Why does gender diversity on public boards matter? Many institutional shareholders, as well as lawmakers focused on board diversity, point to evidence of stronger financial performance at companies with gender-diverse boards. Many also argue a company’s board of directors should be, in part, a reflection of its consumer or client base.

And the number of women serving on public company boards has been steadily growing, from 19% of S&P 500 board seats five years ago, to 24% in 2018. As of July 2019, each company in the S&P 500 has at least one woman on its board.

Having a diverse group of people in the boardroom brings diverse views. With this variety of perspective, boards can think about issues more broadly, and see them in a different context. They are better able to identify important questions and possible solutions.

Here, we have broken down the results of PwC’s Annual Corporate Directors Survey by the respondents’ gender, to examine where views differ the most. In the areas of board composition/diversity, social issues and culture/talent management, we see some profound differences in how male and female directors view the issue. Read on to explore these results, and view the full Annual Corporate Directors Survey here.

---

1. Spencer Stuart, 2018 United States Spencer Stuart Board Index, October 2018.
The need for board diversity

Female directors are more likely to say that gender diversity is “very important” on boards—but they are also more likely to say the same about other elements of diversity. By creating more gender diversity, this may help to advance the conversation about racial/ethnic diversity on boards, as well as age diversity.

Q1: How would you describe the importance of having the following skills, competencies or attributes on your board? Gender diversity; Racial/ethnic diversity; Age diversity
Response: Very important
Base: 689-691

The value of board diversity

Female directors are much more likely to “strongly agree” that board diversity brings benefits to the board and the company. In particular, nearly three times as many women strongly agree that board diversity improves strategy and risk oversight, and that it enhances company performance.

Q5: To what extent do you agree with the following statements about board diversity?
Response: Strongly agree
Base: 694-698
What drives diversity

In addition to being less likely to see the benefits of board diversity, male directors are more likely to think that changes to board composition are being driven by external factors. More than half of male directors (59%) agree that board diversity efforts are driven by political correctness.

 Directors see outside forces at work in pushing board diversity
Board diversity efforts are driven by political correctness

What is the optimal percentage of female directors?

Most female directors think the optimal percentage of female representation on public company boards is 41-50%. Among male directors, the most common response was 21-40%.

The right gender balance

Q6: To what extent do you agree with the following statements about board diversity?
Response: Strongly agree, somewhat agree
Base: 696

Q8: In your opinion, what is the optimal percentage of female representation on public company boards?
Base: 658
Achieving diversity on boards

Boards thinking about increasing their diversity can go about doing so in a number of ways. Female directors are more likely to support each one of those methods. Male directors, on the other hand, are more than twice as likely to say that boards will naturally become more diverse over time.

Directors’ support for diversity efforts

Q9: To what extent do you support the following methods of achieving diversity on public company boards?
Response: Very much, somewhat
Base: 684-689

Shareholder focus on board diversity

Board diversity has been a clear priority for many institutional shareholders. Male directors are almost three times as likely as female directors to say that shareholders give board gender diversity too much attention. They are also more than three times as likely to say the same about racial/ethnic diversity.

Directors saying shareholders devote too much attention to diversity

Q22: Do you feel that institutional investors devote too much attention, just the right amount of attention or not enough attention to the following issues?
Response: Too much
Base: 370-379
Social issues

Shareholder focus on social issues

Most male directors think investors are giving too much attention to social issues like environmental/sustainability concerns and corporate social responsibility. Female directors are much more likely to say that those issues are getting the right amount of attention. These views may impact air time in the boardroom, as boards with more female directors may be more willing to devote time on board agendas to these common shareholder concerns.

Q27: Do you feel that institutional investors devote too much attention, just the right amount of attention or not enough attention to the following issues?
Base: 328-353

Shareholder attention devoted to corporate social responsibility:

- **Female**: 26% Too much, 64% Right amount, 10% Not enough
- **Male**: 52% Too much, 45% Right amount, 3% Not enough

Shareholder attention devoted to environmental/sustainability issues:

- **Female**: 25% Too much, 64% Right amount, 11% Not enough
- **Male**: 63% Too much, 33% Right amount, 4% Not enough
Public companies’ role in society

With many public companies rethinking the role of corporations in society, more female directors support the idea of companies taking an active role. They are much more likely to agree that companies should prioritize a broader group of stakeholders, rather than just shareholders, and they think companies should be doing more to promote diverse workplaces.

 Directors agreeing that...

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies should be doing more to promote gender/racial diversity in the workplace</td>
<td>94%</td>
<td>Male</td>
</tr>
<tr>
<td>Companies should prioritize a broader group of stakeholders in making company decisions (rather than just shareholders)</td>
<td>81%</td>
<td>Female</td>
</tr>
</tbody>
</table>

The need for ESG expertise on boards

Female directors are more likely to value environmental/sustainability expertise on boards. With expertise at the board level, these issues are more likely to be taken seriously by management and by the board as a whole.

 Directors saying environmental/sustainability expertise is important

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental/sustainability expertise</td>
<td>62%</td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>47%</td>
<td>Male</td>
</tr>
</tbody>
</table>
The impact of ESG at the company level

Female directors are more likely to see the financial impact of ESG issues on the company. They are also more likely to say that ESG-related disclosures should be a priority for management. With such a different view of ESG issues, boards with greater gender parity may be discussing the role of ESG issues at their company in a fundamentally different way.

Q23: Which of the following statements do you agree with about ESG (environmental/social/governance) issues? (select all that apply)
Base: 643

<table>
<thead>
<tr>
<th>Statement</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG issues are important to the company’s shareholders</td>
<td>62%</td>
<td>48%</td>
</tr>
<tr>
<td>ESG issues have a financial impact on a company’s performance</td>
<td>62%</td>
<td>45%</td>
</tr>
<tr>
<td>Disclosing a company’s efforts on ESG-related issues should be a priority for management</td>
<td>45%</td>
<td>24%</td>
</tr>
</tbody>
</table>

The role of social issues in developing company strategy

In general, female directors are more likely to say that social issues should be taken into account when forming company strategy. This includes a wide variety of issues ranging from environmental concerns to social movements. Having more female directors may, as a result, shape the way the board considers company strategy.

Q22: To what extent do you think your company should take the following issues into account when developing company strategy?
Response: Very much, somewhat
Base: 684-689

<table>
<thead>
<tr>
<th>Social Issues</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource scarcity</td>
<td>82%</td>
<td>61%</td>
</tr>
<tr>
<td>Human rights</td>
<td>70%</td>
<td>58%</td>
</tr>
<tr>
<td>Climate change</td>
<td>68%</td>
<td>50%</td>
</tr>
<tr>
<td>Social movements (e.g., #MeToo, gun control)</td>
<td>66%</td>
<td>38%</td>
</tr>
<tr>
<td>Income inequality</td>
<td>57%</td>
<td>38%</td>
</tr>
</tbody>
</table>
Factors leading to culture problems

Problems with company culture can stem from a number of different areas. Female directors are more likely to lay blame with management’s focus and attention, and with the unintended effects of the company’s compensation plans.

Which factors contribute to culture failings?

- Tone set by executive management: 80% (Female), 72% (Male)
- Tone set by middle management: 71% (Female), 56% (Male)
- Excessive focus on short-term results: 47% (Female), 30% (Male)
- Lack of communication/transparency from management: 44% (Female), 30% (Male)
- Compensation plans drive bad behavior or undesired outcomes: 41% (Female), 21% (Male)

Q20: To what extent do you agree or disagree that the following factors contribute to problems with corporate culture?
Response: Strongly agree
Base: 677-687

The need to improve talent management

Female directors are more likely to see room for improvement in talent management. Compared to their male colleagues, female directors give their companies lower marks in every area of talent management. Female directors may be holding management to a higher standard, or they may be identifying shortcomings that their male counterparts aren’t seeing.

Grading talent management

- Developing and retaining talent: 78% (Female), 88% (Male)
- Recruiting a diverse workforce: 47% (Female), 67% (Male)

Q25: How would you rate the job your company does on the following aspects of talent management?
Response: Excellent, good
Base: 680
How PwC can help

To have a deeper discussion about these topics, please contact your engagement partner, or a member of PwC’s Governance Insights Center.

**Paula Loop**
Leader, Governance Insights Center
paula.loop@pwc.com

**Paul DeNicola**
Principal, Governance Insights Center
paul.denicola@pwc.com

**Leah Malone**
Director, Governance Insights Center
leah.l.malone@pwc.com

**Project team**

**Shelley Wilson**
Marketing Director
Governance Insights Center

**Christine Carey**
Marketing Manager

**Elizabeth Eck**
Senior Manager
US Integrated Content Team

**Nick Bochna**
Project Team Specialist
Governance Insights Center

**Francis Cizmar**
Senior Account Manager

**Dan von Lossnitzer**
Lauren Francesconi
Design
Creative Team