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inc

Diversity and Tomorrow's Profits:
Women in Corporate Leadership

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Diversity and Tomorrow's Profits: Women in Corporate Leadership

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A Message from Milwaukee Women inc

Statistics: Women in the Marketplace and Education

- Business guru Tom Peters writes:
"Women are responsible for 83% of all consumer purchases. Home furnishings ... 94%. Vacations ... 92%. Houses ... 91%. Consumer electronics ... 51%. Cars ... make 60% of purchases, significantly influence 90%. Services are the same story: Choice of a new bank account by women ... 89% of the time. Health care ... 80% of decisions, over two-thirds of all health care spending. Add in women's role as 'purchasing officer' for consumer goods for their families and their significant role as professional purchasing officer for corporations and agencies, and, in effect, you have an American Women's Economy that accounts for over half of the U.S. GDP ... about \$5 trillion. Translation: **Earth's largest economy . . . American Women.**"
(Barletta, *Marketing to Women*, emphasis in original).
- The National Center for Education Statistics reports that women have outnumbered men on college campuses since at least 1980, and at graduate schools since 1984. **In Wisconsin, women currently comprise more than 55% of new freshmen, of undergraduate, of graduate, of advanced degree and of total student enrollment in the University of Wisconsin system.**

Statistics: Women and Corporate Management

- A recent Metropolitan Milwaukee Association of Commerce blueprint reveals that **metro Milwaukee ranks below the national average for women and minorities in management.**
- A recent study by the Institute for Women's Policy Research found that although Wisconsin ranks near the top of all the states in women's participation in the labor force, **Wisconsin ranks near the bottom in the proportion of its female labor force employed in professional and managerial occupations.**

The Work of Milwaukee Women inc

Women appear under-represented in Wisconsin boardrooms and executive suites.

In 2002, a gathering of businesswomen affiliated with Professional Dimensions, Tempo Milwaukee, the YWCA, area colleges and other Milwaukee-based organizations began discussing this apparent dichotomy and the effect it could have on the business community. Of particular concern was the status of women in upper management. Milwaukee Women inc (inclusive) was born.

With generous funding support, in 2003 MWi retained the Public Policy Forum to analyze data pertaining to the 50 largest revenue-generating Wisconsin-based public companies. The Forum was engaged to assess the current status of gender diversity at the officer/director level, review comparable historical data, and look for a possible link between gender diversity and the bottom line. The Forum was also asked to analyze these statistics as they pertained to women of color. Unlike company performance data, demographic data on the characteristics of board members and officer positions is extremely difficult to obtain. The Forum was able to obtain gender data on the status of women on boards and in officer positions, but race data only on the status of women of color on boards.

The complete report "Diversity and Tomorrow's Profits: Women in Corporate Leadership" can be found at www.milwaukeeinc.com, along with citation support for the above text.

First-Time Wisconsin Study

Diversity and Tomorrow's Profits: Women in Corporate Leadership is the first report of its kind in the state of Wisconsin. The report shows:

There is good news

- Wisconsin companies have made progress toward gender diversity during the last ten years.

And there is bad news

- The Wisconsin 50 lag behind regionally and nationally when it comes to gender representation in the boardroom and the executive suite.
- At the current rate of progress, it will take decades for women to reach parity with men.
- Women of color hold a mere 1% of the Wisconsin 50 board seats.

New Evidence of a Link

For the first time in Wisconsin, a statistical study provides support for the proposition that gender diversity in the senior ranks makes business sense: Of the companies studied, the top performers had greater gender diversity. **Public Policy Forum's conclusion: "Wisconsin corporations now ... have evidence that having women in leadership roles is associated with a healthy bottom line."** The results in Wisconsin are similar to those found in a 2004 national study done by Catalyst, the leading research and advisory organization working to advance women in business: It concluded that gender diversity was linked to excellent corporate financial performance.

The data collected by Public Policy Forum does not prove "causation." Many factors affect financial performance, and to draw a cause and effect relationship between profitability and gender diversity is difficult if not impossible. But it is fair to infer that the willingness to accept differences, which results in greater representation of women in leadership positions, also results in greater financial success.

The kind of thinking that encourages gender diversity in leadership ranks makes good business sense. When coupled with the current economic strength of women, it is good business practice to have women – America's largest economy – in top leadership positions.

Next Steps

Wisconsin's economic well being depends upon a vibrant and creative business community and skilled and talented leaders. To compete, Wisconsin must offer talented people – women and men of all colors – access to the highest levels of business leadership. **To fail to tap Wisconsin's diverse talent pool would be a grave mistake. We must instead tap this pool so we can capitalize on the advantages diversity brings.** To do so, the business community must go beyond traditional leadership development models and become far more innovative and aggressive in identifying, grooming and recruiting women to leadership positions. We cannot afford to be slow to embrace change or to lag behind.

The women of Milwaukee Women inc, as well as Professional Dimensions and Tempo Milwaukee, are prepared to assist companies in their efforts to increase gender diversity in their leadership ranks.

Milwaukee Women inc

May 10, 2004

CONTENTS:

Executive Summary	3
Background	4
Census of Board Directors	5
Census of Corporate Officers	8
Historical Diversity Data	11
Diversity and Corporate Performance	14
Outline for Increasing Gender Diversity	18
<i>Women in Corporate Leadership</i>	20
<i>Increasing Gender Diversity for Corporations</i>	22
Conclusion	24
Appendix A: Tables	26
Appendix B: Data and Methodology	29
Appendix C: Research on Diversity and Corporate Performance	31
Endnotes	32
References	34

Executive Summary

The Public Policy Forum conducted a census of women in corporate leadership in the 50 largest revenue-generating Wisconsin-based public companies (the Wisconsin 50) and examined the potential link between gender diversity and financial performance by analyzing Return on Investment, Return on Equity, Earnings per Share, and Stock Price. The Forum also interviewed women directors to begin an outline for companies to follow as they seek to improve gender diversity in their leadership ranks.

The current status of women in corporate leadership in Wisconsin and its peers:

- 9% of the board seats in the Wisconsin 50 are held by women, compared to 12% of the board seats of Chicago's top 50 companies and 14% of the board seats of the Fortune 500.
- 12% of the corporate officers of the Wisconsin 50 are women, compared to 14% of the officers of Chicago's top 50 companies and 16% of the officers of Fortune 500 companies.

Historical data for those Wisconsin 50 companies for which comparable data are available:

- In 1992, 5% of corporate directorships were held by women, compared to 10% in these same Wisconsin companies today. At this rate of progress, parity is decades away.
- In 1992, 5% of corporate officers were women, compared to 11% in these same Wisconsin companies today. Again, parity is decades away.

Gender diversity can be linked to fiscal performance:

- Wisconsin 50 companies with women directors outperform those companies without women directors as measured by: Return on Investment (9.9% compared to 6.6%), Earnings per Share (\$1.91 compared to \$.98), Return on Equity (13.4% compared to 9.1%), and Stock Price (a \$100 investment in 1992 is now valued at \$431 for companies with women directors, compared to \$314 for companies without women directors).
- Wisconsin 50 companies with women officers outperform those companies without women officers as measured by Return on Investment (9.2% compared to 8%), Earnings per Share (\$1.63 compared to \$1.50), and Return on Equity (12.5% compared to 10.6%). Only one measure—Stock Price—did not follow the trend: Companies without women officers had higher stock price gains over the past decade than those with women officers (a \$361 current value for a \$100 investment in 1992 compared to \$368).

Background

Milwaukee Women inc engaged the Public Policy Forum to conduct a census of board and management diversity of Wisconsin's 50 largest revenue-producing public corporations (the Wisconsin 50) and to suggest a leadership development outline for the state's companies. The census "holds a mirror" to corporate leadership in Wisconsin and challenges companies to address their performance in this area and to improve board and management diversity. The report also provides companies with a business case for diversity by examining company performance side-by-side with gender diversity.

This report is distinctive from, but complements, the growing research conducted on women business leaders and national studies of the impact of gender diversity on corporate performance. The largest such analysis is performed by Catalyst, a New York-based nonprofit research and advisory organization working to advance women in business. Catalyst performs both a census of women board directors and a census of women corporate officers of Fortune 500 companies. The Committee of 200, consisting of women entrepreneurs who own and run companies that earn at least \$15 million in annual revenues and women corporate executives who are either CEOs or senior executives of companies with annual revenues of \$250 million or more whose mission is to foster growth and increase opportunities for the next generation of women business leaders, publishes an annual national business leadership index of women's clout in business. And closer to home, The Chicago Network, an organization of Chicago's professional women, conducts an annual census of women in leadership at Chicago's 50 largest companies.

Demographic and labor market data indicate that women are increasingly comprising more and more of the nation's college and advanced graduates, business owners, employees, consumers, and investors. It is likely that corporations with demonstrated commitment to gender diversity throughout their ranks will be better able to take advantage of these trends when hiring, networking, marketing, and strategizing. Some research even indicates that "diverse groups, when properly managed, make more innovative business decisions than non-diverse groups."¹ These advantages certainly have the potential to result in positive bottom line impacts. This report on the **Wisconsin 50**² allows investors and other interested parties to examine a company's commitment to diversity in its leadership ranks. It also encourages Wisconsin corporations to monitor themselves on several gender diversity measures and to be accountable for their progress.

This report begins with a census of board directors, followed by an examination of gender diversity among corporate officers (see Appendix B for data and methodology). Next, we look historically at gender diversity by taking a snapshot of data in 1992 and comparing that with 2002. This is followed by an examination of corporate performance, with a specific focus on the representation of women on corporate boards and among corporate officers. The report concludes with a discussion of a leadership development outline for increasing gender diversity in Wisconsin's board rooms and executive suites.

Census of Board Directors

There are 443 directors on the boards of the Wisconsin 50. Forty-one of these directorships are held by women. This is an average of .82 women per company (see Table 1 for a breakdown by company).³ Figure 1 compares our findings to those of Catalyst and The Chicago Network.⁴ **The representation of women on the Wisconsin 50 boards is lower than peers (9.3 percent vs. 12.4 percent for Chicago and 13.6 percent for the Fortune 500).** In addition, Wisconsin companies are less likely than both Fortune 500 companies and the Chicago 50 to have female members on the board (**64 percent vs. 90 percent of the Chicago 50 and Fortune 500**). In addition, Wisconsin companies that have women directors are less likely to have more than one woman on the board than are the Fortune 500.⁵

Figure 1: Board Diversity of Wisconsin 50 as Compared to Fortune 500 and Chicago 50

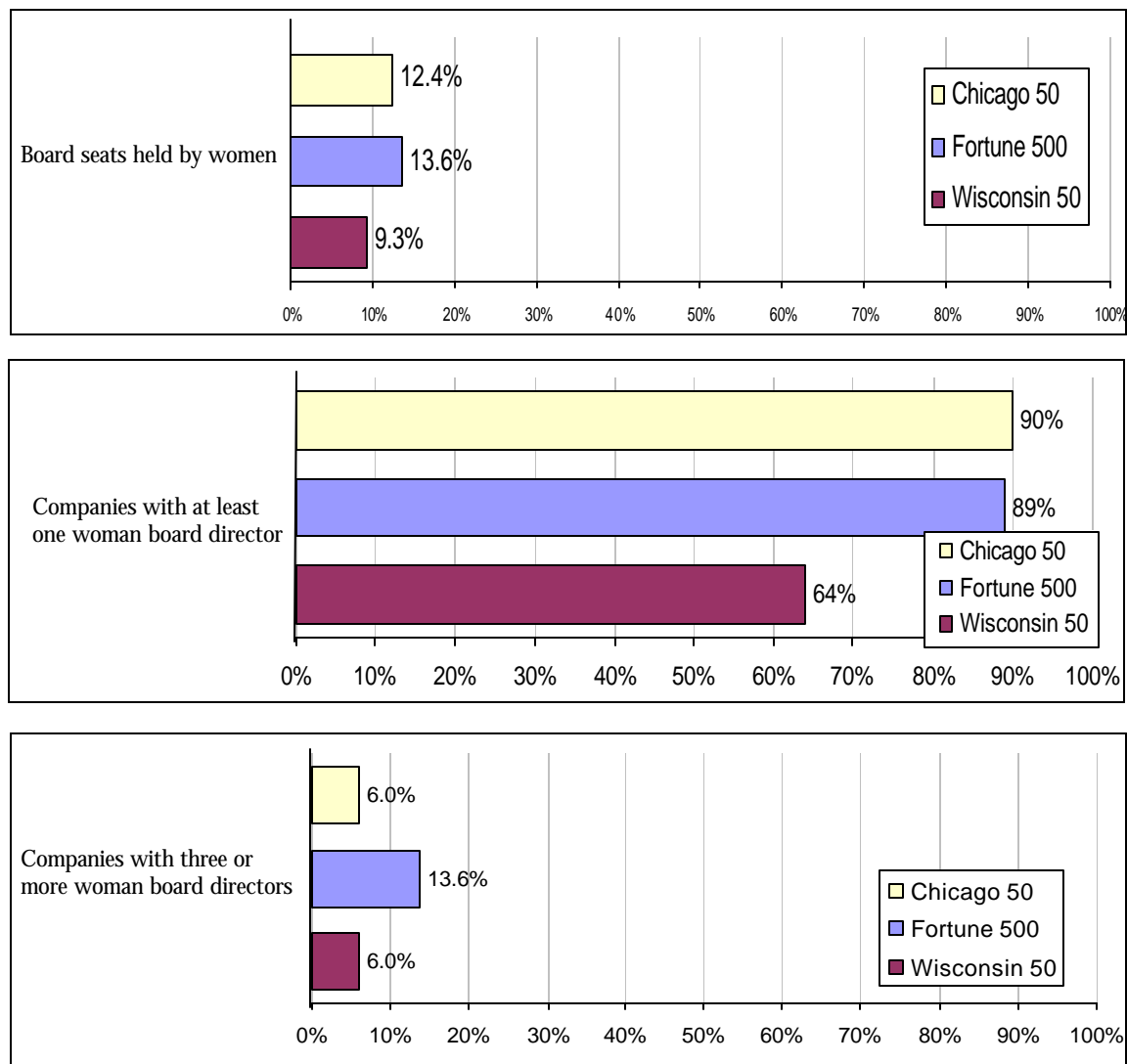


Table 1: Board Composition of the Wisconsin 50, June 2003

Rank by Revenue	Company	Total Directors	Women Directors	Percent Women
1	Johnson Controls Inc.	12	1	8%
2	Manpower Inc.	8	1	13%
3	Kohl's Corp.	13	2	15%
4	Rockwell Automation Inc.	10	1	10%
5	Wisconsin Energy Corp.	10	1	10%
6	ShopKo Stores Inc.	9	1	11%
7	Harley-Davidson Inc.	8	1	13%
8	Alliant Energy Corp.	10	3	30%
9	Marshall & Ilsley Corp.	19	1	5%
10	WPS Resources Corp.	8	1	13%
11	Snap-on Inc.	10	1	10%
12	Fiserv Inc.	10	1	10%
13	Banta Corp.	9	3	33%
14	Cobalt Corp.	9	1	11%
15	Oshkosh Truck Corp.	10	1	10%
16	Briggs & Stratton Corp.	9	1	11%
17	A.O. Smith Corp.	7	1	14%
18	Joy Global Inc.	7	0	0%
19	The Manitowoc Co. Inc.	9	0	0%
20	Associated Banc -Corp	10	0	0%
21	Modine Manufacturing Co.	9	1	11%
22	Plexus Corp.	7	0	0%
23	Wausau-Mosinee Paper Corp.	8	0	0%
24	American Medical Security Group Inc.	10	0	0%
25	Sensient Technologies Corp.	10	1	10%
26	School Specialty Inc.	5	1	20%
27	Rayovac Corp.	7	1	14%
28	Regal-Beloit Corp.	8	0	0%
29	MGIC Investment Corp.	12	1	8%
30	Fresh Brands Inc.	8	0	0%
31	Brady Corp.	10	2	20%
32	Alterra Healthcare Corp.	6	0	0%
33	Actuant Corp.	7	1	14%
34	Oshkosh B'Gosh Inc.	9	3	33%
35	Midwest Express Holdings Inc.	10	1	10%
36	The Marcus Corp.	9	1	11%
37	Johnson Outdoors Inc.	6	1	17%
38	Madison Gas & Electric Co.	9	2	22%
39	Marten Transport Ltd.	6	1	17%
40	Ladish Co. Inc.	6	0	0%
41	Gehl Co.	8	0	0%
42	Anchor BanCorp Wisconsin Inc.	11	1	9%
43	First Federal Capital Corp.	9	0	0%
44	C2 Inc.	6	0	0%
45	Bank Mutual Corp.	11	0	0%
46	Strattec Security Corp.	5	0	0%
47	St. Francis Capital Corp.	11	1	9%
48	Twin Disc Inc.	9	0	0%
49	Badger Meter Inc.	8	0	0%
50	Weyco Group Inc.	6	0	0%

Wisconsin's women directors have diverse backgrounds and skill sets. (Appendix Table A.1 lists the women directors by company and current position.) Thirty-seven different women hold a total of 41 of the 443 board positions in the Wisconsin 50, for an average of 1.1 boards per woman.⁶ We found:

- The age range of the 37 women is from 44 to 68 years old. The average age is 54.
- The year of appointment ranges from 1985 to 2003.
- Nearly two-thirds (63 percent or 26 positions) of the 41 board appointments of these 37 women were first made in 2000 or later.
- It appears that nine of the 37 women have retired from their careers: three retired as presidents/CEO's, one from diplomatic service, two as vice presidents, two as vice chairs, and one as the chair of the federal trade commission.
- Of the 28 other women: 11 have the title of president or president/CEO, five have the title of CEO and/or chair, one is a COO, six have the title of senior or executive vice president, one is a regional president, two are partners, one is self-employed, and one is a flight attendant.
- We have data on education level for 28 of the women: the highest degree for 14 women is a bachelor's, the highest degree for six women is an M.B.A., the highest degree for four women is a J.D., the highest degree for three women is a master's, and one woman has a Ph.D.
- We know state of residence for 25 of the 37 women: 12 live in Wisconsin, five live in Illinois, two live in Washington, D.C. and the others are in Minnesota, Missouri, New York, Ohio, and Toronto.
- Twenty of the directorships are held by persons of color, or 4.5 percent of the total number of directorships. Five of the 37 women directors are persons of color. Because of multiple board positions women of color hold one percent of the 443 board seats for the Wisconsin 50.⁷
- Four of the women on our list are (or were) inside directors. That is, they work for the company upon whose board they sit.
- Three women have familial connections to the corporation.

Census of Corporate Officers

There are 504 corporate officers in the Wisconsin 50. **Fifty-eight of these officers are women**, for an average of 1.2 women executives per corporation.⁸ See Figure 2 for a comparison to the Fortune 500 and the Chicago 50.⁹ The percent of Wisconsin 50 women corporate officers (12 percent) is less than the Chicago 50 and Fortune 500 companies, which are at 14 percent and 16 percent, respectively. **In addition, 66 percent of the Wisconsin 50 have at least one woman officer, which is less than the Chicago 50 (80 percent) and the Fortune 500 (86 percent).** Finally, the percent of the Wisconsin 50 with multiple women in top management is 28 percent, substantially lower than both the Chicago 50 (50 percent) and the Fortune 500 (67 percent). Wisconsin certainly has room to improve in this area—of the National Association of Female Executives top 30 list of best companies for women executives, none are in Wisconsin.¹⁰

Figure 2: Diversity of Corporate Officers of the Wisconsin 50 as Compared to Fortune 500 and Chicago 50

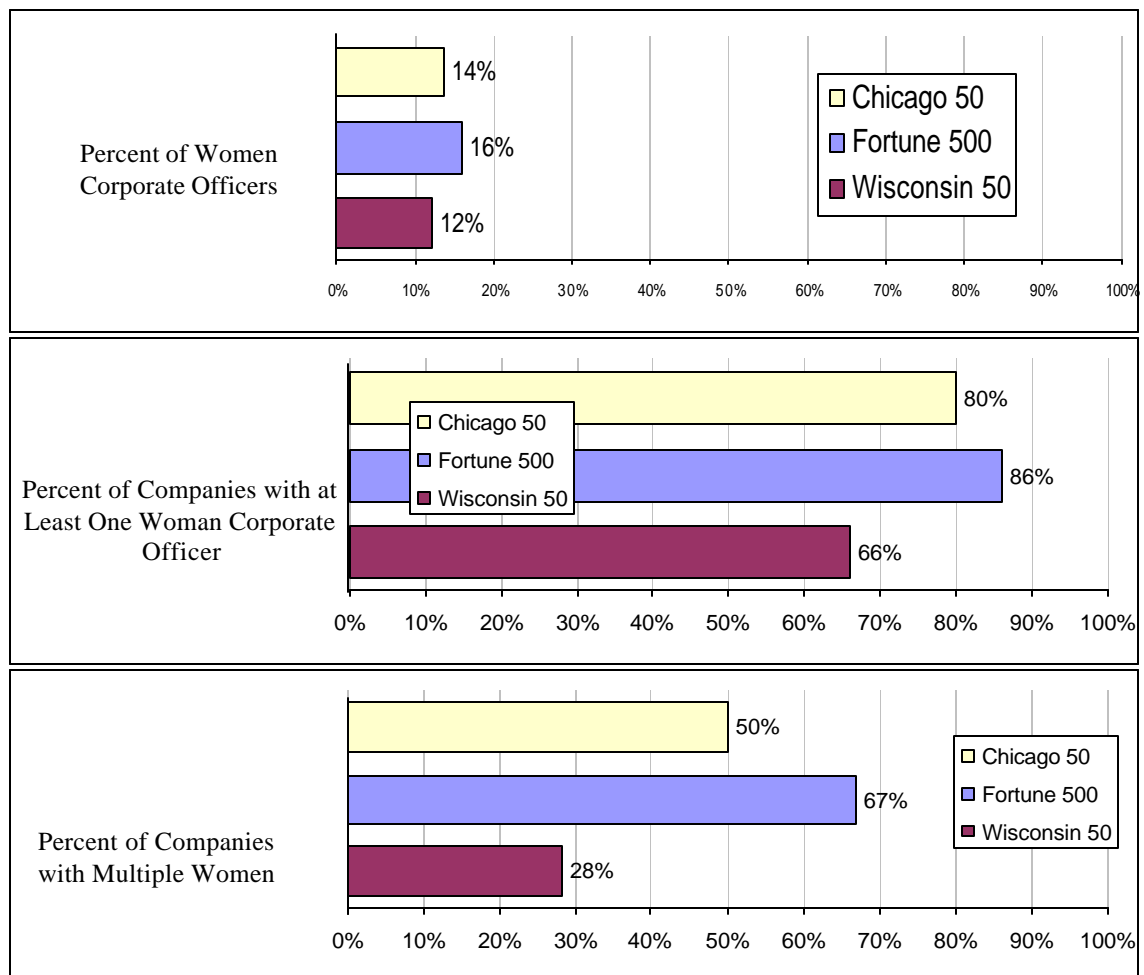


Table 2 on the following page lists the number of female corporate officers for each company, as ranked by revenue. Cobalt Corporation has the highest representation of women officers at 45 percent. Alliant Energy Corporation leads the list in terms of total number of women officers with six.

Table 2: Corporate Officers in the Wisconsin 50, 2002

Rank By Revenue	Company	Corporate Officers	Women Officers	Percent Women
1	Johnson Controls Inc.	17	3	18%
2	Manpower Inc.	12	3	25%
3	Kohl's Corp.	12	2	17%
4	Rockwell Automation Inc.	15	2	13%
5	Wisconsin Energy Corp.	16	2	13%
6	ShopKo Stores Inc.	11	0	0%
7	Harley-Davidson Inc.	6	2	33%
8	Alliant Energy Corp.	16	6	38%
9	Marshall & Ilsley Corp.	15	2	13%
10	WPS Resources Corp.	12	2	17%
11	Snap-on Inc.	7	1	14%
12	Fiserv Inc.	13	0	0%
13	Banta Corp.	6	1	17%
14	Cobalt Corp.	11	5	45%
15	Oshkosh Truck Corp.	20	1	5%
16	Briggs & Stratton Corp.	17	1	6%
17	A.O. Smith Corp.	14	1	7%
18	Joy Global Inc.	6	0	0%
19	The Manitowoc Co. Inc.	8	0	0%
20	Associated Banc -Corp	15	4	27%
21	Modine Manufacturing Co.	15	1	7%
22	Plexus Corp.	12	1	8%
23	Wausau-Mosinee Paper Corp.	10	1	10%
24	American Medical Security Group Inc.	8	0	0%
25	Sensient	10	0	0%
26	School Specialty Inc.	13	1	8%
27	Rayovac Corp.	9	0	0%
28	Regal-Beloit Corp.	6	0	0%
29	MGIC Investment Corp.	12	0	0%
30	Fresh Brands Inc.	6	0	0%
31	Brady Corp.	5	1	20%
32	Alterra Healthcare Corp.	4	1	25%
33	Actuant Corp.	9	0	0%
34	Oshkosh B'Gosh Inc.	14	2	14%
35	Midwest Express Holdings Inc.	7	1	14%
36	The Marcus Corp.	9	1	11%
37	Johnson Outdoors Inc.	4	1	25%
38	Madison Gas & Electric Co.	13	2	15%
39	Marten Transport Ltd.	8	1	13%
40	Ladish Co. Inc.	9	0	0%
41	Gehl Co.	6	0	0%
42	Anchor BancCorp Wisconsin Inc.	8	0	0%
43	First Federal Capital Corp.	6	0	0%
44	C2 Inc.	8	1	13%
45	Bank Mutual Corp.	5	1	20%
46	Strattec Security Corp.	6	1	17%
47	St. Francis Capital Corp.	7	1	14%
48	Twin Disc Inc.	9	0	0%
49	Badger Meter Inc.	11	2	18%
50	Weyco Group Inc.	6	0	0%

Historical Diversity Data

We have historical data on board composition for 36 companies and historical data on corporate officers for 41 companies in the Wisconsin 50.¹¹ Comparing the historical data to the current data indicates that the representation of women in corporate leadership has doubled over the past decade.

Table 3 shows ten years ago the 36 companies had a total of 304 directorships, 16 of which were held by women. Thus, five percent of these boards were comprised of women a decade ago. These same 36 companies today have 315 directors, 30 of which are women. This is a four percent increase in directors accompanied by an 88 percent increase in women directors. Overall, the representation of women on these 36 boards has increased five percentage points, to ten percent, since 1992. **At this rate female representation on the boards of the Wisconsin 50 would reach parity with men after 2030.**

On an individual level, Banta Corp. and Oshkosh B'Gosh increased the gender diversity of their boards by over 20 percentage points in the past decade. Most companies, however, have seen no change in the percent of their boards that are women. And four companies have seen a decrease.¹²

Table 4 has the historical data on corporate officers for the 41 companies for which we have data. Ten years ago these companies had 377 corporate officers, including 19 women officers. Today these companies have 431 corporate officers, including 49 women. This is a 14 percent increase in executives accompanied by a 158 percent increase in women officers. **At this rate female representation in corporate officer positions in the Wisconsin 50 would reach parity with men after 2020.** The overall increase in women officers from 1992 is six percentage points, from five percent to eleven percent. This is a slightly greater increase than that of women directors and is consistent with national trends.¹³

On a company-by-company basis, one company, Alliant Energy Corp., has increased its percent of women executives by 31 percentage points since 1992, while Associated Banc-Corp, Manpower, and Brady Corp. each increased their number of women officers by over 20 percentage points. Seventeen companies increased the percentage of women in their management ranks between five and 17 percentage points, while 14 companies had no change. Six companies have seen a decrease in the percentage of their corporate officers that are women.¹⁴

While the overall trend has been a doubling of gender diversity in corporate management and on corporate boards in the past decade, a few companies have had significant female representation in their leadership ranks for years. Harley Davidson and Badger Meter are to be recognized for sustaining substantial female representation among corporate officers, while Alliant Energy, Johnson Outdoors, School Specialty, and Brady Corp. have sustained their diverse boards over this ten year period.

Table 3: Board Composition of the Wisconsin 50 in 1992 and 2002

Company	Total Directors/ Women Directors 1992	Percent Women 1992	Total Directors/ Women Directors 2002	Percent Women 2002
A.O. Smith Corp.	9/0	0%	7/1	14%
Actuant Corp.	5/0	0%	7/1	14%
Alliant Energy Corp.	14/3	21%	10/3	30%
Alterra Healthcare Corp.	7/0	0%	6/0	0%
American Medical Security Group Inc.	9/1	11%	10/0	0%
Anchor BancCorp Wisconsin Inc.	7/0	0%	11/1	9%
Associated Banc- Corp	9/0	0%	10/0	0%
Badger Meter Inc.	9/0	0%	8/0	0%
Banta Corp.	9/1	11%	9/3	33%
Brady Corp.	9/1	11%	10/2	20%
Briggs & Stratton Corp.	9/0	0%	9/1	11%
C2 Inc.*	6/0	0%	6/0	0%
Fresh Brands Inc.	8/0	0%	8/0	0%
Gehl Co.	7/0	0%	8/0	0%
Harley-Davidson Inc.	9/0	0%	8/1	13%
Johnson Controls Inc.	13/1	8%	12/1	8%
Johnson Outdoors Inc.	6/1	17%	6/1	17%
Joy Global Inc.	7/0	0%	7/0	0%
Kohl's Corp.	8/0	0%	13/2	15%
Ladish Co. Inc.	4/0	0%	6/0	0%
Manpower Inc.	8/1	13%	8/1	13%
Marshall & Ilsley Corp.	13/0	0%	19/1	5%
MGIC Investment Corp.	11/1	9%	12/1	8%
Midwest Express Holdings Inc.*	10/1	10%	10/1	10%
Modine Manufacturing Co.	10/0	0%	9/1	11%
Oshkosh B'Gosh Inc.	9/1	11%	9/3	33%
Plexus Corp.	7/0	0%	7/0	0%
Rayovac Corp.	9/0	0%	7/1	14%
Regal-Beloit Corp.	9/0	0%	8/0	0%
School Specialty Inc.*	7/1	14%	5/1	20%
ShopKo Stores Inc.	6/0	0%	9/1	11%
Strattec Security Corp.*	5/0	0%	5/0	0%
The Manitowoc Co. Inc.	9/0	0%	9/0	0%
Twin Disc Inc.	9/0	0%	9/0	0%
Wisconsin Energy Corp.	9/1	11%	10/1	10%
WPS Resources Corp.	9/2	22%	8/1	13%

* See endnote 11 for years of data for these companies.

Table 4: Corporate Officers in the Wisconsin 50 in 1992 and 2002

Business	Total Officers/ Women Officers 1992	Percent Women 1992	Total Officers/ Women Officers 2002	Percent Women 2002
A.O. Smith Corp.	13/1	8%	14/1	7%
Actuant Corp.	16/2	13%	9/0	0%
Alliant Energy Corp.	16/1	6%	16/6	38%
Anchor BancCorp Wisconsin Inc.	6/0	0%	8/0	0%
Associated Banc- Corp	11/0	0%	15/4	27%
Badger Meter Inc.	11/2	18%	11/2	18%
Banta Corp.	8/0	0%	6/1	17%
Brady Corp.	12/0	0%	5/1	20%
Briggs & Stratton Corp.	12/0	0%	17/1	6%
C2 Inc.*	7/1	14%	8/1	13%
First Federal Capital Corp.	3/0	0%	6/0	0%
Fiserv Inc.	6/0	0%	13/0	0%
Fresh Brands Inc.	10/0	0%	6/0	0%
Gehl Co.	6/0	0%	6/0	0%
Harley-Davidson Inc.	9/2	22%	6/2	33%
Johnson Controls Inc.	16/1	6%	17/3	18%
Joy Global Inc.	8/0	0%	6/0	0%
Kohl's Corp.	10/1	10%	12/2	17%
Madison Gas & Electric Co.	12/2	17%	13/2	15%
Manpower Inc.	4/0	0%	12/3	25%
Marshall & Ilsley Corp.	8/0	0%	15/2	13%
Marten Transport Ltd.	5/0	0%	8/1	13%
MGIC Investment Corp.	5/0	0%	12/0	0%
Midwest Express Holdings Inc.*	10/2	20%	7/1	14%
Modine Manufacturing Co.	16/0	0%	15/1	7%
Oshkosh B'Gosh Inc.	12/0	0%	14/2	14%
Oshkosh Truck Corp.	7/0	0%	20/1	5%
Plexus Corp.	9/0	0%	12/1	8%
Regal-Beloit Corp.	5/0	0%	6/0	0%
Rockwell Automation Inc.	13/0	0%	15/2	13%
ShopKo Stores Inc.	10/0	0%	11/0	0%
Snap-on Inc.	12/1	8%	7/1	14%
St. Francis Capital Corp.*	6/0	0%	7/1	14%
Strattec Security Corp.*	5/0	0%	6/1	17%
The Manitowoc Co. Inc.	4/0	0%	8/0	0%
The Marcus Corp.	8/1	13%	9/1	11%
Twin Disc Inc.	9/0	0%	9/0	0%
Wausau-Mosinee Paper Corp.	6/0	0%	10/1	10%
Weyco Group Inc.	8/0	0%	6/0	0%
Wisconsin Energy Corp.	8/1	13%	16/2	13%
WPS Resources Corp.	15/1	7%	12/2	17%

* See endnote 11 for years of data for these companies.

Diversity and Corporate Performance

Why should companies commit to increasing gender diversity in their leadership ranks? What business incentive is there to make the commitment? Does gender diversity have an effect on the bottom line?

Many researchers have explored the relationship between gender diversity and company performance. To date the findings are inconclusive. (See Appendix C for a summary of this literature.) Catalyst recently embarked on a study entitled, *The Bottom Line: Connecting Corporate Performance and Gender Diversity*. Catalyst divided its sample of companies into quartiles based on the gender diversity of their top management teams. They found significant positive differences between their top and bottom quartiles across their overall sample, as well as in three particular industries, when analyzing Return on Equity and also Total Return to Shareholders.¹⁵ Catalyst concludes that the findings “re-affirm [their] long-standing belief in the business impact of gender diversity,” while noting that their findings do not demonstrate causation.¹⁶

We looked at four variables in examining corporate performance and gender diversity:

- Return on Investment (ROI)
- Return on Equity (ROE)
- Earnings per Share (EPS)
- long term stock price data

We found **significant positive differences in 2002 between companies with no women directors and companies with women directors for each of the three accounting-based performance measures**. For example, the average 2002 EPS was nearly double for Wisconsin 50 companies with women directors compared to companies without women on the board (\$1.91 compared to \$.98). We also found positive differences on these measures in 1992, although the results were not statistically significant. In 1992, the average EPS of companies with women directors (\$1.30) was nearly triple that of companies lacking women directors (\$.49). (See Figure 3 and Appendix Table A.2.)

The pattern of higher performance holds for women officers as well as for women directors. **Companies with women corporate officers outperformed companies without women officers in both 1992 and 2002**, although the differences are not statistically significant. In 2002, companies with women in executive management had an average ROE of 12.5 percent, compared to 10.6 percent for companies without female leadership. In addition, companies whose corporate officers are at least 25 percent women had an average ROE seven percentage points higher than companies with no women executives. (See Figure 4 and Table A.3.)

Figure 3: Wisconsin 50 Performance on ROI, ROE, and EPS by Board Composition, 2002

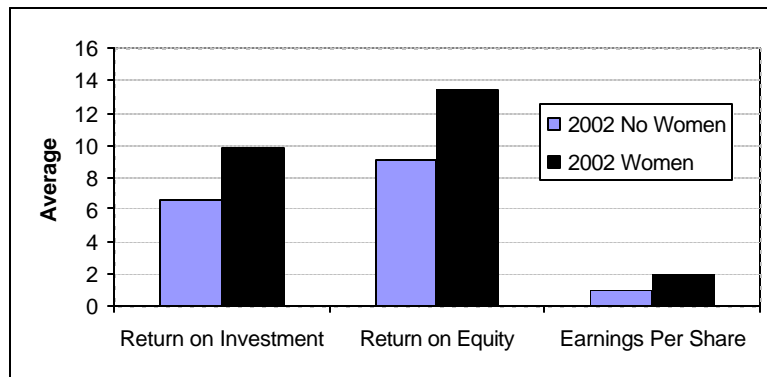
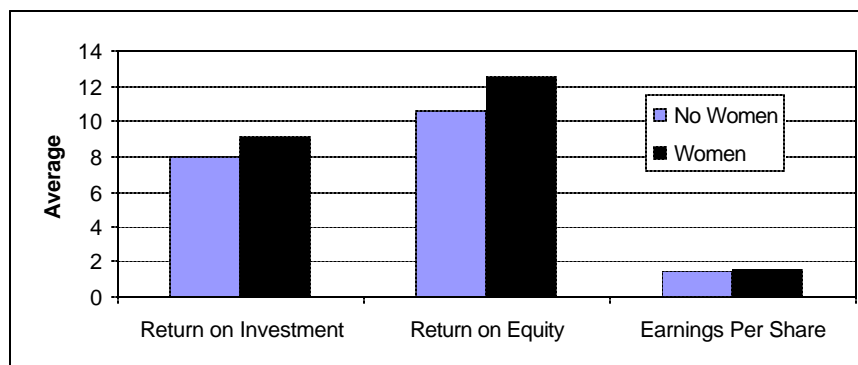


Figure 4: Wisconsin 50 Performance on ROI, ROE, and EPS by Diversity of Corporate Officers, 2002



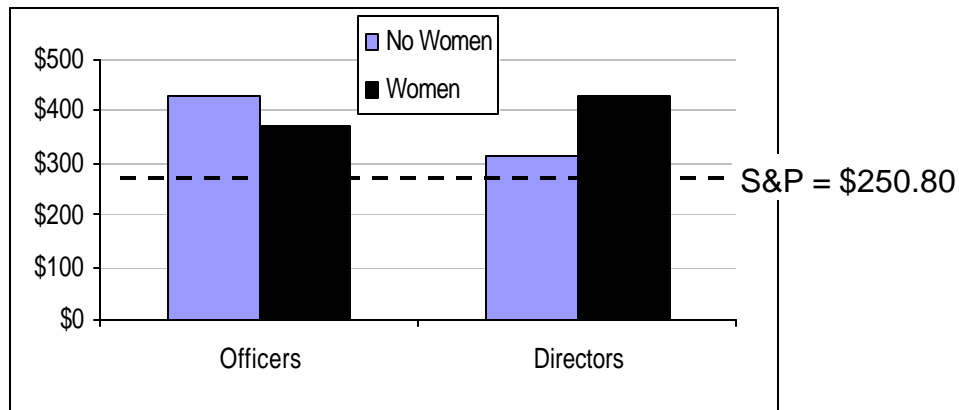
We also looked at long-term stock prices by measuring the change in company stock value, as compared to the S&P 500 Index, from 1992 to 2002. (See Figure 5 and Table A.4.) Wisconsin 50 companies outperformed the S&P during this time frame whether or not they had women directors or officers. **But companies with women directors not only outperformed the index, they also outperformed companies without women directors.** For the 38 companies for which we have complete data, the average ten-year rise in stock value for companies with women directors is 37 percent more than for those companies without women directors.

Companies with women corporate officers also outperformed the S&P, but did not fare better than companies without women officers. The ten-year rise in stock value for companies with women executives was 14 percent less than for companies without women officers.

Note that the 38 companies for which we have complete data all beat the S&P 500 index at rates ranging from a low of 25 percent (companies with no women directors) to a high of 73 percent (companies with no women officers).

Figure 5: Change in Stock Value of Wisconsin 50 Companies 1992-2002

(assumes initial investment of \$100 in 1992)



On every accounting measure analyzed, in both 1992 and 2002, companies with women leaders outperformed companies with no women officers or directors. The only exception to the pattern of better performance came when we analyzed market data—companies with no women officers had higher stock prices over the past decade than companies with women officers. However, all our Wisconsin companies beat the S&P 500 index over the past ten years and companies lead by diverse boards did better than those without any gender diversity in the board room.

There should be no confusion, however. The Wisconsin data do not establish a causal relationship. We do not know that women are causing higher corporate performance. It could be that companies with a stronger bottom line have more flexibility in decision-making and are better able to increase diversity in their

leadership ranks. At any rate, the business case for gender representation in corporate leadership remains. Women are becoming increasingly more powerful in consumer, investment, and labor circles. In 2001, U.S. women earned nearly \$2 trillion in income.¹⁷ One recent study finds women now represent 47 percent of the U.S. workforce in total, including 52 percent of all financial managers and 59 percent of all accountants and auditors.¹⁸ In addition, women purchase 81 percent of all goods and services in the U.S., own 38 percent of all U.S. firms, and make up 47 percent of all investors.¹⁹ Thus, the study concludes, "It makes good business sense to have women on the board because they represent your customers, investors, and employees; [and] they bring different perspectives to the table..."

And the pool of qualified women continues to grow. Where women once made up 32 percent of all master's degree recipients in 1961, they now receive 59 percent of all master's degrees, and are expected to continue to do so for the next ten years.²⁰ A similar trend is seen in law schools, where women are now enrolling at a rate of 49 percent of total enrollment, compared to three percent of total enrollment in 1960.²¹ And companies are increasingly "growing their own." Catalyst found 8.7 percent of corporate officers in the Fortune 500 were women in 1995. That figure in 2002 had risen to 15.7 percent, including 9.9 percent in line officer positions.²²

An Outline for Increasing Gender Diversity

We interviewed several women who are currently serving as board directors of Wisconsin corporations and asked them to detail ways in which CEO's and board chairpersons might ensure greater diversity within the corporate leadership ranks. We asked 15 women directors, including ten who serve on boards of the Wisconsin 50 corporations, if they would be willing to be interviewed for this project and were able to secure interviews with eight women. Of the women directors interviewed, four serve on the boards of companies in the Wisconsin 50. The other four are currently corporate officers in their respective companies and serve on either their own and/or other corporate boards. Of our eight interviewees, two are CEO's, three are presidents, two are senior vice-presidents, and one is a general counsel. Seven of the women live in Wisconsin and one lives in Illinois.

Our eight directors have roughly similar stories when asked to describe their first board appointments. All had significant responsibilities in their jobs when tapped for their first corporate board: Four served as president or CEO, two held the title of vice president or senior vice president, and one was general counsel.²³ All stated that, whether or not they knew someone associated with the board or corporation when approached, they were appointed because they had the skill set the board was in need of at the time. Only one director felt her appointment was the direct result of a search for a woman.

Seven of the directors stated they had received their first board positions as the result of personal networking. Four of the women had been referred by people with whom they had worked in their own company or had known as competitors in the industry. Two other women had business connections to the CEO of the company seeking a new board member. One woman was appointed to her first board as an inside director after returning to the private sector from a highly visible government appointment. The eighth director had no connections at all to the corporation on which she first served as a board member; however, her high stature position in the public sector made her a visible potential board member.

Six of the women felt their pathways to board directorships were typical in that they were the result of good performance in their job positions as well as networking. Only two directors felt they had achieved their board positions in atypical ways. One knew the board was specifically recruiting for a woman, which this woman felt was highly unusual. The other feels her job position was what made her attractive to the nominating committee. She was in a position to bridge the company to the public sector; however, her educational background ensured she had the financial skills to serve on a board.

Thus, our interview sample, on the whole, agreed that they had become board members not so much because they were women in the right place at the right time,

Table 5. Outline for Increasing Gender Diversity

To increase diversity, corporations should:

- 1. Cast a broader net when looking for board members**
 - Identify rising stars and tap them or their networks
- 2. Redefine leadership**
 - Entrepreneurs have CEO qualities
- 3. Grow leaders from within**
 - Encourage mentorships, formal or informal
 - Highlight young, new talent inside firm
- 4. Make changes to nomination process to be more inclusive**
 - Gather names from beyond the nominating committee

To become corporate leaders, women should:

- 1. Excel in their jobs**
 - Gain line and/or management experience
- 2. Showcase skills and leadership abilities inside and outside the firm**
 - Volunteer in non-profit sector to build skills and broaden network
 - Cultivate mentorships inside the firm
- 3. Find opportunities to develop soft skills**
 - Demonstrate ability to be a team player and consensus builder
- 4. Be ready to assume the responsibility that goes with leadership positions**

but because they had worked very hard to excel in their careers, had made themselves visible both within and outside their own companies, and had utilized their business and personal networks. And when asked to give young business women seeking leadership positions advice, they had consensus in their responses.

Women in Corporate Leadership

1. First, business women are advised to **concentrate on doing their jobs well and developing a strong skill set.**

One woman interviewed stated that she received a promotion and corresponding board appointment because she was the only person within the company who was able to perform a certain, unique task that had great potential for the company and the industry. Other women cited various ways in which they had demonstrated their talent and leadership skills to their own boards. Having the confidence of your own company's board is very important. This is why so many outside directors are CEO's or presidents; the job title speaks volumes about how someone is perceived by their own board. Many of the directors we interviewed could not emphasize enough that *it is important to gain bottom-line responsibilities and management experience*. Staff positions do not get as much attention as do line positions. In fact, Catalyst found that the top barrier to women's advancement to the executive level was lack of line and or general management experience.²⁴ It was suggested by one director, "It is hard to argue with the bottom-line—if someone is making the company money, that person will get noticed whether or a woman or a man."

2. Next, several women cited **leadership skills** as another important component of developing board potential.

Community service was mentioned as a leadership-building opportunity by many of the women interviewed. *Volunteering on non-profit boards or committees is not only a good way to network and meet people in other companies and industries, it is also a way to develop new skills and showcase talents*. However, several directors warned that it is very important for women to serve in a way that matters to them. As one woman put it, "The passion that is required to be a successful volunteer cannot be faked."

3. Finally, most of the directors interviewed felt business women should **seek opportunities to develop soft skills like consensus building.**

These skills may come from their job responsibilities or volunteer work, but these experienced board members stated that one important part of becoming a director is to be someone who will fit in well with the rest of the board. That means not only having the right business skills to complete the board's knowledge set, but also having *demonstrated experience of being a team player*. Knowing what questions to ask

when and which opinions to share and with whom is very valuable. "Boards want someone with knowledge and they don't want divisiveness," is the advice from one director.

There are several ways in which these soft skills might be developed. One is through community service, but another is via a mentorship. Many of the directors interviewed felt that *having a mentor is a good way in which these informal lessons can be taught to young business people*. One woman put it this way, "Mentorships can be formal or organic. I have participated in both. Formal is better than nothing, but organic is best." And successful mentors to young business women do not have to be women themselves. When 1,200 high-ranking executives of 10 global US-based corporations were surveyed, 87 percent said that person who had helped them most in their career had been a man, including 81 percent of the women executives surveyed.²⁵

4. The last piece of advice on which many of our interviewees agreed is that **prospective board members need to ask the hard questions when determining whether they want to serve on a board.**

There are many responsibilities, professionally and personally, that go along with being a director and recruits need to be clear as to what will be expected of them. *Recent corporate governance reform legislation has made it clear that directors will be held responsible for their decisions*. No one should accept a board position if they are not willing to take on that responsibility. As one director said, "Sarbanes-Oxley has increased the stress of being a board member. But that's not a bad thing. It just means you need to be more prepared and ask more questions." The consensus among our interviewees was that being on a board is not about prestige, but that it is about the interests of the company and the shareholders.

Most of the women we interviewed felt hopeful about the future of today's young business women. In addition, most of the women we interviewed felt they were more than just tokens—they reported having achieved their leader status because they had something valuable to contribute to the company and their contributions had been noticed. Only one interviewee reported "there were times when I felt a board saw me as an African American female first, and then a business person second." But now, she says, "The company appreciates my experience."

Increasing Gender Diversity for Corporations

Our interviewees would be an asset to any corporation's board of directors. They have all achieved high positions in their own careers, are extremely knowledgeable, have influence in their industry, and work for the best interests of the companies upon whose boards they sit. In addition, as women they represent a large and growing portion of the country's executives, business owners, employees, consumers, and investors. This allows them to share a perspective on management, or governance, or planning, or manufacturing, or marketing that the company will need to understand in order to compete. Corporations are increasingly aware of the advantages diversity gives them in the marketplace. As a CEO of a Fortune 500 company said to Catalyst, "It's easy for boards to get club-like and ingrown. The notion of a bunch of old men who grew up in the same environment, governing a company—it's the best formula I know of for getting out of step in a changing world." Our corporate performance analysis detailed earlier seems to confirm this assertion.

So how can a company best capture the skills, knowledge, and experience of women like our interviewees? We asked our interviewees what advice they would give the CEO or chairperson of a company looking to add diversity to the board.

1. The overwhelming consensus was that **networks need to be broadened.**

CEO's and chairs need to look beyond the same grapevine of referrals and ask for new names. *They should go to the women they know who are already in leadership positions and communicate to them what the corporation's needs are.* They should ask the women or young executives they know to sit on nominating committees. They should broadcast their search outside the usual channels and look to new venues in which leadership skills may be showcased. "Get more creative in tapping into the talent pool," says one director.

The directors we talked with also told us that *it is everyone's responsibility to talk about the new or young talents we know.* New names need to be talked about again and again and again, so that a name sounds familiar to board members when it is finally brought before the nominating committee. Also, when new talent is identified, ask that person who else they think is doing a good job. One of our interviewees felt that today's young business people have more varied networks than in the past, and so by asking all new talent to share names and recognize other potential leaders there will be a more diverse result naturally.

2. Another path to greater diversity is to **broaden the definition of leadership**, say our interviewees.

There are not very many women CEO's, although the number is growing. Limiting the search for a new board member to the top executive position excludes many women and people of color. A director whose job title is president stated, "If you

only consider someone who is number one, you will miss many highly qualified women who are at the number two and number three positions. I was in a number two position when [company] asked me to join their board.” Another director suggested *looking to entrepreneurs with successful businesses*, “They have the same skills as a CEO, but are more likely to be women or minority.” The New England Chapter of the National Association of Corporate Directors has endorsed similar recommendations.²⁶

3. In addition, the directors interviewed felt CEO's need to **grow and train more women leaders within their own companies.**

“When looking for a board member, a CEO is not looking for someone they can develop. They need someone who already has the skills and expertise. However, when it comes to diversifying the executive ranks, it is better to develop your own and build pathways for young people to rise up,” says one director. As a result, the executive suite will be more representative and boards will also have a more diverse pool of qualified people to recruit from. *A mentoring program, in-house networking groups, or an internal database of new talent might be ways in which corporations can focus on growing their own diverse leadership*, according to our interviewees. In addition, companies could sponsor training and development programs to teach their executives with desirable traits about corporate governance and regulation, and thus help provide them with the knowledge necessary for board service.²⁷ Another director suggested CEO's and chairs ask highly skilled, but not top management, women to serve on an advisory board for the corporation. That allows the women “to get to know the company, and the company can get to know them.” It also helps these women be viewed as “board material.”

4. The directors we interviewed had suggestions for **improving the work of nominating committees.**

One director said that the nominating committee should have an open and transparent process and should *be willing to accept names from many sources*. Another suggested that the committee create a matrix of current skills represented on the board and appoint to fill weaknesses in the matrix. “Look for these skills packaged in different or unconventional ways,” she advised.

But not all our interviewees felt CEO's or chairs would heed their advice. Says one, “It's hard, unless you've done something really unique, to get a board appointment if you are a VP, even if you are a senior VP. CEO's can come from various backgrounds, but at the end of the day, they're generalists. In every case they're at the top of what they're doing. ...Women tend to believe that because they know they could make a difference, then they should get an appointment. But they're not going to get that appointment unless they're a CEO. Women tend to be naïve about the realities of this—we must be more realistic.” Echoes another, “There's an opportunity to educate CEO's about the importance of diversity, but it's a laborious process. It will be faster to get qualified women into the executive ranks and get them noticed.”

Thus, the women we interviewed felt there were many ways in which diversity could be encouraged, and many ways in which CEO's and board chairs could be catalysts for change, including a market-based argument for diversity as a way to connect to the consumer base. But there was also a notion that the best way to win the game is to simply be the best player.

In what ways can current corporate leaders help train the women on their staffs to be better players? We have outlined the concrete steps CEO and board chairs can take to improve diversity, as well as the things women need to do to position themselves for leadership roles. (See Table 5 for the outline.) Our work, based on interviews with women directors of Wisconsin companies, complements the work of The Chicago Network and Catalyst, who have systematically researched corporate best practices in developing representative executive staffs and boards. Their findings are presented in Appendix Tables A.5 and A.6.

These best practices, along with Milwaukee Women inc's *Outline for Gender Diversity*, are actions Wisconsin's corporate leaders can take today to help achieve better diversity in the future.

Conclusion

The number of women in leadership roles in Wisconsin has increased considerably since 1992. However, the Wisconsin 50 lag behind corporations nationwide and in the region with regard to the gender diversity of their corporate leaders.

Milwaukee Women inc is dedicated to helping businesses become more representative by presenting this research. Wisconsin's corporations now have benchmarks against which they can measure their progress. In addition, they have evidence that having women in leadership roles is associated with a healthy bottom line.

Milwaukee Women inc invites Wisconsin companies to take the steps presented in the outline to grow the pool of qualified business women, recognize talented women, and utilize their leadership abilities. We look forward to future census reports that reflect successful efforts to diversify Wisconsin's board rooms and executive suites.

Appendix A: Tables

Table A.1: Women Serving as Directors in the Wisconsin 50, June 2003

Name	Current Position	Member Boards
Betty Alewine	Pres./CEO, COMSTAT (retired)	Rockwell Automation
Jameson Baxter	Pres./CEO, Baxter Assoc. (retired)	Banta Corp.
Natalie Black	Sr. VP/Gen. Counsel/Corp. Sec., Kohler Co.	Johnson Controls
Barbara Bowles	Pres./CEO, The Kenwood Group	Wisconsin Energy
Ursula Burns	Sr VP/Pres. Business Group Ops., Xerox	Banta Corp.
Mary Bush	Pres., Bush & Co.	Brady Corp., MGIC Investment
Holly Cremer Berkenstadt	CEO, Wisconsin Cheeseman	Anchor BanCorp Wisconsin
Shirley Dawe	Pres., Shirley Dawe Assoc.	Oshkosh B' Gosh
Roxanne Decyk	Sr. VP, Shell Oil	Snap-on
Eunice Filter	VP/Treas./Sec., Xerox (retired)	Briggs & Stratton
Diane Gershowitz	self-employed	The Marcus Corp.
Kathryn Hasselblad-Pascale	Partner, Hasselblad Machine Co.	WPS Resources
Tamara Heim	Pres., Borders Books and Music Stores	Oshkosh B' Gosh
Kathleen Hempel	Vice Chair/CFO, Fort Howard (retired)	A.O. Smith, Oshkosh Truck, Actuant
Katherine Hudson	Pres./CEO, Brady Corp. (retired)	Brady Corp.
Helen Johnson-Leopold	Chair/CEO, Johnson Outdoors	Johnson Outdoors
Rochelle Lamm	Chair/CEO, Precision Marketing Partners	School Specialty
Sara Levinson	Pres., Women's Group Rodale	Harley-Davidson
Katharine Lyll	Pres., UW System	Alliant Energy, M&I Corp.
Christine Marten	Flight Attendant, Northwest Airlines	Marten Transport
Singleton McAllister	Partner, Patton Boggs	Alliant Energy
Martha McPhee	Sr. VP/COO, BRW, Inc./URS Corp. (retired)	Shopko Stores
Arlene Meier	COO, Kohl's	Kohl's
Regina Millner	Pres., The Rmillner Co.	Madison Gas & Electric
Judith Pyle	Vice Chair, The Pyle Group (retired)	Alliant Energy
Rozanne Ridgway	Ambassador, Asst. Sec. of State (retired)	Manpower
Thekla Shackelford	Chair, I KNOW I CAN	Fiserv
Elizabeth Solberg	Regional Pres./Sr. Partner, Fleishman-Hillard	Midwest Express Holdings
Donna Sollenberger	Pres./CEO, UW Hospitals and Clinics	Madison Gas & Electric
Judith Sprieser	Pres./CEO, Transora	Kohl's
Janet Steiger	Chair, US Federal Trade Comm. (retired)	Cobalt
Stephanie Streeter	Pres./CEO, Banta Corp.	Banta Corp.
Julia Taylor	Pres., Greater Milwaukee Cmte.	St. Francis Capital
Barbara Thomas	Interim CEO, Ocean Spray	Rayovac
Essie Whitelaw	Sr. VP, Wisconsin Physicians Services	Sensient
Marsha Williams	Exec. VP/CFO, Equity Office Properties Trust	Modine Manufacturing
Phoebe Wood	Exec. VP/CFO, Brown-Forman	Oshkosh B' Gosh

Table A.2: Corporate Performance on Accounting Measures by Board Composition

		Percent of Directors that are Women				
		1992		2002		
		0%	> 0%	0%	>0%	>25%
Return on Investment	Mean	6.7	7.7	6.64	9.87*	14.7
	St. Dev.	12.2	6.8	6.5	7.2	17.6
	N=	22	15	17	32	3
				(w/o Alterra)		
Return on Equity	Mean	9.5	10	9.08	13.38**	16.17
	St. Dev.	12.9	10.9	7.55	7.6	16.27
	N=	23	15	17	31	3
				(w/o Actuant or Alterra)		
Earnings Per Share	Mean	0.49	1.3	0.98	1.91***	1.7
	St. Dev.	0.92	0.83	1.4	1.38	0.85
	N=	22	15	18	32	3

*p=.065, **p=.03, ***p=.01*

Table A.3: Corporate Performance on Accounting Measures by Diversity of Corporate Officers

		Percent of Officers that are Women				
		1992		2002		
		0%	> 0%	0%	>0%	>25%
Return on Investment	Mean	6.58	7.33	7.98	9.16	13.67
	St. Dev.	12.3	3.4	6.3	7.51	9.38
	N=	24	11	17	32	4
				w/o Alterra		
Return on Equity	Mean	8.51	11.14	10.57	12.5	17.05
	St. Dev.	14.2	3.29	7.43	8	9.42
	N=	25	11	16	32	4
				w/o Actuant or Alterra		
Earnings Per Share	Mean	0.61	1.12	1.5	1.63	1.77
	St. Dev.	1	0.76	1.4	1.5	0.81
	N=	24	11	17	33	4

Table A.4: Change in Stock Value as Compared to S&P 500, by Board Composition and Diversity of Corporate Officers, 1992-2002

	All Companies (N=50) Initial investment \$100				Companies with Data for Every Month, Every Year (N=38) Initial Investment \$100				Index S&P 500
	Officers		Board of Directors		Officers		Board of Directors		
	0%	> 0%	0%	>0%	0%	> 0%	0%	>0%	
Mean	\$368.46	\$325.65	\$265.65	\$382.14	\$432.63	\$372.19	\$314.31	\$431.44	\$250.80
St. Dev.	\$355.15	\$329.28	\$182.99	\$392.78	\$360.68	\$368.00	\$181.80	\$417.71	

Table A.5: Catalyst's Manager's Checklist for Becoming a Diversity Champion²⁸

1. Understand your company's business case for diversity and communicate it often
2. Use facts to counter backlash, track change, and drive diversity progress.
3. Encourage diversity training to educate yourself and staff about diversity issues.
4. Ask people from all backgrounds about their experiences; listen to their stories.
5. Make sure project teams have diverse representation.
6. Identify the skills needed to advance to each level of responsibility, and communicate these to all of your staff.
7. Explain the "unwritten rules" of your organization to new employees and subordinates.
8. Focus on rewarding results rather than hours spent in the office.
9. Be a mentor. The benefits for both you and your mentee will be great.

Table A.6: The Chicago Network's Best Practices—Strategies that Work²⁹

1. Formally acknowledging talent optimization as a competitive driver.
2. Requiring managers to prepare annual promotion plans.
3. Tying management compensation to staffing goals via formal review.
4. Consistently assigning women to project teams.
5. Reviewing progress on promotion goals by the board of directors.
6. Creating succession plans that include initiatives for the advancement of women.
7. Instituting career progression plans that map a path from entry level to senior management.
8. Funding training, recruiting, mentoring, and coaching for women.
9. Affirming that management should reflect the demographics of the company's consumers.
10. Establishing a monthly high-ranking women's meeting to encourage networking and mentoring.
11. Founding a Diversity Advisory Council.
12. Ensuring every slate presented for promotions is diverse.

Appendix B: Data and Methodology

The census enumerates the number of women board directors and corporate officers in Wisconsin's top 50 publicly-traded companies. The list of 50 corporations is that published by the Business Journal in August 2002.³⁰ The Business Journal uses data from the company's annual reports and fiscal statements to rank them with respect to total revenue. We phoned each company on the list to gather the names of their directors and to verify the gender and ethnicity of each director. This data is accurate as of June 2003.

We used each company's 2002 annual reports to count the number of women corporate officers. We verified gender by obtaining bios of the officers from the corporation's website or by phoning the corporation. This data is accurate as of the 2002 annual report printing date for each company. It should be noted that we do not attempt to define "corporate officers." The SEC merely requires a corporation to list its officers in the annual report; we use the names that appear in that publication (and also in required SEC filings, should the annual report be ambiguous). Thus, there may be some discrepancies from company to company as to whether a particular position or job title is deemed a corporate officer. For this reason we have not tried to tabulate the number of women at a particular rank across companies.

The historical data on board membership and corporate officers were obtained from annual reports, SEC filings, or prospectuses. We attempted to obtain data for all companies using their 1992 annual reports. However, some companies did not respond to our requests for information, some corporations were not public or did not exist at that time, and some companies existed as a different entity at that time. For these companies, the best historical data available are from a year other than 1992; in those cases we footnote the year of the data.

To fill in biographical information about each woman board director, we sought official biographies from the corporation of which she is a director, or from her company of employ. We also searched the Internet and newspaper databases for biographical information.

For corporate performance data, we obtained datasets from two commercial providers. The current and historical accounting data, including returns on investment and equity, as well as earnings per share, were purchased from COMPUSTAT, a division of Standard and Poor's. The current and historical market data were provided gratis by the Center for Research in Security Prices (CRSP), run by the University of Chicago Graduate School of Business.

Our interviews with women directors took place between June 2003 and January 2004. The interviews consisted of ten questions and lasted approximately 45 minutes. We asked 15 women directors for interviews and secured interviews with eight of them. Seven interviews were conducted in person and one was conducted over the phone. We used the qualitative data obtained via interviews to draft two

outlines for increasing diversity, which are still in the formative stages. One outline is the result of advice women directors would give to young business women on how to move into corporate leadership roles. The other outline is for corporate executives and directors who are seeking greater diversity on their board and in their executive suites. It is based on the interview data, as well as findings from Catalyst and The Chicago Network.

Appendix C: Research on Company Performance and Board Diversity

Much research has been committed to answering this question as it relates to board composition. In general terms, the consensus has been: 1) the board composition is not correlated to fiscal performance, yet 2) the size of the board is negatively related to corporate performance. (Hermalin and Weisbach 2003).

Researchers have attempted to find a relationship between board composition and fiscal performance in many ways. While most studies focus on the ratio of outside directors as the indicator of board diversity, and not gender, the findings are still relevant as most women directors are indeed outside directors. The most frequently used method of calculating fiscal performance is to employ accounting measures, such as Return on Investment or Return on Equity. MacAvoy et al. (1983), Hermalin and Weisbach (1991), Mehran (1995), Klein (1998), and Bhagat and Black (2000) all report insignificant relationships between corporate performance and the ratio of outside directors when measuring performance with accounting calculations. Some researchers alternatively use Tobin's Q to measure performance. Tobin's Q includes the value added to a firm by intangible factors such as governance. Neither Hermalin and Weisbach (1991) nor Bhagat and Black (2000) find a significant relationship with firm value and board composition using this method. However, Carter, Simkins, and Simpson find a general significant, positive relationship between Tobin's Q and board diversity as measured by ethnicity and/or gender. (2002a, 2002b). Finally, Bhagat and Black (2000) use long-term stock performance to measure corporate performance, finding no relationship to board composition.

As for board size, Jensen (1993) and Lipton and Lorsch (1992) suggest larger boards negatively effect performance, while Yermack (1996) and Eisenberg et al. (1998) find significant results confirming the theory. These findings matter when talking about gender diversity on boards because Farrell and Hersch (2004) find the probability of adding a women to a board in any given year is inversely related to the number of women already on a board. Thus, women may be more likely to be appointed to larger boards, which are not correlated with better fiscal performance. However, Farrell and Hersch do find that women tend to serve on boards of better performing firms, as measured by Return on Assets.

Endnotes

¹*The Bottom Line: Connecting Corporate Performance and Gender Diversity*, Catalyst, New York, 2004. Citing Karen A. Bantel and Susan E. Jackson, "Top Management and Innovation in Banking: Does the Composition of the Top Make a Difference?" *Strategic Management Journal* Vol. 10, 1989; and Anne S. Tsui and Barbara A. Gutek, *Demographic Differences in Organizations: Current Research and Future Directions* Lexington Books, Lanham, MD, 1999.

²The Wisconsin 50 refers to the 50 top revenue producing companies headquartered in Wisconsin as identified in August 2002 by the *Business Journal*

³The Fortune 500 averages 1.56 women directors per company and the Chicago 50 averages 1.38 women directors per company.

⁴*2003 Catalyst Census of Women Board Directors*, Catalyst, New York, 2003. *Fifth Annual Census of Chicago's 50 Largest Companies*, The Chicago Network, 2003.

⁵Seven of the Business Journal's top 50 Wisconsin public companies are in the Fortune 500. Due to an additional three companies in the Fortune 500 that are not in our top 50, Catalyst calculates the percentage of women directors on Wisconsin Fortune 500 companies to be 11.5%.

⁶Catalyst found the average number of boards per woman serving as directors for Fortune 500 companies is 1.4. The women on the boards of the Chicago 50 average 1.3 boards per person.

⁷Catalyst was able to obtain information on ethnicity for 415 of the Fortune 500 company boards. They found women of color hold three percent of the total board seats of those companies. In terms of board seats held by women in general, women of color hold 15 percent of the Wisconsin women's seats and 22 percent of the Fortune 500 women's seats.

⁸Catalyst found the average number of women officers in the Fortune 500 companies to be 4.3. The Chicago Network found an average of 1.7 women officers per Chicago 50 company.

⁹*2002 Catalyst Census of Women Corporate Officers and Top Earners in the Fortune 500*, Catalyst, New York, 2002. *Fifth Annual Census of Chicago's 50 Largest Companies*, The Chicago Network, 2003.

¹⁰National Association of Female Executives, 2004.

¹¹Companies for which the historical data are not from 1992 are: C2 Inc. (1999), Midwest Express Holdings, Inc. (1995), School Specialty Inc. (1999), St. Francis Capital Corp. (1993), and Strattec Security Corp. (1996).

¹²These four are MGIC Investment Corp, Wisconsin Energy Corp., WPS Resources Corp., and American Medical Security Group Inc.

¹³Catalyst has found a six percentage point increase in Fortune 500 women officers from 1995 to 2002 and a four percentage point increase in Fortune 500 women directors from 1995 to 2002. The Chicago Network found a nine percentage point increase in women officers in 23 Chicago companies for which they have six years of data, from 1998 to 2003. During this time period the portion of women directors in those companies increased by four percentage points.

¹⁴These six are A.O. Smith, Madison Gas & Electric, Marcus Corp., C2 Inc., Midwest Express Holdings, and Actuant.

¹⁵The industries with significant positive differences for ROE and TRS are: Consumer Discretionary, Consumer Staples, and Financials. Catalyst found positive, yet not significant, differences in ROE and TRS for Industrials, and for ROE for Information Technology/Telecommunication Services. An insignificant, negative relationship was found for TRS for Information Technology/Telecommunication Services.

¹⁶*The Bottom Line: Connecting Corporate Performance and Gender Diversity*. Catalyst, New York, 2004.

¹⁷Bureau of Labor Statistics, Current Population Survey, Annual Demographic Survey (Detailed Person Income), March 2002.

¹⁸Flynn, Patricia. 2002. *Making the Business Case for Women on Corporate Boards: Statistical Data on the Role and Clout of Women in the U.S. Economy*. Paper prepared for The Boston Club's Corporate Board Resource Committee.

¹⁹Ibid.

²⁰U.S. Department of Education, National Center for Education Statistics, *Earned Degrees Conferred: Projections of Education Statistics to 2012*. Prepared November 2002.

²¹Enrollment in ABA Approved Law Schools, 1947-2002 (Percentage of Women). American Bar Association. However, the Equal Employment Opportunity Commission in 2002 found that while 48 percent of all attorneys are women, only 13 percent of law firm partners are women.

²²*2002 Catalyst Census of Women Corporate Officers and Top Earners of the Fortune 500*, Catalyst, New York.

²³For one interviewee, the job title at the time of appointment is unknown.

²⁴Catalyst, *Women in US Corporate Leadership*, Catalyst: New York, 2003.

²⁵*Leaders in a Global Economy: A Study of Executive Men and Women*, Families and Work Institute, Catalyst, and the Center for Work and Family at Boston College, 2002. The survey also found that of the men surveyed, 19% aspired to be CEO, while only 9% of the women did so.

²⁶The steps they suggest boards looking to identify qualified women directors take, include: Consider CEO's of small businesses; Look beyond CEO's for talent; Target functional experts in finance, accounting, and marketing; Get input beyond nominating committee and current board members; and Seek assistance from organizations that have databases of qualified women.

²⁷Foundation for Independent Directors, *Review of the Role and Effectiveness of Non-executive Directors*, Sept. 2002.

²⁸*Catalyst Quick Tips*, Catalyst, New York, 2003.

²⁹*5th Annual Census of Chicago's 50 Largest Companies*, The Chicago Network, 2003.

³⁰Four of the Business Journal's list of top 50 are also among the top 50 largest employers in Wisconsin. They include: ShopKo, Kohl's, WE Energies, and M&I Bank.

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