discussions (e.g., Bacon & Brown, 1977; Cooney, 1978; Elgart, 1983; Orr, 1977; Schwartz, 1980; Stultz, 1979) and data-based study (e.g., Harrigan, 1981; Heidrick & Struggles Inc., 1977) of women's promise and roles on boards of directors are first reflected in the literature over 30 years ago. A study by Heidrick & Struggles Inc. (1977), for example, suggested that women were more likely to be members of the board for larger firms and for consumer goods companies. Harrigan (1981), too, reported that women were more likely to be board members of larger firms. These early results are notable as they presage an interesting theoretical foundation based on firm scale. Early on, however, there was apparently little optimism that women would improve on their relatively modest representation as directors of publicly-traded companies (Kesner, 1988). A Korn/Ferry International study concluded some 25 years ago that "the number of women board members may have peaked" ("You've Come," 1984, p. 126).

Kesner (1988), relying on 250 of the Fortune 500 companies, provided an early study on women's roles on board committees: audit, nominating, compensation, and executive. She noted that women comprised 3.6% of board seats and were proportionately represented on the audit and compensation committees, but underrepresented on the nominating and executive committees. A study by Bilimoria and Piderit (1994; see also Dalton & Dalton, 2009; Peterson & Philpot, 2006) also examined the participation of women directors on board committees. Controlling for experience-based characteristics that might inform such board appointments, they found that women were underrepresented on compensation, executive, and finance committees.

More recent work, too, has examined the composition of boards and the role of women on corporate boards. Examples include a series of investigations and commentary provided by Hillman and colleagues (Hillman, 2005; Hillman, Cannella, & Harris, 2002; Hillman, Shropshire, & Cannella, 2007). Outstanding compendia of this and related research and discussion have been recently provided (Branson, 2007; Joy, 2008; Terjesen, Sealy, & Singh, 2009; Vinnicombe, Singh, Burke, Bilimoria, & Huse, 2008).

Another stream of research has addressed the criticality of inside directors as a conduit for women to become CEO (e.g., Daily, Certo, & Dalton, 1999;

Daily, Dalton, & Certo, 2004; Dalton & Dalton, 2008; Mooney, Dalton, Dalton, & Certo, 2007; other work addressing issues of women's progress in executive roles includes Helfat, Harris, & Wolfson, 2006; and Lee & James, 2007). In this regard, it has been noted that (1) women are grossly underrepresented as inside directors of the board; (2) the path to becoming CEO is often through inside director positions; and (3) women are thusly disadvantaged in their candidacies for CEO.

There is also a fascinating series of recent research that has chronicled fundamental and deleterious differences in the dynamics of the process by which women are nominated and retained on boards of directors (Westphal & Milton, 2000; Westphal & Stern, 2006, 2007; see also Hillman et al., 2002). In addition, in the period following the enactment of SOX, even advocates of the legislation voiced concern that it would unintentionally depress progress made by women in securing board seats. Of particular concern was the extent to which more stringent guidelines for the composition and functioning of boards would close, rather than open, doors for new directors.

Consider, for example, an examination of additions to Fortune 500 corporate boards over a 10-year period that led Farrell and Hersch (2005, p. 85) to conclude that the process was "clearly not gender neutral." Notably, companies with a woman on the board were unlikely to add another. If, however, a woman left a board, the likelihood of a woman replacing the departee was materially increased. One way in which these practices might be uncharitably interpreted is that they are, in the aggregate, perilously close to a rationing system.

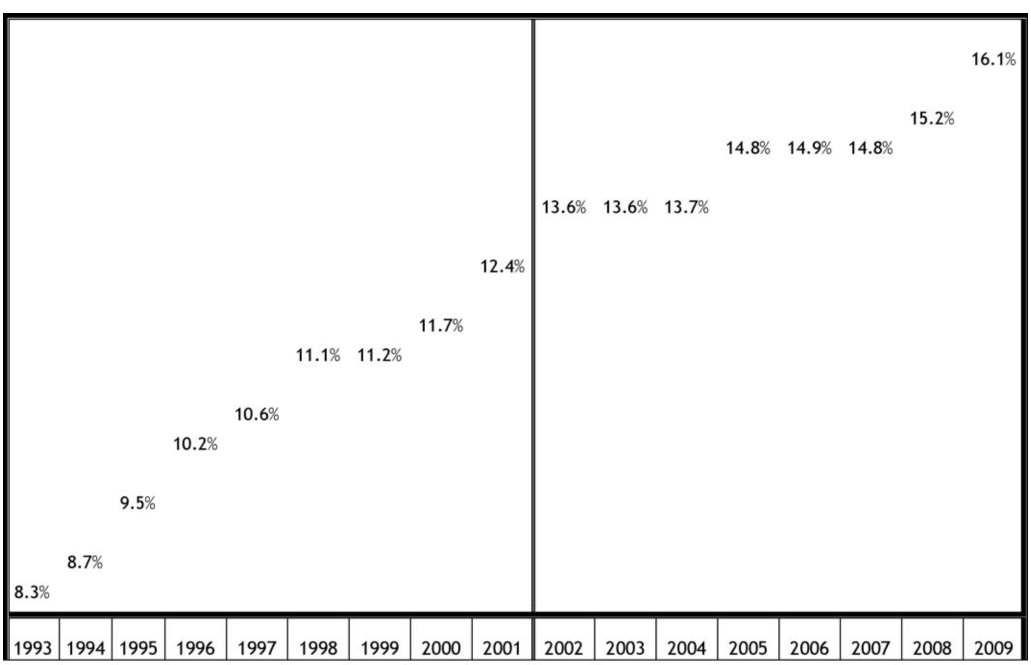
An important element that led to this conclusion, however, is that the data on which they relied represented a time period (1990—1999) several years prior to the enactment of SOX and concomitant changes in the guidelines of the listing exchanges (NYSE, NASDAQ). We find that those data *do not* hold in the post-SOX period. More recent data on this point are formidable.

4. Our trek through the data: Evidence of progress

As illustrated in Figure 1, over the period spanning 1993 to June 2009—the latest data available to us as of this writing—the growth rates for women's participation on Fortune 500 boards in the pre- and post-SOX period are essentially equivalent: .51% per year versus .46% per year. In the post-SOX period, we see the percentage of women serving on Fortune 500 boards increasing somewhat episodically from 12.4% (1 year pre-SOX) to 16.1% (through June 2009). In considering only the overall presence of women on corporate boards, however, a fundamental aspect of women's progress will be unnoticed.

Consider, for example, the trends illustrated in Table 1. Here we see the fundamental changes

Figure 1. Percentage of women on Fortune 500 boards*



*Vertical line represents the passage of Sarbanes-Oxley

Table 1. Women serving on the major board committees of the Fortune 500

Committee membership	Percentage of women serving in 2001 (one year pre-SOX)	Percentage of women serving in 2009	Percentage of committees on which women are represented (2009)
Audit committee	10.8%	17.2%	58.6%
Compensation committee	9.4%	17.8%	54.9%
Nominating/Corporate Governance committee	10.7%	20.2%	62.3%
Executive committee	3.5%	9.8%	32.2%

in the positions of women directors on the major board committees. In all cases, the improvement in membership—audit committee, 10.8% versus 17.2%; compensation committee, 9.4% versus 17.8%; nominating/corporate governance committee, 10.7% versus 20.2%; executive committee, 3.5% versus 9.8%—has increased approximately two-fold over the period.

We should note that the executive committee is distinct in an important way from the other committees we address. As mentioned previously, the audit, compensation, and nominating/corporate governance committees operate under a set of regulations (SOX and the listing exchanges). The executive committee does not; there are no formal specifications for this committee. Given that, it need not have any independent members, and could be—and most often is—chaired by the CEO and/or chairperson of the board. Also, it can be comprised of as few as two members of the board. The average Fortune 500 board has 11 directors; the average executive committee has just over four members (Dalton & Dalton, 2006). Accordingly, executive committees have been subject to extreme criticism, accused of being an elite board structure that focuses only on a subset of the board's membership (e.g., Dalton & Dalton, 2006; Kenny, 2004). Even so, 38% of Fortune 500 boards maintain an executive committee (Spencer Stuart, 2008); 46% of the Fortune 100 companies have an executive committee (Shearman & Sterling, 2008).

The power of executive committees can be expansive. Consider, for example, the authority of Bank of America (2009) under its executive committee's charter: "This Committee shall have power to direct and transact all business of the Corporation which properly comes before the Board of Directors, except such as the Board only, by law, is authorized to perform." Because executive committees typically are chaired by CEOs and/or board chairpersons and are comprised in part by inside directors, few of whom are women, and are a small subset of the board, it may be that participation of women in this role will be modest. Also, we know that the 2001 pre-SOX level of participation by women on executive committees was 3.5% (Dalton & Dalton, in press).

The percentage of women serving on Fortune 500 board committees is one way of capturing a metric of their participation. That metric is simply calculated by dividing the number of women on such committees, divided by the total number of members of the committees. Another approach is illustrated in the far-right column of Table 1. This metric captures the percentage of committees on which women serve. For these 2009 data, we see that 58.6% of audit committees have at least one woman as a member; for the compensation committee, it is 54.9%; for the nominating/corporate governance committee, it is 62.3%; and for the executive committee, it is 32.2%.

In Table 2 we provide information on the changes in the percentage of women serving as chairpersons of the most powerful board committees. Here again, these gains are impressive: audit committee, 4.7% versus 13.0%; compensation committee, 4.1% versus 16.5%; and nominating/corporate governance committee, 7.5% versus 20.1%. These changes represent three- to four-fold increases over the period. Notice

Table 2. Women serving in board leadership positions

Leadership role	Percentage of women serving as chairperson in 2001 (one year pre-SOX)	Percentage of women serving as chairperson in 2009
Chairperson of Audit committee	4.7%	13.0%
Chairperson of Compensation committee	4.1%	16.5%
Chairperson of Nominating/Corporate Governance committee	7.5%	20.1%
Lead director	1.8%	16.3%

also the extraordinary change in the percentage of women serving as boards' lead directors—1.8% versus 16.3%—over the period.

5. Revisiting the main premise

Careful consideration of the contemporary evidence leads to dramatically different conclusions regarding women's progress in gaining access to corporate boardrooms. As we have pointed out, the percentage of women serving on Fortune 500 boards continues to increase. More significant, however, are the impressive gains women have made in securing critical leadership board roles. In the post-SOX period, women's membership on Fortune 500 boards rose from 12.4% to 16.1%, an increase of nearly 30%. By contrast, the increases in membership on the boards' major committees, leadership of those committees, and accession to lead director are well over 200% for that same period. We would summarize those trends by noting that women's membership on the board is one element of progress; their ascension to leadership positions on the board is quite another.

For us these data are remarkable, speak eloquently to the progress of women on Fortune 500 boards, and are phenomenologically interesting. Even so, these data leave a key question unanswered, and that is: Why? What accounts for these profound changes in the presence and positions of women on Fortune 500 boards? Some observers could argue that such changes are a function of a broader attention to diversity and inclusivity. Perhaps, in part; but this perspective grossly underestimates the credit that women are due for their advancements to the highest stage of corporate governance. We are reminded of the iconic advertising campaign by Smith Barney in which spokesperson John Houseman noted, "We make money the old-fashioned way. We earn it." In that same spirit, we suggest that the women's progress to which we have referred has a similar foundation: they earned it. There are several factors that may inform why women have improved, and are likely to continue to improve, both in their participation on boards and the leadership roles of those boards.

6. Women have the right stuff

It has been suggested that an enduring limitation for women's board candidacy has been their relative lack of backgrounds in large-scale, for-profit enterprises (e.g., Catalyst, 2006; Daily et al., 1999; Daily et al., 2004; Dalton & Dalton, 2008; Rosenberg, 2008; Terjesen, Singh, & Vinnicombe, 2008; Westphal & Milton, 2000; see also Eagly & Carli, 2007). Notably, the resource-based perspective of the firm (e.g., Acedo, Barroso, & Galan, 2006; Barney, 1991; Barney, Wright, & Ketchen, 2001; Wernerfelt, 1984), resource dependence perspective (Pfeffer & Salancik, 1978; Selznick, 1949; Thompson & McEwen, 1958; Zald, 1969), and institutional theory may inform issues of women's participation and leadership of boards of directors. Indeed, it was the nexus of the passage of SOX and the apparent convergence of the resource-based, resource dependence, and institutional theories (e.g., DiMaggio, 1988; Greening & Gray, 1994; Hillman, Cannella, & Paetzold, 2000; Hillman & Dalziel, 2003; Judge & Zeithaml, 1992; Oliver, 1991) that animated our research.

The resource-based view suggests that the acquisition and creation of bundles of rare, valuable, inimitable, and non-substitutable resources provide organizations with a sustainable competitive advantage (Barney, 1991). Board members and potential board members often present with that portfolio, and their experience, expertise, and reputation can be brought to bear for the benefit of the firm (Daily et al., 1999, 2004; Terjesen et al., 2008).

A central tenet of resource dependence theory is that firms must manage the uncertainty in their environments. There is extensive research suggesting that this may be accomplished in part through firms' boards of directors (e.g., Booth & Deli, 1996; Burt, 1980; Goodstein, Gautam, & Boeker, 1994; Mizruchi & Stearns, 1988; Provan, 1980; Stearns & Mizruchi, 1993). There may be members of the board with networking and coalition capabilities to enable formal and informal agreements, and other means to secure resources which would otherwise be unavailable to the firm, or available only at higher transaction costs.

It should be noted that elements of the resource-based view of the firm, resource dependence theory, and institutional theory may interact. In many ways the work of Hillman and Dalziel (2003) and Hillman et al. (2000), for example, directly examines the potential intersection of resource dependence theory and the resource-based perspective. In that work, they refer to the "capital" of boards or its respective members (Hillman & Dalziel, 2003, pp. 386—387; see also Adler & Kwon, 2002). The board capital to which they refer is essentially a combination of human capital (e.g., board members' expertise, experience, reputation) and relational capital (e.g., board members' network of linkages with other firms and external constituencies). To the extent to which attention to the tenets of the resource-based view of the firm and resource dependence do inform positive changes in board and human capital, such changes may be more broadly perpetuated through institutional theory.

A major premise of institutional theory is the expectation that many organizational structures, policies, and practices may acquire legitimacy, and—over time—be accepted as an ordinary, customary, and appropriate approach. Beyond that, institutional theory may further suggest that a failure to have adopted this "customary" approach may be evaluated with disfavor by a host of constituencies (Davis, 1991; DiMaggio & Powell, 1983; Rogers, 2003; Zajac & Westphal, 2004). Accordingly, firms may become increasingly similar through mimetic processes or normative expectations (e.g., Gulati & Higgins, 2003; Haunschild, 1993; Haunschild & Miner, 1997; Palmer, Jennings, & Zhou, 1993; Staw & Epstein, 2000). Such conformance may importantly influence, if not dictate, organizational responses (Lucas, 2003; Meyer & Rowan, 1977; Oliver, 1991; Scott, 1995). Laws and other governmental or quasi-governmental mandates, such as SOX and the guidelines of the listing exchanges, may have this character (DiMaggio & Powell, 1983; Zucker, 1987; see also Luoma & Goodstein, 1999; Oliver, 1991) and act as a catalyst for institutionalization. This perspective is consistent with DiMaggio and Powell's (1983, p. 150) notion of "coercive isomorphism:" that organizational change can be a direct response to government mandates.

Institutional theory also suggests that this process can be selectively mimetic. Fligstein (1990), for example, found that firms were most likely to adopt the practices of others when they were observed in the same organizational field. Essentially, then, organizations are especially likely to become isomorphic with other organizations "that they see as similar to themselves, and that they perceive to be successful" (Lucas, 2003, p. 467).

Firms will also respond to changing cultural/informal norms (Luoma & Goodstein, 1999; Suchman & Edelman, 1996). This dual influence within a coercive institutional environment recognizes that "pressures from other organizations on which a focal organization is dependent and an organization's pressure to conform to the cultural expectations of the larger society" both operate on organizations (Mizruchi & Fein, 1999, p. 657). Altering organizational practices in response to normative pressures, then, represents the organization's recognition of the importance of doing "the right thing" in order to protect the organization's viability (Suchman, 1995, p. 579). Accordingly, the composition of the overall board, its committees, and its committee leadership will have both substantive and symbolic implications for the firm (Zhang & Rajagopalan, 2004).

Protecting and even enhancing the exposure of a given constituency on boards of directors, for example, may occur either in response to formal pressures such as legislation or because the practice has become institutionalized and adherence to a given norm enhances the firm's legitimacy and resources (Meyer & Rowan, 1977; Scott, 1987). The two forms of organizational response provide an opportunity for first and second order effects as a function of a change in the regulatory environment for organizations. It is in this spirit that we propose changes in overall board composition, the composition and leadership of board committees, and other leadership roles resulting from SOX and the guidelines of the listing exchanges have created conditions conducive to the continued advancement of women to corporate boards.

To the extent, then, to which women have increased their enterprise experience and networking capacity, we would expect them to be evaluated as strong, enabled candidates for board service, as well as leadership roles on such boards. Moreover, we would expect that an increased presence for women in these roles will facilitate a series of institutionally-based effects that may both sustain and expand women's roles and responsibilities on boards of directors. Fortunately, there are current data derived from the approximately 5,500 board members of the Fortune 500 that may provide some insight into these aspects of women's successful candidacy.

7. Considering the data

One of the issues we discussed is the extent to which women on Fortune 500 boards had backgrounds in large-scale, for-profit enterprises. Consider the last 30 years or so in approximately 10-year increments. In 1987, 13.3% of female directors had backgrounds in such enterprises; by 1996, the percentage had increased to 37.6%; for 2009, the percentage of women with these backgrounds is 70.1%. While, on that dimension, this is an impressive improvement, we hasten to add that this estimate is almost certainly under-calculated, for several reasons.

First, we should note that any lack of a "noncorporate" background for women directors should not be derogatorily interpreted. Consider, for example, a woman who is the presiding officer of a very well-resourced foundation of national/international exposure and reputation. That this person would not be "corporate" in background does not suggest that she does not present with an enviable portfolio of interest to boards' nominating committees. Consider, also, a woman who is the presiding officer of a center/institute or department of immunology at a renowned medical school, who serves on the board of a pharmaceutical company. Once again, she would not be "corporate," but may well be an unquestionably qualified candidate for that board seat. Consider a woman whose credentials for board service include being a senior officer for the FDA or the SEC, or any of a dozen other federal government entities. Is it possible that such an "education" would warrant some attention by a subset of large-scale, publicly-traded corporations, the business of which includes some routine interaction with government entities of this type?

Another issue is what we will refer to as an obvious temporal disconnect. Suppose that a female board member did not present with a corporate background when she accepted an invitation to join a Fortune 500 board in, for sake of discussion, 1997. In the meantime, she now has 12 years of experience on the focal board, and very likely on other boards as well (Note: the average female director of the Fortune 500 serves on just over 2 boards). We respectfully suggest that the combination of 12 years of board experience on the initial board and additional experience on other boards constitutes a well-earned portfolio of "corporate" experience, expertise, and reputation.

As mentioned, another potential contribution by directors is their networking capacity. Perhaps the most sublime of these enablements is a director's ability to interconnect the focal, or primary, board on which they serve with other boards on which they also serve. It is on this dimension that women board members enjoy an advantage. Consider the networking aspects from the perspective of an individual director. The first order network is simply her colleagues on the focal board. Obviously, she is in a position to draw from their expertise and experience. The second order network derives when she also is a member of a second board. In that case, the second order network is the combination of her colleagues on the focal board and those on the second board—and third, and fourth, and so on—on which she serves. The third order network is a combination of her colleagues on the focal board, her colleagues on other boards on which she serves, and their colleagues.

The first order network for women and men is essentially the same: 11.5 for men versus 11.7 for women. The addition of a second order network, however, results in a broader network for women: 24.9 for them versus 20.4 for men. Adding the third order effect substantially expands networking capacity in favor of women: 195.9 versus 132.4.

In summary, as regards the resource-based perspective, the increase of women presenting with corporate backgrounds as directors presumably enhances the perception of expertise, experience, and reputation of female candidates. Moreover, the more expansive networks of women directors facilitate their leverage as contemplated by the tenets of resource dependence and the relational board capital aspect noted by Hillman and Dalziel (2003).

There are interesting data on the institutional perspective, as well. Certainly, the data we have shared regarding the increased number of women serving on Fortune 500 boards, their membership on key committees, and the chairperson roles on those committees may generate the emulative behavior by yet other large-scale enterprises, as contemplated by institutional theory. Beyond that, however, there is another aspect of women's presence on boards that may illustrate the institutional mimicry to which we have referred.

Consider the fact that in 1995 only 28.2% of Fortune 500 boards featured two women directors; by 2005, that number had grown to 37.8%. During that same time period, companies with three or more women on the board increased from 5% to 15.2% (Catalyst, 2006; see also Konrad & Kramer, 2006; Konrad, Kramer, & Erkut, 2008; Kramer, Konrad, Erkut, & Hooper, 2007 for extended discussions). The 2009 data on which we rely provide a compelling contrast. The number of Fortune 500 companies with two female directors is now 57.3%; the number with three or more female directors is now 19.5%.

An extension of this phenomenon may importantly impact the perceived legitimacy feature of institutional theory. Given that there are 98 companies with three women as directors, and the average number of directors is 11, we know that there are, on average, eight men who are also members of these boards. That suggests there are at least 784 men—98 companies [x] 8 men—who serve on a board with three women included in the membership. Actually, this estimate is grossly understated, because we know that these men typically serve on more than one board. Given this accumulative effect, there will be many men for whom interacting on boards with women is "ordinary" and "customary," words we used earlier to describe potential application of institutional theory.

Actually, this accumulative effect is also underestimated because we only used boards with three women members as an example. The number of boards with two women members presents a similar sequencing phenomenon for the men on these boards. There is also an indirect networking impact, noted by Westphal and Milton (2000). Consider the indirect linkage that is established when woman A serves on a board with male director B, when board member A serves on another board with board member C, who serves on a different board with director B. Such indirect linkages might augment the accumulative effect, as well as the end-state of an institutional acceptance of a practice.

There is another issue that may merit comment. Earlier, we referred to the potentially disquieting report by Farrell and Hersch (2005) that companies with boards which already had a female member were unlikely to add other women to the board. In fairness, however, we should note that this study relied on pre-SOX data. Clearly, our data on multiple women serving on Fortune 500 boards do not support that perspective and are, accordingly, considerably more encouraging.

8. A promising future for women on boards, and in other leadership positions

During her tenure as an SEC Commissioner, Cynthia A. Glassman made several interesting comments in her post-SOX remarks to the 2005 Colloquium for Women on "Board Diversity: The 21st Century Challenge—The New Regulatory Climate and Impact on Board Composition." She acknowledged the potential for the new regulatory environment to importantly impact board composition, and that "the potential for women [as board members]. . . created by the new regulatory climate has never been greater" (Glassman, 2005, p. 4). On that point, our analysis provides strong support for her observations. The positive trend line for female directors in leadership positions continues apace. Moreover, there are other aspects of the current environment that we believe will singly, and in concert, stimulate both the membership and leadership of women in these critical corporate governance roles. Consider, for example, that research on director selection (Westphal & Stern, 2006, 2007; see also Westphal & Milton, 2000) suggests additional board seats are most often acquired through referrals from outside directors serving on other boards. Importantly, women with prior board experience are more likely to be nominated for additional board service (Catalyst, 2006).

While we have focused on the progress of women on Fortune 500 corporate boards, there may be aspects of that inquiry that are relevant to other corporate personnel. There is some commentary from the community of legal research which provides an instructive comparison. Phillips (2005, p. 467), for example, noted that "few institutions have greater gender inequality than law firms, especially at the level of partnership." That concern, however, extends well beyond law firm partners. In fact, Phillips (2005, p. 441; see also Moss, 2004) suggested that "women's occupancy of high-ranked positions in law firms is used as one barometer of generalized gender inequality." It is a critical signal to women candidates who are prospectively selecting among law firms, whether at the entry level or beyond. Moss (2004, p. 2) suggests that women "rationally use level of diversity as a proxy for discrimination, since the latter is harder to observe." This may be a compelling point that affects the tendency for the highest-quality women to join a given law firm or a corporate firm. With regard to corporate boards, this tendency may dissuade women from joining not only the board, but also the management team.

Indeed, a recent study starkly underscores that contention (Catalyst, 2008; see also Guerrera, 2008). It has been reported that the current number of women on a company's board is directly connected to the subsequent number of women serving in its senior management ranks. Ilene Lang (2008, p. 1), President of Catalyst, remarked: "Women leaders are role models to early- and mid-career women and, simply by being there at the top, encourage pipeline women to aspire to senior positions. They see that their skills will be valued and rewarded."

There are two trends in corporate governance and board of directors' composition that may provide continuing opportunities for women to join boards of directors. In the post-SOX era, for example, CEOs do not serve on as many outside boards. In fact, the average number of outside boards on which active CEOs now serve is less than one—half of what it was a decade ago. In 2000, active CEOs constituted 53% of all new directors; now, that rate is 31%. As notably, 53% of Fortune 500 CEOs do not serve on any outside boards (Agenda, 2009a; Spencer Stuart, 2008). Beyond that, the participation of other high-ranking officers of the larger firms on both their focal firms and outside boards is down dramatically (Mooney et al., 2007; see also Shearman & Sterling, 2008).

This apprehension is largely one of derivative risk. Publicly-traded firms are under the compliance guidelines and oversight of a host of regulatory agencies (e.g., SOX, listing exchanges, SEC). Such firms are rightly concerned about their conformance to these guidelines. Companies are reticent, then, to accept the derivative risk of their CEOs and senior officers accepting outside board memberships and the other companies' compliance risks (Linck et al., 2009; Spencer Stuart, 2005). Such a risk would otherwise be of no concern to the focal company, except that its CEO or senior officer is now serving on the board of the company that is not in compliance or otherwise subject to negative publicity. An illustration would be company A's CFO on company B's audit committee when that audit committee has come under public criticism.

Another reason behind the reticence for boards to embrace their CEOs' and senior officers' service on outside boards is rather practical. Many boards would suggest that the responsibilities in the current environment of a CEO or a CFO, for example, are demanding and require full-time attention. Accordingly, service on outside boards that may demand the time and attention of the firm's CEO and other senior officers may not be welcome. In any case, when CEOs and other high-ranking officers are not available—or are less available—for outside board service, there will be opportunities for others to be invited to serve in that capacity.

A fascinating development which may also inform future opportunity for women is an increase in the amount of board member turnover. In the post-SOX period (2002—2009), the annual rate of turnover for board members is 10.1%. That compares to a 5.0% rate in 2001, the 1-year period pre-SOX (Spencer Stuart, 2004, 2005, 2006, 2007, 2008). The steep decreases in active CEOs and senior officers serving as outside directors and the doubling in board member turnover obviously provide additional opportunities for board service. There is some contemporary evidence that women have apparently captured a substantial share of that opportunity. In the first quarter of 2009, 38% of new appointments to boards were women (Boyle, 2009; see also Agenda, 2009b; Kristie, 2009).

One of the more interesting aspects of women's recent progress is the proliferation of boards comprised of more than one woman. As we previously noted, the number of Fortune 500 companies with two female directors is 57.3%; the number with three or more female directors is now 19.5%. Given this, the networking potential for women is clearly enhanced. Beyond that, consider the impact of institutionalization of women on the board. The major premise of institutional theory is that certain organizational practices will acquire legitimacy and eventually be embraced as an appropriate, favored approach (Davis, 1991; DiMaggio & Powell, 1983; Rogers, 2003; Zajac & Westphal, 2004). It may also be relevant to the progress of women that institutional elements, once adopted, are highly resistant to change (Rogers, 2003; Zucker, 1987).

In the endgame, we are greatly encouraged by the noted progress by women in securing both board seats and board leadership positions. It is change of this type that we hope will be uniformly embraced, providing equality of access to all qualified potential board members.

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