

Women at the top: women in senior positions can help boards achieve social goals

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About the research

There is evidence that female presence on boards positively affects firms' corporate social performance. Women are considered more socially oriented than men, resulting in more effective board decision-making, particularly on aspects related to social responsibility. Currently there are moves to increase the number of women on boards. Some countries have quotas. The moves are largely to improve female representation and increase board diversity.

This study examines the influence of women on the boards of directors of National Health Service Foundation Trusts (FTs) in England. FTs provide a public service where provision of safe, effective health care is the primary objective ('social goals'), but financial targets must be met. The study was carried out in a context where women are well represented on boards and where a woman frequently occupies one of the two most influential positions, Chair and Chief Executive. The findings of this study have implications for gender diversity and gender targets on the boards of directors in business and other sectors.

This study explores the positive influence that (more) women and the position held by women may exert on boards of directors.

Policy implications

- Companies are now required to meet social targets as well as deliver against their own financial goals. In order to achieve this, companies would benefit from more women in senior positions.
- In order for female presence to be effective, women need to reach the most prominent board positions of Chief Executive or Chair.
- Once a critical mass of women is reached, increasing the number of women directors further has no obvious effect on board performance.
- However, the representational and opportunity reasons for requiring more women on boards should not be overlooked.
- Quotas may therefore have a role in ensuring a balanced board, but further change in board performance requires targets to be focused on the top board positions.
- The Financial Reporting Council should require and monitor that more women reach the top positions in companies.

Key findings

- A high female presence among executive and non-executive directorships does not result in significant differences either in financial goals or service quality.
- In FTs not only has a critical mass been reached, but gender diversity has reached a level where further 'gender diversity' (a higher proportion of female directors), may not achieve an additional measurable influence on performance.
- Women in prominent board positions (Chairs and Chief Executives) do exert a positive influence on hospital service quality. Women in the higher echelon appear to be effective in helping boards meet the organisation's social goals. There is no effect on financial performance.

Public sector vs. private sector: how do they compare?

FTs have Boards of Directors that operate under similar corporate governance arrangements to their private sector counterparts. However, unlike FTSE 350 firms, women are well represented in health service FTs:

- All FTs have a female board member and on average over a third of directors are female;
- Female presence is higher for executive directorships (40%) than for non-executives (32%);
- In FTs, females occupy 29% of the Chair positions and 36% of the Chief Executives seats.

Further Information:

Ellwood, S. M., & Garcia-Lacalle, J. (2015).

The influence of presence and position of women on the boards of directors: The case of NHS Foundation Trusts. *Journal of Business Ethics*, 130 (1) 69-84.

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