

Narratives of Diversity in the Corporate Boardroom:

What Corporate Insiders Say about Why Diversity Matters

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Financial support for this project was provided by the Fulfilling the Dream Fund: North Carolina Consortium, the Z. Smith Reynolds Foundation, and the Pogue Foundation Fellowship.

Introduction

Over the last generation, the concept of diversity has become commonplace and taken-for-granted in discourses ranging from law to education to business. In higher education, for example, it is hard to imagine a faculty job search or a student admissions discussion that was not heavily laden with talk of diversity, in the sense of the representative inclusion of women and racial and ethnic minorities in a group or organization. In this paper we present the results of an interview-based study of the discourse of diversity in a particular business setting: the corporate boardroom. Our principal observation is that—thirty-one years after the Supreme Court’s *Bakke* decision introduced the term into public discourse--corporate insiders appear not to have arrived at a master narrative to explain the pursuit of diversity on boards of directors. Instead, their accounts stress a variety of factors and feature few concrete examples.

The racial, ethnic, and gender make-up of corporate boards has recently become the subject of intense public focus in many countries, including the United States. In Norway, for example, gender representation on corporate boards has become the subject of government mandate. Legislation enacted in 2006 required that roughly 40% of public company board seats be held by women by 2008 (Reiersen and Sjafsjell 2008). As of January 2008, women held close to 38% of board seats at Norwegian public corporations, the world's highest percentage. The news prompted claims of victory from the legislation's advocates, as well as charges of quotas, window-dressing, and divisiveness from opponents.

In the United States, by contrast, the make-up of corporate boards has been left to market forces and private advocacy efforts. Dozens of advocacy groups are dedicated to promoting board diversity, by measuring it, studying it, or providing training or mentoring to potential female or minority board members (e.g., Alliance for Board Diversity 2008).

By some measures, the level of gender, racial, and ethnic diversity on U.S. public company boards has increased markedly over the past several decades. For example, in 1993 51% of Fortune 500 firms had no women on the board (Catalyst 1993). By 2008, that percentage had fallen to 13% (Catalyst 2008). In 1973, 93% of Fortune 1000 companies had no minority directors (Fairfax 2005). That percentage had declined to 24% by 2004 (*ibid.*). By other measures, however, progress has been slow and has leveled off. For example, the percentage of Fortune 500 board seats held by women increased only from 9.6% in 1995 to 12.4% in 2001 to 15.2% in 2008 (Catalyst 2005, 2008). Minority representation on Fortune 100 boards increased, barely, from 14.89% in 2004 to 15.42% in 2006, but Hispanic and African American males actually lost ground (Alliance for Board Diversity 2008).

Given these changing boardroom demographics, many researchers have attempted to explore the possible rationales and motivations for board diversity efforts (reviewed in Broome and Krawiec 2008, 432-435). They include theories that board diversity addresses fairness concerns; that firms seeking board diversity are accessing an untapped talent pool; that female and minority board members reduce agency costs; that a more diverse board possesses more and better information; that diverse boards are more likely to engage in constructive dissent; that a diverse board conveys a credible signal to relevant observers of corporate behavior; and that board diversity is a meaningless public relations maneuver, generating neither real costs nor real benefits for shareholders. There is no consensus on the critical question of whether board diversity improves firm performance (ibid.).

The research reported here does not address psychological motivations, or the actual effects of diversity on board behavior, or the business performance outcomes that may or may not stem from board composition. Our question is a more direct one: what do the protagonists *say* about the significance of diversity? That is, what narratives (or, synonymously, stories or accounts) do board members, executives, government officials, and others produce when asked to explain whether and why diversity matters on corporate boards?

Narratives and Stories

Narratives, or stories or accounts (the terms are used interchangeably in many discourse literatures; e.g., Ewick and Silbey 1998; Conley and O’Barr 1990), have been defined as “everyday communication devices that create interpretive contexts for social action” (Bennett and Feldman 1981, 7). As Patricia Ewick and Susan Silbey (1998, 242) put it, “storytelling is a conventional form of social interaction, among the ways we come to know each other, encounter

the larger world, and learn about its organization.” More specifically, “[i]n everyday social situations people use stories as a means of conveying selective interpretations of social behavior to others” (Bennett and Feldman 1981, 7). In terms of its effect, “a story not only focuses attention and judgment on certain key behavior (and the actors’ relations to it), it also has the capacity to constrain a clear understanding about the significance of that behavior” (ibid.).

Ewick and Silbey (1998, 28-29) point out that “narratives can enter scholarly research as either the object, the method, or the product of inquiry.” That is, researchers can study narratives/stories as a sociolinguistic phenomenon, they can use stories as data in an effort to understand something else, or they can use the story “as a metaphor to represent what [they] have discovered” (ibid.). Our focus will be primarily on the first and second usages.

The discourse literature emphasizes the social aspect of stories. The anthropologist Charles Briggs (1996, 14) writes that “the manner in which stories are presented and used is often contingent upon their being framed as embodiments of shared beliefs and understanding.” Relatedly, “narratives do not simply describe ready-made events; rather, they provide central means by which we *create* notions as to what took place, how the action unfolded, what prompted it, and the social effects of the events” (ibid., 23). Narratives, in other words, comprise a “process of social construction” (ibid.). In examining this process, it can be useful to think of storytelling as a metadiscursive practice, as the production of “discourses that seek to shape, constrain, or appropriate other discourses” (ibid., 19). Any given narrative is not only shaped by its own discursive context, but can build upon, incorporate, and reformulate prior discourses.

The fact that a member of a cultural group analyzes and interprets the world in a particular way does not, of course, permit one to make strong claims about what other members

are thinking or doing. Nonetheless, the study of narratives can support a limited but significant kind of generalization. If members of a group repeatedly tell a similar story about an event or phenomenon, then it may be reasonable to characterize it as a master narrative: an account that achieves accepted, taken-for-granted, hegemonic status in the relevant group (Conley and Conley forthcoming). Through continual retelling, elaboration, and negotiation in some speech community, a master narrative can become *the* story of an event or other phenomenon, at least until challenged and replaced.

In this study we have collected narratives about the meaning of diversity in the selection and functioning of corporate boards of directors. (We acknowledge, of course, that as interviewers we are the co-producers of these narratives; see, e.g., Briggs 1996.) To date, we have interviewed 36 people around the United States who have a direct interest in the topic. Most are or have been directors of publicly traded companies; others include lawyers, consultants and advisors of various sorts, and government regulators. The interviews have ranged from one to two hours in length, with two of us participating. At least one of us has been physically present for all but two of the interviews, which were done by telephone at the request of the subjects. We worked from a short list of general topics that we made sure to cover in each interview, but encouraged the subjects to elaborate, digress, and introduce new topics as they saw fit. The subset of topics that are the subject of this paper are whether director diversity is important; if so, why; and whether the subject can give examples of director diversity making a difference in some respect.

We made audio recordings of all of the interviews. The recordings were transcribed by a professional transcription service, and we have verified and corrected the transcripts. We listened to the tapes in conversation analysis-style seminars. But because our focus here is on

topic and content rather than conversational details, we have chosen not to present the level of transcribing detail found in conversation analysis papers. First, we have rendered the subjects' speech in standard English spelling and punctuation rather than phonetically; thus, these transcripts say *weren't you* and *you can get* where a conversation analysis transcript might contain *werenchu* and *ya c'n get*. Second, we have eliminated many of the non-verbal elements, including the timing of pauses, the details of overlapping speech, and most non-verbal utterances. We recognize that we may be eliminating linguistic features that some readers would find useful, but we conclude that these compromises are appropriate to promote broad accessibility.

Lewis Powell and the Roots of the Diversity Narrative

Where did the concept of diversity come from, and why might it be important? The word “diversity” has roots in Middle English. But the contemporary usage that concerns us entered legal discourse--and seems to have entered general public discourse--in Justice Lewis Powell's 1978 opinion in *Regents of University of California v. Bakke* (U.S. Supreme Court 1978), which dealt with a race-conscious admissions program at the UC-Davis medical school. The regularity with which it is repeated and relied on in higher education and other contexts suggests that the Powell narrative has become a kind of master narrative of diversity.

In *Bakke*, a Supreme Court majority voted to strike down Davis's specific program as contrary to the Fourteenth Amendment's Equal Protection Clause and a federal civil rights statute, but could not agree on a single opinion. In an opinion signed by no other justice, Powell, a member of the majority, asserted the proposition that race could be *a* factor in university

admissions, because of the value of diversity. In endorsing the California courts' explanation of that value, Powell wrote (*ibid.*, 312-314):

The atmosphere of "speculation, experiment and creation" -- so essential to the quality of higher education -- is widely believed to be promoted by a diverse student body. . . it is not too much to say that the "nation's future depends upon leaders trained through wide exposure" to the ideas and mores of students as diverse as this Nation of many peoples.

Thus, in arguing that its universities must be accorded the right to select those students who will contribute the most to the "robust exchange of ideas," petitioner invokes a countervailing constitutional interest, that of the First Amendment. In this light, petitioner must be viewed as seeking to achieve a goal that is of paramount importance in the fulfillment of its mission.

It may be argued that there is greater force to these views at the undergraduate level than in a medical school, where the training is centered primarily on professional competency. But even at the graduate level, our tradition and experience lend support to the view that the contribution of diversity is substantial. In *Sweatt v. Painter* . . . the Court made a similar point with specific reference to legal education:

The law school, the proving ground for legal learning and practice, cannot be effective in isolation from the individuals and institutions with which the law interacts. Few students, and no one who has practiced law, would choose to study in an academic vacuum, removed from the interplay of ideas and the exchange of views with which the law is concerned.

Physicians serve a heterogeneous population. An otherwise qualified medical student with a particular background -- whether it be ethnic, geographic, culturally advantaged or disadvantaged -- may bring to a professional school of medicine experiences, outlooks, and ideas that enrich the training of its student body and better equip its graduates to render with understanding their vital service to humanity.

Justice Powell's argument for diversity—his foundational narrative, as it were—thus emphasizes two themes: the general value of “wide exposure” and the specific contribution of diversity to the educational process. Future “leaders” must be exposed

“to the ideas and mores of students as diverse as this Nation of many peoples.” Even at the graduate and professional level, with its emphasis on specific competencies, it is important that students not be kept “in an academic vacuum,” “in isolation from the individuals and institutions” with which they will interact as professionals. With respect to process, Powell argues that diversity contributes to the "robust exchange of ideas." In medical school, a particular student’s background, “whether it be ethnic, geographic, culturally advantaged or disadvantaged,” may be a predictor of, or proxy for, “experiences, outlooks, and ideas that enrich the training” of fellow students and enhance their “understanding” as they enter a career of service to humanity.

The exposure part of the narrative has rarely elicited any objection; it seems self-evident that it will be better for students to be exposed to different kinds of people. The process component is potentially more problematic. Is the exchange of ideas really more robust if there is racial diversity in the classroom? If so, how does that come about? Is race a reasonable proxy for differences in “experiences, outlooks, and ideas?” Do students think or speak differently because of their racial backgrounds? Is it appropriate for teachers to assume that they do, or encourage them to do so? One can make a plausible case either way: that race is fundamentally important, or that the robustness of the exchange in a particular class depends almost entirely on the diligence and personalities of the individual students.

It should be noted that Justice Powell’s diversity narrative is lacking one element that many non-lawyers might include in theirs: social justice. Powell says nothing about pursuing diversity as means to compensate for past injustice or simply to do something

“right.” The reason is probably legal: because there was no evidence of current discrimination at UC-Davis, a remedial or compensatory rationale would have been inappropriate.

Bakke in the Boardroom?

We wondered at the outset whether our subjects might invoke the Powell master narrative in the corporate context. As a logical matter, the Powell argument for diversity translates well into the boardroom. If “leaders” should be exposed to the “ideas and mores” of the country’s “many peoples,” then why make an exception for corporate leaders? Moreover, the essence of the boardroom should be discussion and debate. (although corporate chief executives might well have a vested interest in suppressing such debate). If the various forms of diversity that Powell mentioned actually do make the classroom exchange more robust, then might one expect the same effect in the boardroom? In addition, the social justice rationale that Justice Powell did not advance might be relevant as well. In choosing their members, boards are not constrained by the equal protection and antidiscrimination laws that governed *Bakke* (although they are constrained by a legal requirement that they act in the best interest of the corporation’s shareholders). Might they take into account past exclusionary practices as well as a general sense of right and wrong?

As will be seen in subsequent sections, the Powell narrative did not dominate our interviews. Nonetheless, we did hear echoes of *Bakke*. Some subjects also added the justice rationale that Justice Powell had left out. Perhaps not coincidentally, two of the most vivid examples were full-time academics, people who have lived in the *Bakke*

environment. One of the two, a woman who is a university professor and experienced board member, even described the Powell rationale as an academic perspective, making reference to specific experiences on campus. Whereas Justice Powell wrote of diverse “experiences, outlooks, and ideas,” she spoke of “different perspectives and “different experiences.”

TEXT 1

Q: Well, tell us more about [identifying material deleted] why you all thought that [diversity] was a good idea.

A: Well, I guess I thought it was a good idea for two reasons -- one, because it's justice, and two, most importantly, it makes sense for business. As a former CEO said, "I hate to see a board that has only on it the people I went to prep school with." And it's exactly true. Diversity in gender and race I think of as a proxy for different perspectives. And if you don't have different perspectives on a business, you're really missing a lot. Business case for it. It adds something. And it clearly does at [the company's] board meetings.

Q: Tell us how it adds.

A: Well, you put your finger on one thing, the difference between academics' and business people's perspective. I'm on a campus [identifying material deleted]. And so I hear about [diversity] from [academics]. They don't, usually, I think because of socialization, I don't believe it's biological, most women have different experiences in our culture and bring to it something different. African Americans, Hispanics, Asian Americans. I mean, I think people have different experiences, and they bring it to the board meeting, and different knowledge.

The second subject, a man who has been a business executive, a board member, and an academic, gave a similar account, stressing demographic proxies for “different points of view.”

TEXT 2

Q1: You mentioned the right reasons [for diversity]. What are the right reasons?

A: Well that you appreciate that different points of view collectively will get to a better overall answer. That you appreciate that there are points of view that you wouldn't have because of your race or your economic status or your industry background that you wouldn't have that you need to have and that you need to take into account so and then just it's the morally right thing to do so I think boards get it on all those counts. Many of them do.

But justifying this Powell-like narrative--explaining precisely how difference can make a difference--is apparently as challenging in the corporate world as in higher education. In both interviews we asked immediate follow-up questions, and both subjects acknowledged difficulty in illustrating theory with reference to practice. The female academic responded with a single instance, admittedly not "a bold example."

TEXT 3

Q: Can you think of any anecdotes or concrete examples of "I [name deleted] said this, and maybe that was a contribution that I could make that my male counterpart could not make or would be unlikely to make?"

A: Well, I don't, I can't think of a bold example. I can give you one good example, which was several years ago. We have a group that does research on issues of interest to us, and they presented several scenarios in which the wage earner was always the man. When a board member raises her hand and said, "This is not what life is any more," they pay attention. I'm surprised senior management didn't catch it before it even came to the board, because they do rehearsals and all that sort of thing. But they didn't. I think the presence of a critical mass of women means that there's likely to be a critical mass of women in anything we do, and certainly minorities.

The man struggled to avoid stereotyping:

TEXT 4

Q1: Can you elaborate on points of view? I mean to what extent do you think somebody's race or somebody's gender predicts a different kind of point of view?

A: Well you can't other than to say stereotypically you might see some of that fulfilled but when people of color are on a board, part of the reason they're on a board is to represent the point of view of people of color so I don't know whether that's stereotyping. I mean that's why they're there. You know? You don't want me to represent them. I can't. So I'm not sure quite how to answer your question.

But as we invited elaboration in a different way, he hit upon the subtle example of succession planning—subtle in the sense of not “cause and effect.” That led him into a rumination on gender differences in awareness and sensitivity that was evocative of Carol Gilligan (1982):

TEXT 5

Q: Can you think of any anecdotes of things being discussed around the board table where you think because there was a woman or a person of color that you heard a point of view that was different than you would have otherwise heard or that was helpful in making a decision?

[Long pause]

A: When we talk about succession planning which every board does, it's in the boards that I've been on where there was a person of color, that person always spoke up about the need for greater progress in the management ranks for people of color and that would be, that kind of gets to your point too. That's not unexpected. It's welcomed that they do it. The issue that I raise gets raised and the point gets made well we've just got to overcome that and work harder and get more of our share of this limited pool than other folks do and so I think that's influential. I've never been on a board where the board will say let's do this and management will go okay we'll take that on board and put it on our agenda. It doesn't work like that. You know? It's more you let it be known that you think that this is important and then a meeting or two later it shows up on management's agenda so it's not going to be as cause and effect as you might imagine in a faculty meeting. There are other instances where in that spirit of men are from Mars and women are from Venus that and probably after we're all dead it will be accepted and okay to talk about the differences between the sexes and not pretend that everybody is exactly alike but there will

be discussions about how do the typical employees feel or react in the organization and I don't know that may be slightly more than average, women will comment on issues of culture and staff acceptance or staff issues and by staff I mean at all levels.

Business Stories of Diversity

We now turn to the other diversity narratives we heard in our interviews. With the exception of the male academic already quoted, all of the speakers in this section come from business and government. Elements of the Powell narrative appear, but other issues are also prominent. Overall, no coherent master narrative emerges. And regardless of content, our subjects' theories of diversity almost always prove difficult to illustrate with reference to practice. We next review several of these accounts, organized by principal theme.

Analogs to Bakke's "Robust Exchange of Ideas"

A number of our subjects advanced theories of why boardroom exchanges are—or at least *should* be—more productive when a board has race and gender diversity. We saw relationships between these narratives and Justice Powell's "robust exchange of ideas" story. Our subjects' accounts tended to focus not on any specific affirmative benefits, but rather on the desirability of avoiding what some called "group think." Here again, concrete examples were hard to come by.

The most succinct statement of how boardroom communication improves came from a white female director of a manufacturing company, who said that diversity "makes for a richer conversation. It's not just all about the good old boys then." A

shareholder proxy advisor (a white male) took the theory a step further, implying that diversity might predict viewpoint, and tying diversity to risk-avoidance:

TEXT 6

It started off as a small cadre of clients but I think it's grown over time, view diversity through that prism that it really genuinely is a way of reducing risk by encouraging a divergence of viewpoints in the board room.

Absent this “divergence of viewpoints,” according to the same source, a board faces the prospect of “group think,” which he explicitly identifies as a form of risk:

TEXT 7

I think people know especially on the risk side that whenever you get anything involving sort of group think, everybody in the room having the same background, group of experiences and so forth that that is an absolute breeding ground for risk, for problems to occur.

Another, superficially similar version of this basic account came from a white male director of a technology company:

TEXT 8

Q: You mentioned your own efforts to diversify boards at other companies you've been in. What do you see as the advantages to a company of an other-than-white-male board?

A: Well I think it brings an entirely new perspective to the thinking of a board. It creates a very positive dynamic and [laughs] you're right; I've sat on boards where all of us were silver haired males and the dynamic is different from when you have minorities and women on boards so I guess I just feel that there's more creative vibes going on [laughs] if you're on a board where there's different thinking and different channels of thinking.

We described Text 8 as “superficially similar” to the robust exchange story because, despite the semantic similarity between Justice Powell’s “experiences, outlooks, and ideas” and this speaker’s “different thinking and different channels of thinking,” it was not entirely clear that this speaker was telling the same story. He could have been invoking a literature often taught in business schools that suggests that a major benefit of diversity derives from an effect on group dynamics that may not be related to the experiences of the participants (for overviews of this general literature see Jackson, Joshi and Erhardt 2003; Williams and O’Reilly 1998; Milliken and Martins 1996). For example, the presence of diverse people in the boardroom could lead to conflict, dissent, or an erosion of deference to traditional authority and, consequently, more vigorous and skeptical debate. But as this director strived to provide an example of this “entirely new perspective” at work, the similarity between his theory and Powell’s became clearer. He gave an elaborate account that moved from general observations to a specific instance from a company where he had formerly worked in an executive capacity:

TEXT 9

Q1: Can you give us maybe a real or a hypothetical example of what that dynamic is like? For those of us who haven’t been there it’s hard to visualize how the dynamic changes from the silver haired males to the more diverse group.

A: I think one causal effect of the dynamic being different is that the base experience level of most of the males, the seasoned males, has been channeled in a similar direction. It’s an old, classic hierarchy of organization which is, I think, rapidly becoming outmoded. It’s very outmoded now and a way of thinking that is driven by this basic chain of command thinking and I believe that women who have joined boards and who’ve joined management in fact later than men and who bring a different value system, I think in a different way they can actually think more creatively. Most of my good marketing people in the food business, really good marketing people, were women because they I think better understood our primary consumer who happened to be women [laughs] and I just think there’s a different thought process, a different way that they solve problems or attempt to talk through a problem. With minorities I’ve not had as much exposure with minorities. I’ve had only one Oriental direct report in my businesses and I’ve had

maybe a half dozen African Americans but what I found valuable is they have a different way of thinking in a social structure. They actually bring you thought channels that you would never even think about or even broach in a meeting as it relates to not only their segment of the population but to the interaction between the segments of the population and people just, if they're not challenged to think about things like that they don't [laughs] so [name of an African American female director] was a classic example. She actually brought us new ways of thinking about how to approach the minorities where we had in many instances, some of the [company's restaurants] were located in predominantly African American areas [identifying information deleted] and she just gave us a lot of great insight into what stimulates an African American family to experience [the company's style of restaurant]. It was very valuable.

Note the elements of this fascinating account:

- “Seasoned males,” shaped by their experience, engage in “basic chain of command thinking.”
- Women, by contrast, “bring a different value system”; “in a different way they can actually think more creatively.”
- In the food business, perhaps because women better understood the consumer, he observed “a different thought process, a different way that they solve problems or attempt to talk through a problem.”
- In his more limited experience with minorities, he has found “they have a different way of thinking in a social structure.” He continued in this anthropological vein, noting that this way of thinking “relates to not only their segment of the population but to the interaction between the segments of the population.”
- But the single example he provided is of an African American director advising the board on how to market restaurants to African Americans. Is this the “entirely new perspective” that director diversity promises?

Female and Minority Directors Describing Their Own Experiences

When asked to describe their own experiences, many of our female and minority respondents make it clear that they have not been treated like spokespersons; in the words of a white female director, “I do not believe at all that by sitting in a chair I am speaking the woman’s point of view.” A few others have embraced that role. All make it clear that they have not been treated as tokens, regardless of whether they take on the mantle of “spokesperson.” Some retell elements of the *Bakke* story, but it is difficult to discern from their accounts just how their race or gender has contributed to boardroom discourse.

An African American man strongly rejected tokenism:

TEXT 10

Q: How does, given that there's sort of this unwritten rule [just described by the subject] that we'd like at least two minorities on the board, how does that impact the dynamic in the board room? Do you feel like you are a quota or a token or do you--

A: Oh, no. No. Other than knowing that, and I'm not sure, well, I guess the other directors do, it doesn't have an effect on me one way or another. I'm a director and I'm there to do a job and when issues of diversity come up I don't necessarily feel that I'm the one that's got to bring it to the floor.

When asked about the value of his diverse background, he endorsed the proposition in the abstract. But the example he gave had less to do with the “robust exchange of ideas” than with leveraging his personal contacts for marketing purposes:

TEXT 11

Q: Does the experience of someone who is a racial minority or is a woman, does that experience, in and of itself add something, assuming of course that the skill set that is necessary is there?

A: Yeah, I think it does. When [a large bank] acquired [a local bank in a city with a large African American population] there was considerable concern across the community that [the local bank] had been the "family bank" that everybody knew and if you wanted to start a business you went to [the local bank] and you could get some money and that kind of thing. So people were very comfortable but there was an awful lot of concern about what was gonna happen when the marquee no longer said [the local bank] and it changed over to [the large bank]. And [an African American female director] and I were both able to be helpful to [the large bank] because we knew people in that market who [the large bank] folks could go talk to, to allay those kinds of fears. And that worked well. I think that given the skill sets of everybody are the same, the experience and background and kind of things you know that you can bring to the table are beneficial to boards.

An African American woman who has been a board member as well as a consultant began with a statement (Text 12), that leaves the listener unclear about exactly why she thinks race and/or gender diversity affects the boardroom, but then quite clearly invoked the *Bakke* "ideas and experiences" narrative in her later statements (Text 13).

TEXT 12

Q: What do you think it is then about the diverse board that helps the company to do better and helps them--

A: I think people ask complex and different, I think people do, now am I seeing that if you look there and all of us look alike and we all do the exact same thing, the likelihood is we're not challenging each other. We're not saying look let's think about this, think about that, what about this, what about that, I think it's a richer conversation that occurs that then says broader, open this door, take the blinders off, let's consider a lot of different kinds of things as we think about this.

At another point in the discussion, in response to essentially the same question, she spoke in considerable detail from both the board member and consultant perspectives. Her emphasis shifted several times during the course of the account. She began by speaking of the totality of her experience ("a whole complexity") as a Southern, African American woman who went to a

historically black college. She next focused on her gender, distinguishing her experiences from those of “an African American guy.” She then condemned race and gender-based affirmative action as “racist and sexist,” and finally concentrated on the value of professional experience and “competencies.”

TEXT 13

Q: Well do you think it's important to have race and gender diversity on boards?

A: Yeah I do and not just for the race and gender. I bring a whole complexity of what I bring to the table. Having grown up in the South, being an African American, having gone to an African American college, I mean the question I may ask that I may ask is totally different from the question the guy may ask and it could be an African American guy but he's had a whole different set of complex experiences too but even more so I do think and I do firmly believe this, boards should not be doing social engineering. You know? Now having said that, do I think it's beneficial? Absolutely, but not for the sake of having an African American, not for the sake of having a woman and being able to say we've got ours. That doesn't work for me. That in and of itself is racist and sexist in my opinion. You don't want that. You want, is this person a technology expert, a logistics expert, do they have government relations; I mean there's something. We do a grid on a board and we look to see what are the gaps, what competencies would be beneficial for them and then in my opinion then you look broadly and in looking broadly we also look for diversity in this process.

The Signaling Theory

Several of our subjects argued that boards should be representative of various constituencies, including communities, customers, shareholders, and employees. They did not seem to be saying that board members should represent demographic groups in the sense of being prepared to answer the “so what do you guys think about this?” question. Rather, their accounts emphasized using board composition to send positive signals about the company to particular groups. Except in the case of employees, the specific reasons for doing this were

stated with less clarity than the basic principle. Text 14 is a statement by a banking regulator. He discussed representation of communities, customer bases, and workforces in a meandering account that did not distinguish board members and employees, and also mixed an experience-based marketing expertise rationale with a signaling theory:

TEXT 14

The rap on banks has been traditionally that they were, as one of my [board] members so colorfully puts it, “They were male, pale, and stale.” And in truth for many of our banks the composition of a bank board is very much like the composition of the local Chamber of Commerce Board, certain church boards. They're social institutions of cities and towns of various sizes and there are strengths to that and there are weaknesses. The strengths are that you have cohesion and a certain sense of reflecting broadly held values of the community. The weakness is that you don't, boards can become inbred, in-, hidebound, inbred, and can fail to take into account changes that are going on in their communities. Plus, in the case of women, I have tried to point out to banks that more than half the people in their markets are women, this has also been pointed out by a member of our [board]. A classic situation where one bank was asked, “Well, how many people in your market are women?” The poor guy said like 25%, [laughter] which means he needed a little mathematical or sociology, sociological training. And no joke, women still, although the effects of increased and lawfully increased equality in the workplace may mean that women's life spans don't [laughter] exceed them so much in the future, but as I understand there's still a demographic trend that women live longer and to the extent that there is, there are residual wealth in estates and there's real money that's held by women who are widows or living alone, as a lot of it is. And if you go into the average bank if you look at who's working in plain view of everyone, the representation of the bank to the community is often female. It's sensible to me that you would want to have someone who is a working woman on a board, at least one, to point out to the rest of the board what it's like--what the life of their employee--many of their employees is like.

The Elusive Business Case

Several of our subjects mentioned aspects of what can be termed a “business case” for diversity—that diversifying a board leads to better financial performance by the company. In the succinct words of the just-quoted banking regulator, “I believe it [board diversity] is also a

business imperative.” But citing evidence was a more difficult proposition. The same regulator continued:

TEXT 15

Q: Have you observed any difference in business performance between boards that have no diversity and the boards that do?

A: I haven't yet, but I haven't studied it really well. I will say I think this is the kind of thing you'd have to look at over a long period. And I say that because many banks which realize they need to diversify are in an interesting place in their corporate development, it's almost like adverse selection. As they begin to diversify things may get worse for awhile. I don't mean worse, they just may have slowed down.

This equivocation was especially interesting because it is presumably part of this person's job to be aware of indicators of bank performance. Equally interesting was this comment by an executive with a proxy voting advisory service, whose job is clearly to be aware of boards' impact on earnings. His rhetoric is technical, as is his explanation for the dearth of evidence--a lack of good data.

TEXT 16

It's been discussed from time to time I think and again one of the things we always look at in [analysis] is going to the empirical data and trying to find some sort of indication of an impact on either financial performance and/or mitigation of risk and I think it's only been fairly recent that we've started to see some studies focusing in particular on gender diversity that has started to indicate there may be an economic element connected with it and so that could probably increase the likelihood that it will get stronger consideration going forward . . . I'd have to go back and check as to whether we've actually run the regressions using diversity as a factor before. I doubt that we have because that's our other problem is getting good data.

The male academic quoted at the beginning of this section shared this uncertainty, and he doubted that it would ever be resolved:

TEXT 17

Q: Do you think over the long term board diversification is going to affect company performance in any tangible way?

A: Well tangible way means that you could do some research and show first of all a correlation and then a connection between diversity and performance. I don't think you're going to get--

Q: Twenty-five years from now our successors won't be able to show that?

A: Well I think there's just so many other variables that you're not going to get a sample size big enough to tease it out.

By contrast, a white female director of a manufacturing company treated the business case as a hope rather than a reality that is hard to prove:

TEXT 18

Q: Do you think there's a case to be made that diversity is related to company performance, diversity at the board level has some ties to corporate performance?

A: I hope so. I mean I'd love to have that. I'd love to have a researcher make that case to show that that's true.

When asked for existing evidence that diversity impacts performance, she began on an affirmative note. But she seemed to say nothing more than that the company was better because the board was pushing diversity:

TEXT 19

Q: Do you have any qualitative or even anecdotal sense of situations where you thought we're doing something because of our board diversity that makes the company better, is going to make the company perform better? I just wonder what your instinct is on that.

A: My instinct on that is yes we are doing something because we're pushing our senior colleagues on the diversity issue that we want to see and this is not just [names another female director and an African American male] doing this.

We also asked about a different kind of business case for diversity: whether shareholders would insist on it. Some of our respondents rejected this proposition, and a white male director with broad experience dismissed it out of hand:

TEXT 20

Q: Do shareholders care about board diversity or the composition of the board in general?

A: They really don't. You would hope they would. Major institutional shareholders really care about having people on boards who've had board experience with other companies and who have experience in sector.

Summing Up

A striking summary of why companies pursue board diversity came from a white female director who also has years of experience providing professional advice to corporate boards. The specific topic was why one particular board had sought diversity. Her account suggests that the business world does not have a well-reasoned diversity rationale—in fact, the question of rationale is never even discussed:

TEXT 21

Q: When you guys were looking for another director and came up with [a diverse director] and diversity was one but not the only metric [according to the subject], why was that on the list of

metrics? What was articulated about what benefit might come to [the company] from having some more diversity in terms of race or gender on the board?

A: I suspect you haven't gotten many introspective answers on that because, in fact, you're never going to have a board that will honestly question whether or not there is a value associated with that. And people will accept it and move on. Everybody says the same thing because, again, I'm in board rooms a hundred times a year and I hear the same discussion. And what they say is we have skill sets that we want and if we can find a diverse candidate who fulfills them without sacrificing the skill sets that we're looking for that would be terrific. And the analysis doesn't go any further. It just isn't discussed. So anything I tell you about why I think diversity adds value is going to be [my] thoughts not because it was a topic of discussion. [Sentence that identifies company deleted.] So to the extent we're talking about sort of that wide swath of middle America then it's nice to have a board that is in some respects emblematic of that but we've never discussed it.

Conclusion

Our relatively small sample of interviews (36) provides no evidence of the emergence of what might be reasonably called a master narrative of board diversity. One plausible candidate—a business version of Justice Powell's *Bakke* narrative—appears from time to time. Our subjects have mentioned their beliefs that diversity creates a “richer conversation,” “an entirely new perspective,” “different points of view,” and “a very positive dynamic.” But it is a theoretical narrative without concrete detail, a story without substance. When invited to elaborate, subjects have digressed into instances that had little to do with race or gender, and in fact have often distanced themselves from demographic variables. And none expressed anything more than a hope that diversity would correlate with business performance. Overall, our subjects tell a story that amounts to little more than “it seems like a good thing to do.”

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