



MOVING THE NEEDLE

*The 2012 Census of
Women Board Directors in Maryland*



Network2000
opening doors for women



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Once again, Network 2000 is releasing our annual Census of Women Board Directors in Maryland and we are encouraged by the results. Since our founding in 1993, Network 2000 has remained committed to increasing the number of qualified women in corporate board rooms and in executive suites. We call this “moving the needle” and based on this year’s census, it appears that in fact the needle is moving and women have made advances in both the boardroom and executive suite.

Our speaker at last year’s Roadmap to the Boardroom event was Jane Shaw, Chairman of the Board of Directors of Intel Corporation. She spoke about Intel’s corporate culture and the need for companies to make a conscious decision to effectuate change which will ultimately result in moving the needle and creating more diversity in boardrooms and executive suites. At Intel, the Board of Directors now requires c-suite executives to select a rising leader from a gender and ethnically diverse pool and to sponsor that rising leader for at least two years. At Intel, sponsorship means taking an active role in that person’s professional development including consulting with them on important issues, taking the initiative to introduce the rising leader to the people they need to know, inviting them to the events and settings that can further their careers, developing their leadership potential and ultimately increasing their value to the corporation.

Shaw’s insights are well-taken. Intel has three women board directors, and recent research has shown that Fortune 500 companies with three or more women board directors have significantly higher financial results than their peers.

*The Business Case for Gender Diversity**

Companies with the most women board directors outperform their peers

- by 16 percent (return on sales)
- by 26 percent (return on invested capital)

Companies with three or more women board directors outperform their peers**

- by 84 percent (return on sales)
- by 60 percent (return on invested capital)
- by 46 percent (return on equity)

We encourage executives and directors of boards to adopt best practices so Maryland will continue to move the needle and assure that sound decisions are being made because the people responsible for these decisions have not only the necessary expertise – but also represent diverse perspectives, experiences and backgrounds. In the global markets of the 21st century, we as business leaders owe it to our stakeholders to capitalize on the best resources and to build on our current structures to ensure our leadership is representative of the constituents we represent.

Sincerely,

Ellen R. Fish
President, Network 2000 Inc.

* Findings for Fortune 500 companies as reported by Nancy M. Carter, Ph.D. and Harvey M. Wagner, Ph.D., "The Bottom Line: Corporate Performance and Women's Representation on Boards (2004-2008)", New York: Catalyst, March 2011

**in four of the five years during 2004-2008

Executive Summary

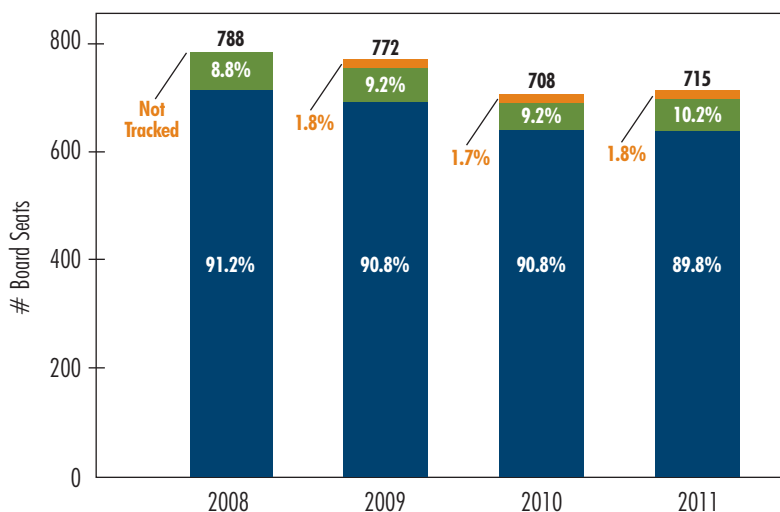
The results in 2011* were generally positive with women holding more (73 of 715) as well as a greater percentage (10.2%) of the board seats of the 84 companies currently headquartered in Maryland. This represented a full percentage point increase over the prior year and the highest percentage since Network 2000 began tracking the figures six years ago.

- The number of Maryland public companies included in this census declined to 84.
- Five of the six new companies that joined this year's census had at least one woman board member while the majority of those that dropped off this year's census had no women.
- There was a substantial increase in the number of companies (9) with at least one woman board member and one woman in the executive suite (+11%).
- There was a notable increase in the number of companies (4) with 20% or more women on their board and in the company's executive suite (+5%).
- The number of board seats held by women at the F500 companies exceeded the national average and was up nearly 3% over last year.
- The number of women of color continues to be flat, representing less than 2% of total board seats.
- The number of companies with no women on the board (35) continues on a slow decline; however, the percentage remains high at 42%.
- The number of companies (26) with no women on their board nor in their executive suite saw a 3% increase.
- With only 10.2% of the total board seats being held by women and 42% of total companies having an all male board of directors, there is still much need for improvement.

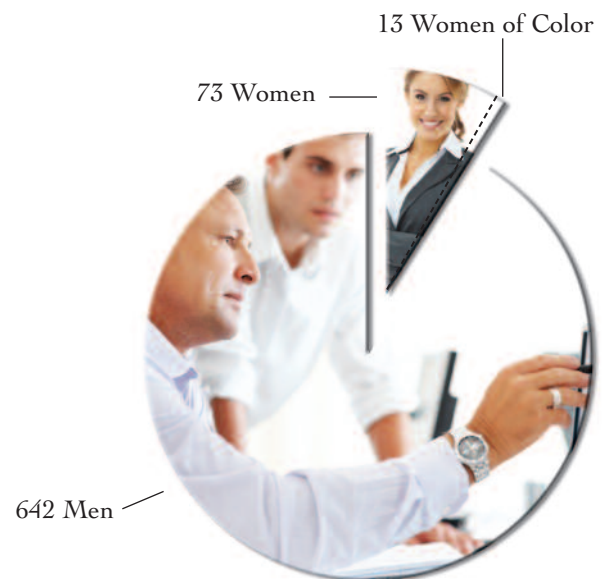
* Based on July 1, 2010 - June 30, 2011 proxy statements and annual reports.

Board Seats held by Women

The total number and percentage of board seats held by women increased to the highest levels since Network 2000 first started tracking the census data. Women of color continues to show no growth.



- Percentage of Board Seats held by Women of Color
- Percentage of Board Seats held by Women
- Percentage of Board Seats held by Men



715 Total Board Seats in 2011



■ *Three as the Critical Mass*

It's been over five years since the Harvard Business Review published "How Many Women do Boards Need?" based on a study led by Vicki Kramer, Harvard PhD and Principal of V. Kramer & Associates, a consulting firm specializing in organizational and individual effectiveness. The results of the study suggest that having women board directors benefits corporations – particularly when there are three or more. Based on interviews with CEOs, corporate secretaries and women directors, the study compared the dynamics of token representation with the more nuanced interactions that occur when gender is no longer the primary lens through which women directors are viewed. We asked Vicki to comment on this enduring notion of the "critical mass" and its applicability to corporate governance today.

Q: This idea that three or more women are needed to shift boardroom dynamics still resonates with people years after you and your co-authors first proposed it. Why do you think that is?

A: I'm guessing there are several reasons. One is that it rings true for people who have been on boards or in other small group situations where there are fewer than three women or where there are three or more. We were simply describing what board members and CEOs had experienced and reported to us. A second reason is that people have become familiar with the concept of a "tipping point" – a similar concept. Finally additional research has shown the positive effects of having three women directors as well as the importance of a critical mass of women in leadership settings, such as the addition of a third woman to the Supreme Court.

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Q: Lockheed Martin has added a third woman – an African American – to their Board. What changes in the board dynamics – if any – can they expect?

A: Part of what happens will depend on the nature of all three women and the dynamics before the third woman arrived. However, the presence of a third woman should remove some of the pressure on the first two, make it easier for the third than it was for the first and even the second, reduce any tendency to see the women as representing all women and increase the Board's ability to see them as individuals. In a sense their being different doesn't stand out as much and may well improve the ability of the group to work together.

Furthermore, one of the two current women board members is African American, so adding a second woman of color will probably be helpful to both of them, since we found that there are racial as well as gender dynamics and women of color must deal with both issues.

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Q: You've stated that companies should be intentional about reaching this number (develop a strategy for reaching it) ... what are the costs vs. benefits of doing so? Might it produce a backlash?

A: The benefit of being intentional is that when individuals or groups decide to accomplish something, there is a better chance it will happen. If people just hope it happens and continue the same way of recruiting and evaluating candidates, they are less likely to see different results. To be intentional does *not* mean settling for less or adding unqualified people to the board; it *does* mean examining what it means to be qualified and being sure that search firms and informal recruiting produce viable female candidates, and that women are considered when there are openings. That is not the same thing as setting aside seats for women or electing women just for the sake of gender diversity.

The costs of being intentional – which I don't consider to be real costs – are looking beyond "comfort zone"



networks, and questioning guidelines that have produced only men candidates. The benefits – improved group dynamics, improved governance, a better message to employees and customers, etc. – have been documented by many studies and reports.

A CEO in our study described developing a rule for recruiting: there must be at least one legitimate female candidate and one legitimate minority candidate. Once that was in place, many qualified women and minorities were found – with no apparent backlash.

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Q: As you've noted in your work, there is an established body of research about minority influence in groups. Is this critical mass notion merely an example of minority influence, or are there inherent qualities that women leaders exhibit that make it important that women serve on boards, e.g. could adding three of any group influence board dynamics in the way you've suggested, or would that only occur with women?

A: Diversity of all kinds improves group decision-making. People with different perspectives always add to a discussion if they are included and encouraged to contribute. We looked at the kinds of issues and behaviors

women in particular bring to boards. Some of those relate to their experience as women and others relate to their experience as “outsiders” – something shared with minorities. And, indeed, we heard from women interviewees that they tended to share some board experiences and feel affinities with directors of color.

Our research indicated that women's interpersonal skills positively influence board processes. They tend to be less hierarchical and more collaborative than men, leading to better board discussions, including those when staff is presenting. They are more likely to acknowledge that they don't understand something and ask the “dumb” question, when others around the table would rather not admit that they don't understand.

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Q: Women are gaining access to corporate boards (albeit not at the rate that many of us would like). At the same time, board members are under intense scrutiny and may likely face a higher risk of adverse litigation (in the wake of Enron, etc.). Are women being given access to boards at an opportune or inopportune time?

A: Some claim that women are often more careful about risks, so this would seem an opportune time for boards of directors to add women,

even though these are challenging times for all boards. There is the joke that women and minorities are given access when things are bad, however, all board members may and should be more careful than in the past before accepting board positions. But challenging times bring with them opportunity to make a difference, something that is likely to appeal to many women. Also, individuals and their employers are much more attentive to limiting the number of boards on which they serve – a good trend for increasing the need for more candidates and increasing opportunities for women.

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■ SOURCES:

Konrad, Alison, V. Kramer, and S. Erkut (2008) “The Impact of Three or More Women on Corporate Boards” *Organizational Dynamics*, Vol 37, No. 2, April-June. 145-164.

Kramer, Vicki W., A. M. Konrad, S. Erkut and M. Hooper (2007) “Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance” *Directors Monthly*, February, 19-22.

Konrad, Alison, and V. Kramer (2006) “How Many Women Do Boards Need?” *Harvard Business Review*, December.

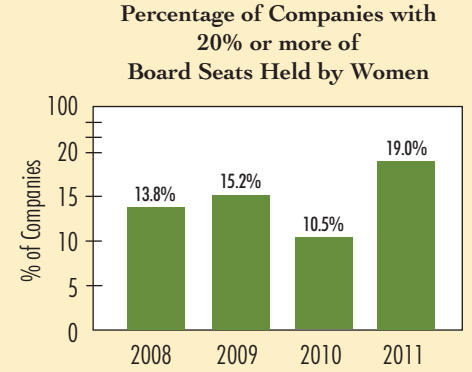
“Intentional does not mean settling for less or adding unqualified people to the board.”

Critical Mass on Boards Rebound

The number of companies where women held 20% or more of their board seats rebounded after a steep decline last year.

- The Adams Express Company
- Arbitron
- Constellation Energy Group, Inc.
- Chindex International, Inc.*
- CIENA Corp.
- Entremed, Inc.
- Federal Realty Investment Trust*
- Glen Burnie Bancorp*
- Lockheed Martin Corporation*
- Marriott International, Inc.
- Medifast, Inc.
- OBA Financial Services, Inc*
- Pebblebrook Hotel Trust*
- Petroleum & Resources Corporation
- Sandy Spring Bancorp
- Synutra International, Inc.*

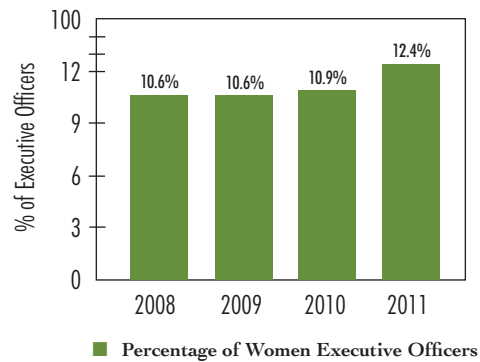
*25% or more women directors (seven companies versus three last year)



Women in the Executive Suite in Maryland

The number of women executives as well as the number of companies where 20% or more of the executive officers are women increased both in number and percentage to the highest levels to date. However, more than half of the companies in the census have no women in the c-suite.

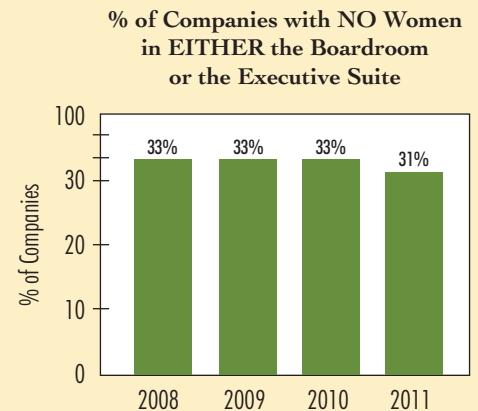
One of the indices with the greatest decline was the percentage of companies with at least one woman among the most highly compensated executives. In 2011, it was 30% versus 42% in 2010.



Companies with No Gender Diversity

This measurement, which has been stagnant year over year saw its first downward trend this year.

- American Capital Agency Corp.
- BroadSoft Inc.
- Catalyst Health Solutions, Inc.
- Celsion Corporation
- CommerceFirst Bancorp, Inc.
- Conmed Healthcare Management, Inc.
- First Potomac Realty Trust
- GenVec, Inc.
- India Globalization Capital, Inc.
- Iridium Communications, Inc.
- Jos. A. Bank Clothiers, Inc.
- Micromet, Inc.
- Nabi Biopharmaceuticals
- Neuralstem, Inc.
- Novavax, Inc.
- Omega Healthcare Investors, Inc.
- OPNET Technologies, Inc.
- Rexhan Pharmaceuticals, Inc.
- Saul Centers, Inc.
- Severn Bancorp, Inc.
- Tessco Technologies, Inc.
- TeleCommunication Systems, Inc.
- Under Armour, Inc.
- Universal Security Instruments, Inc.
- Vanda Pharmaceuticals, Inc.
- Vocus, Inc.



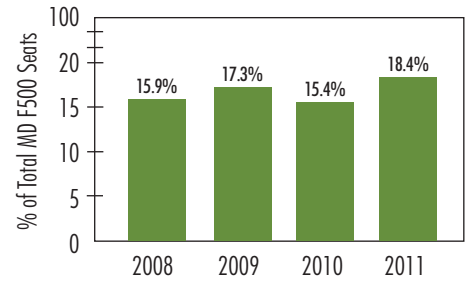
Maryland's Fortune 500 Companies

All five of Maryland's Fortune 500 companies had at least one woman on their Board, a figure which is higher than the national average of 30%.* Women hold 18.4% of the board seats in Maryland's Fortune 500 companies which is also above the national average of 16.7%.

- Constellation Energy Group, Inc. (2)
- Coventry Health Care (1)
- Host Hotels & Resorts, Inc. (1)
- Lockheed Martin Corporation (3)
- Marriott International, Inc. (2)

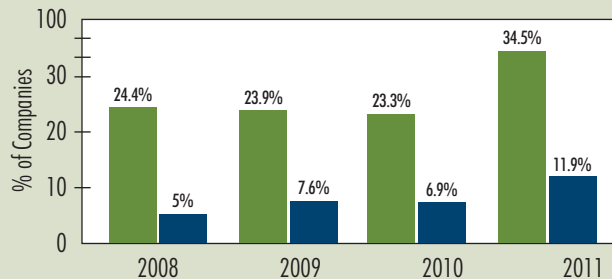
* 2011 Catalyst Census: Fortune 500

Percentage of Board Seats held by Women at Maryland F500 Companies



Best of the Best

Both the number of companies with at least one woman on the board and in the executive suite as well as companies where 20% or more of the board and executive officers are women, increased significantly over last year.



- Percentage of Companies with at least one Woman on the Board AND one Woman Executive Officer
- Percentage of Companies where 20% or more of the Board AND Executive Officers are women

Honor Roll: These companies have 20% or more women on the Board AND in the executive suite.

- The Adams Express Company
- Arbitron
- Constellation Energy Group, Inc.
- Chindex International Inc.
- Entremed, Inc.
- Federal Realty Investment Trust
- Glen Burnie Bancorp
- Lockheed Martin Corporation
- Medifast, Inc.
- Petroleum & Resources Corporation

Methodology

The Census includes 84 companies on the major exchanges (AMEX, NYSE and NASDAQ) that are headquartered in Maryland. Data was obtained from the most recent proxy statement (DEF 14A) and annual report (Form 10-K) filed with the Securities and Exchange Commission (SEC) from July 1, 2010 through June 30, 2011. Data regarding

Executive Officers and Most Highly Compensated Officers are those listed in SEC filings. Information regarding women of color was obtained by contacting the company's corporate secretary or other company officials. The total number of companies and board seats fluctuates each year.

Network 2000, Inc. 2012 - 2013 Officers

Ellen Fish, *President*

Diane D'Aiutolo, *President Elect*

Kathy Armstrong, *Vice President*

Dana Weckesser, *Secretary*

Carol Coughlin, *Treasurer*

Karen McGraw, *Immediate Past President*

**Network 2000 acknowledges the support of the following companies
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Bottomline Growth Strategies, Inc.

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CFG Community Bank

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Choice Hotels International, Inc.

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Howard Bank

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St. Agnes Healthcare

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Tydings & Rosenberg, LLP



www.network2000md.org

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