

Women on private boards: Family companies lead the way

By **Bernie Tenenbaum**

Research has shown that board diversity enhances corporate performance, and failing to address the gender gap can have both economic and cultural consequences. However, in most companies, both public and private, women directors remain remarkably underrepresented. While there is generally good data on boardroom diversity for public companies, there is still little to be found on how private company boards are addressing the gender gap.

Lodestone Global recently published its 4th Annual 2014 Private Company Board Compensation Survey that examines current

board practices and compensation around the world. The survey included 235 companies across 31 different industries and 35 different countries. All the respondents were members of the Young Presidents' Organization (YPO-WPO), an international group of presidents and CEOs. The organization unites approximately 22,000 business leaders in more than 125 countries. The 235 respondents were all CEOs of companies ranging from \$10 million to over \$1 billion in revenues.

What Lodestone Global found was that family majority owned companies showed the highest percentage of women on their boards. Over 63% of the family majority owned companies surveyed had a woman on their board, far above the

48% of all the private companies surveyed. Public companies in the Fortune 1000 did have 87% of boards with at least one woman (see Exhibit 1).

But that is to be expected—larger public companies have a higher percentage of boards with women directors due to the size of their boards. However, when analyzed based on percentage of board seats, private family run businesses actually have higher women representation in the boardroom. According to the survey's results, family majority owned companies had just under 18% of all board seats occupied by women, edging out the Fortune 1000 companies where women occupied just over 15% of board seats (see Exhibit 2).

Of note, family majority owned companies tended to have a higher percentage of independent women directors. In fact, over 50% of all women directors were independent, suggesting that per-

Exhibit 1: Percentage of private company boards with at least one woman director

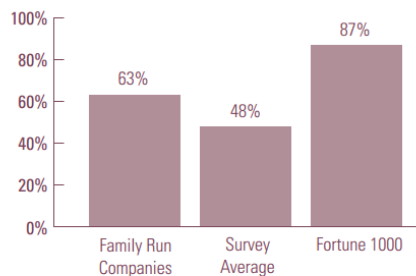
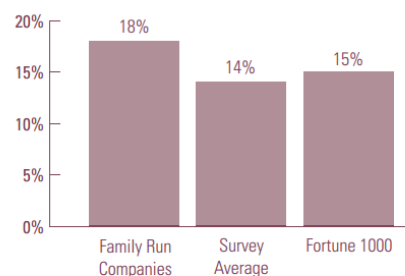


Exhibit 2: Women directors as a percentage of all private company board seats



haps family run companies are recruiting women based on merit and not just due to family affiliation.

Despite private family majority owned companies having higher female representation, compensation for women directors remains below comparable levels for other private company directors. Of the 112 companies surveyed that had a female director, the median annual retainer was \$20,000. This compares with a higher \$22,000 for the entire survey. Note that retainers for private companies jumped 10% from \$20,000 to \$22,000 in 2014. However, boards with a female director remain at the 2013 levels.

We suspect that the 10% gap in retainer paid to boards with female directors is primarily due to the high percentage of family majority owned companies in the sample. Family majority owned companies' median annual retainer did not increase with the rest of the survey average this

year, staying flat at \$20,000 versus 2013. This could explain why the median annual retainer for boards with female directors was below survey average.

Interestingly, private companies in the Retail and Wholesale industries showed the highest percentage of women on their board at just under 18% of all board seats. More work needs to be done to address the gender gap in Real Estate, Healthcare and Financial Services, all of whom had less than 12% of their board seats occupied by female directors (see Exhibit 3).

In summary, the Lodestone Global 2014 Private Company Board Compensation Survey found the following data points with respect to female directors:

- Family majority owned company boards had the highest female director representation.
- Retail/Wholesale, as an industry, had the highest percentage of board seats occupied by women.

- Boards with female directors received a 10% lower annual retainer in 2014 than comparable private company directors.

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Exhibit 3: Percentage of board seats occupied by female directors by industry

