



In Charge: (L. to R.) HealthStream director Linda Rebrovick, J. Alexander's Corp. director Brenda Rector and AmSurg CFO and director Claire Gulmi are among the few female executives in Nashville with a seat on the board of a publicly traded company.

ALL ABOARD

by **Drew Ruble**

Photography by **Jude Ferrara**

WHEN IT COMES TO WOMEN ON THE BOARDS OF PUBLICLY TRADED COMPANIES IN TENNESSEE, THE VOLUNTEER STATE MISSES THE BOAT

Ansgar Gabrielsen may not be a household name in America. But perhaps he should be. The former Norwegian Minister of Trade created quite a stir across Europe a few years ago when he crusaded for public companies based in Norway to boost female representation on corporate boards from its 6% rate to between 40% and 60% representation. A law mandating just that took effect in 2007.

Here in America, the U.S. Securities and Exchange Commission (SEC) recently enacted the Governance Disclosure Rule, requiring corporations to disclose both director qualifications and

diversity practices when evaluating and selecting board candidates. While smartly avoiding the institution of quota rules on public company governance makeup (see editor's letter), the action does constitute a strong suggestion to get more diversity on the corporate boards of U.S.-based publicly traded companies. Or, at the least, to hold corporate nominating committees accountable for considering diversity when evaluating candidates for their boards.

That's a step in the right direction—especially here in Tennessee where the problem of homogenous boards is particularly acute.

The Dirty Truth

A recent study sponsored by Nashville CABLE, the largest chapter in Tennessee's most established network of women professionals, and conducted by the Lipscomb University College of Business, found that based on fiscal year 2008 SEC filings there has been no significant progress with regards to female representation on the boards of directors and in the executive suites of Tennessee's publicly traded companies since the previous report in 2006. The only research of its kind in Tennessee, the report makes clear that "despite their increasing economic power, women are vastly underrepresented on Tennessee corporate boards."

Key findings in the report include that only 9% of the 618 corporate directors in Tennessee were women at a time when women made up 51.9% of Tennessee's work force. Of 73 public companies considered, 34 had no women board members, while 28 had one, 10 had two and one, Memphis-based FedEx, had three. There were no women CEOs of public companies in the state. And most shockingly, 26 of 73 companies had neither a female corporate officer nor a female board member. (See accompanying chart identifying those so-called "zero-zero" companies.)

After working with her students to conduct this study twice in a three-year period, Allison Duke, an assistant professor of management at Lipscomb University and an expert in workplace diversity, calls it "disheartening" to see almost no improvement in the numbers. Sue Herrman, VP of marketing and business for Info Works Inc. and chair of CABLE's "Women on Boards" committee, echoes that sentiment, stating that having women on a board or an executive team "isn't just about doing the right thing—it's about having a different perspective and doing what it takes to get the job done."

How does Tennessee rank nationally? The recently issued sixth annual benchmarking report from the InterOrganization Network, or ION (of which CABLE is a member), shows that Tennessee falls far below the national average. Nationwide, women hold 15.2% of all board seats for public companies, but in Tennessee, there are only 8.3% women directors. And while 8% of companies have 25% or more women directors nationwide, Tennessee boasts a mere 1.4%.

Devil's Advocate

Explaining why women are not rising to the rank of corporate board member in Tennessee and elsewhere is more complicated

than simple gender bias.

Some explanations are traditional: Women limit their own growth in the corporate environment by choosing to have families; they are often less aggressive and lower in ambition than their male counterparts; they suffer from a keen awareness of barriers for their sex in the corporate world; and they aren't as prepared or as "wired" as men are to seek out and assume board roles outside of their immediate work environment.

Some explanations are benign: Board seats do not turn over at a rapid rate, particularly in turbulent economic times. Not to mention they can be quite lucrative.

And some explanations are practical: While a company may want a particular woman as a director, they often can't land them, either due to the fact that the female candidate has an already full board commitment (no director can reasonably serve more than three or four modern corporate boards) or the fact that high-growth industries have already targeted them and secured their services.

Most cited—and arguably the most problematic—is the perception that there are simply not enough high-ranking women executives running big enough companies with substantial enough revenues to justify a spot on a board of a publicly traded company. Said another way, if qualified women existed, public companies would already have them on boards.

CABLE and other women's networking organizations are working to aggressively stamp out this notion. And, in fact, one local CABLE member who currently serves on a local publicly traded board can vouch for the fact that when her company went searching for qualified diverse candidates to fill an open seat, it had little difficulty identifying a rich pool.

Case in Point

Earlier this year, Nashville-based health care learning and research company HealthStream announced that Jim Daniell, one of its board members and one of the company's earliest clients, would not stand for re-election to the board. At press time, HealthStream's search to replace him was ongoing.

HealthStream has a female board director in Linda Rebrovick, a longtime IBM executive, KPMG partner and currently CEO of Consensus Point, an innovator in enterprise prediction market software serving the red-hot forecasting sector. Rebrovick's connection to CABLE and other organizations positioned her well to help HealthStream's board identify qualified female candidates—

and she was only too happy to do so. With the new SEC regulations in place requiring that boards disclose efforts to nominate a diverse pool for open board seats, it was no doubt welcome information to the otherwise all male HealthStream board.

HealthStream CEO Bobby Frist expresses a strong desire to increase diversity on his board, in part by citing statistics that show a high correlation between board diversity and the performance of a company.

"We subscribe to that notion as a full board and as individual board members," Frist says. "The candidate pool we've recently created exhibits a diversity of experience and background and thought."

Frist says there have been "huge advances" in recent times in bringing qualified diverse candidates to the light, in no small part because of organizations like CABLE, ION and others that have ramped up efforts to organize resources in such a way that board searches can achieve greater diversity.

In part due to HealthStream's success in its current search, Frist scoffs at the notion that there are not enough qualified diverse candidates to sit on boards.

"For me, that perspective also has a lot to do with what companies mean by being qualified, because you can be a student of business in many ways. You don't have to have been involved in a big company. That, to me, doesn't make you the best-qualified candidate. So there may be some problem in the way people are defining their qualifications that would open up the definition to more candidates if they thought of it slightly differently."

While Frist agrees that the gears have moved "very slowly" in regard to corporate board diversification, he believes the overlay of increased SEC disclosure requirements, greater awareness and more education will result in a more rapid pace of change in the next three to five years than in the last few.

"With any major push like this, education comes first," Frist says. "Change will follow."

That's no guarantee that HealthStream will choose a diverse candidate in its current search. Nor should there be.

"The key is to have a good and diverse candidate pool, and I'm confident we have achieved that," Frist says. "But the number one priority is selecting the most qualified candidate from the broadest qualified pool. Think of it in those two ways, and I'm confident we'll get the right person."

Based on the statistics, there are plenty of Nashville and Tennessee companies that could stand to follow suit. Putting in place a similar mindset could go a long way toward ensuring greater diversity on corporate boards in the Volunteer State. **NP**

[A Woman's Perspective]



CLAIRE GULMI
Director,
AmSurg Corp.

What is your reaction to the CABLE/Lipscomb "Women on Boards" study?

At AmSurg, we have two women board members. So

we were kind of stunned. I see many women in executive positions around Nashville. But to have no CEOs and less than 10% on boards in Tennessee—I was just really surprised. It opened my eyes to what the possibilities are and to the need to make a change.

What can women do to improve the situation?

We've got to be intentional about understanding where we need to go. Where board members come from is a management team—it's from the C-suite. We need to raise that representation, obviously. The nonprofit boards are way ahead of us. You would never even think about having a slate of nonprofit board members and not have diversity in all forms and fashions—gender, race, religion, whatever. That's what we need to do with public companies.



LINDA REBROVICK
Director,
HealthStream

What can women do to improve the situation?

Women can make it known that they are interested. Much of it is just putting yourself in

the candidate pool. Second, be sure that you have a development plan. Sit on a nonprofit board. A private company board. Work your way up. Attend a corporate board member event. Get a mentor, someone on a corporate board, to guide you through the type of development you need to become more prepared. Try to get in a position in your company where you are managing a P&L, because financial expertise is really important.

What can companies do?

Companies need to decide that diversity is a qualification that is a priority in their searches and then they need to tap into CABLE or ION [or other outlets] and identify candidates. Clearly, they'll be very impressed if they take the initiative, make it a commitment and go find these resources.



BRENDA RECTOR
Director,
J. Alexander's Corp.

What is your reaction to the CABLE/Lipscomb "Women on Boards" study?

During my career in public accounting, I had the opportunity

to interface with many boards, and in most instances I would be the only female in the room. So I'm glad to see some emphasis on this. But I'm also really disappointed in the statistics, which were worse than I thought they would be.

What can women do to improve the situation?

Fill out an application for board involvement. Let them know that you have this interest and that you are not only qualified but eager to serve on a board. And, network. Try to take more of a leading role in nonprofit organizations. That gave me an opportunity many times to interface with CEOs of companies who were also volunteering for organizations.

[Board and Officer Composition – Nashville Area Public Companies]

Company Name	Board Size	# of Women Directors	%	Total # of Officers	# of Women Officers	%	"Zero-Zero" Company?
Advocat	5	0	0%	3	0	0%	yes
America Service Group	8	0	0%	4	0	0%	yes
AmSurg	9	2	22.2%	5	1	20%	no
BioMimetic Therapeutics	7	0	0%	7	0	0%	yes
CBRL Group	11	2	18.2%	8	1	12.5%	no
CLARCOR	8	0	0%	6	0	0%	yes
CHS	8	1	12.5%	8	1	12.5%	no
CCA	12	1	8.3%	7	0	0%	no
Delek	8	0	0%	8	0	0%	yes
Dollar General	11	2	18.2%	9	4	44.4%	no
First Acceptance	9	0	0%	6	0	0%	yes
Gaylord Entertainment	10	1	10%	7	1	14.3%	no
Genesco	11	1	9.1%	11	1	9.1%	no
Healthcare Realty Trust	9	1	11.1%	5	0	0%	no
HealthSpring	7	0	0%	5	0	0%	yes
HealthStream	11	1	9.1%	4	1	25%	no
Healthways	10	2	20%	10	2	20%	no
J. Alexander's	6	1	16.7%	4	0	0%	no
Kirkland's	9	0	0%	4	2	50%	no
LifePoint Hospitals	8	1	12.5%	11	1	9.1%	no
LP	10	1	10%	5	0	0%	no
NHC	7	0	0%	10	3	30%	no
O'Charley's	9	1	11.1%	10	0	0%	no
Pinnacle Financial	14	2	14.3%	5	0	0%	no
Tennessee Commerce	13	0	0%	4	0	0%	yes
Tractor Supply	11	2	18.2%	7	1	14.3%	no

Chart data selected from "Women in Corporate Leadership: Untapped Potential," a study by Lipscomb University College of Business sponsored by CABLE (based on 2008 SEC filings).

[Guys Who Get it]

Columbia-based First Farmers & Merchants Bank Chairman & CEO **T. Randy Stevens**, whose



bank has two female board members in O. Rebecca Hawkins, former president of Columbia State Community College and M. Darlene Baxter, former VP of Affiliate Services for Maury Regional Medical Center: "To us, being diverse is simply good business."

TK Kerstetter, president and CEO of Brentwood-based Board Member Inc., publishers of *Corporate Board Member*



and *Bank Director*: "Companies searching for new board members should try to cast a wider net. They'll find no shortage of qualified women candidates."



About CABLE and Women on Corporate Boards

CABLE is Tennessee's largest and most established network of professionals with over 600 members and a 30-year history of helping women reach their full potential. CABLE's hallmark initiative is Women on Corporate Boards (WoCB), dedicated to increasing numbers of women on Tennessee corporate boards and in the executive suite. CABLE is a member of the InterOrganization Network (ION), an alliance of fourteen women's organizations with a common mission across the U.S. This provides a national context for benchmarking research, matching qualified women with open board positions and the annual Tennessee Board Walk of Fame event. For information about CABLE and Women on Corporate Boards, please visit www.nashvillecable.org or call (615) 269.7489.



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Board Patrol

This magazine and its predecessors have been publishing lists of the most influential people in various Nashville and Tennessee industries for over two decades. As editor, I often find myself explaining to readers the lack of female representation on lists such as the top dealmakers in the commercial real estate, legal and accounting industries that we publish. In each case, I try to make clear that the lack of women on these lists is attributable not to any bias on behalf of this publication but rather to the slow moving gears of these professions in Nashville and across Tennessee. We are simply reflecting the reality of the power structure—women are not as yet well represented in the upper echelons of business or politics in the Volunteer State.

In one of our feature stories this month ("All Aboard"), we discuss the quotas in place on corporate boards of publicly traded companies in Norway. This publication in no way endorses the notion of quotas on board seats in America. Business is guided fundamentally on the basis of ability and merit, and quotas for greater female representation on boards (or African Americans or people of a certain ethnicity, for that matter) are incompatible with that fact. Quotas also represent reverse discrimination. And most business readers can agree that government interferes more than enough with business as it is—there's no need for it to go poking its nose into board makeup.

We do, however, endorse the notion that diversity on boards is good corporate policy. While the new law in Norway has not yet been termed a success (financially), neither has it been a failure. Consider that Spain, France, Belgium, Canada and the Netherlands, among others, are among its potential imitators. In interviews with several Norwegian board members two years after that country's decision to require gender diversity for companies on the Oslo Exchange—most of whom had opposed the legislation—*Fast Company* expert blogger Kate Sweetman reported that "every single person said that the boards were measurably improved with the addition of the women." Telling responses included, "The most important value a board can give me as a CEO is free consulting help. The last thing I would want is the opinion of three identical men. Their job is to help me to think."

Does diversity in the board room lead to profitability on the balance sheet? Results to date are somewhat mixed. A few years ago, reputable international management consulting firm McKinsey & Co. studied 89 European listed companies with the highest level of gender diversity in top management posts relative to the average for their sector. The results appeared conclusive. Gender-diverse companies outperformed their sector in terms of return on equity (11.4% versus an average 10.3%), operating result (EBIT 11.1% versus 5.8%) and stock growth price (64% versus 47% over the period). That's not to say all-male boards can't perform quite well—and there are plenty of examples of that. But this statistically significant study certainly appears to show more than a casual link between gender diverse boards and company performance. Not all studies have found that result, however. *The Glass Hammer* reported earlier this year that Amy Dittmar, associate professor of finance at the University of Michigan's Ross School of Business, analyzed the impact of the Norwegian decision, and with colleague Kenneth Ahern found that when a board had a 10% increase in the number of women, the value of the company dropped. The bigger the change to the structure of the board, the bigger the fall in returns.

Most important in this debate, for now at least, is not whether or not women directors make companies more or less profitable, but rather awareness of the fact that they are grossly under-represented—and the reasons why. As reported in our coverage in the following pages, at least one locally based public company in need of a new board director identified a number of qualified diverse candidates prepared to serve on its board. As such, we look forward to future results of more CABLE and Lipscomb University studies (which serve as the basis for our reporting this month) and hope to see improvement the next time around. Our own future *Nashville Post* lists will perhaps be good barometers of progress being made.

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