

SENATE JOINT RESOLUTION 4

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By: **Senators Klausmeier, Benson, Conway, Eckardt, Kagan, Kelley, King, and Lee**
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SENATE JOINT RESOLUTION

1 A Senate Joint Resolution concerning

2 **Increasing Maryland's Competitiveness Through Gender Diversity in**
3 **Boardrooms**

4 FOR the purpose of recognizing certain evidence showing a deficiency in the gender
5 diversity of Maryland boardrooms and the comparative high performance of
6 companies where women are more strongly represented in top management;
7 encouraging equitable and diverse gender representation on the boards and in senior
8 management of companies and organizations in the State of Maryland; urging
9 certain institutions and companies to have a certain minimum percentage of women
10 in leadership positions by a certain date and to take certain measurements of
11 progress; and generally relating to gender diversity in corporate management and
12 boardrooms.

13 WHEREAS, Equitable and diverse gender representation in the leadership ranks of
14 companies in the State of Maryland is essential to enhance the competitive position of the
15 State in the global economy; and

16 WHEREAS, The Executive Alliance, a nonprofit organization of women executive
17 leaders actively working to leverage the collective power of women's leadership in the State
18 of Maryland, reported in its 2016 "Census of Women Board Directors in Maryland" that
19 women held 14.4% of board seats and 12.3% of executive positions at the 76 publicly traded
20 companies headquartered in the State; and

21 WHEREAS, Of those 76 companies, 36 have no women in executive positions, 23
22 have no women on their boards of directors, and 14 have no women on their boards of
23 directors or in their executive suites; and

24 WHEREAS, According to the Maryland Commission for Women, women make up
25 49% of the labor force in Maryland; and

26 WHEREAS, Deloitte's Missing Pieces Report, which included a 2016 census of
27 diversity on Fortune 500 corporate boards, found that minority women are even less



1 represented, with African American women holding only 2.2% of board seats, Asian women
2 holding only 0.081%, and Latina women holding only 0.075%; and

3 WHEREAS, A McKinsey & Company study entitled “Women Matter” showed that
4 companies where women are most strongly represented at board or top management levels
5 are also the companies that perform the best; companies with three or more women in
6 senior management functions score more highly, on average, on the organizational
7 performance profile than companies with no women at the top; and company performance
8 increases significantly once a certain critical mass is attained – specifically, when there are
9 at least three women on management committees with an average membership of 10
10 people, performance improves dramatically; and

11 WHEREAS, Commencing in 2006, Credit Suisse conducted a 6–year global research
12 study of more than 2,000 companies worldwide that showed that women on boards improve
13 business performance by key metrics, including stock performance, as demonstrated by the
14 fact that companies with a market capitalization of more than \$10 billion, whose boards
15 have women, outperformed shares of comparable businesses with all–male boards by 26%;
16 and

17 WHEREAS, The Credit Suisse report included the following findings:

18 (1) There has been a greater correlation between stock performance and
19 the presence of women on a board since the financial crisis in 2008;

20 (2) Companies with women on their boards significantly outperformed
21 others when the recession occurred;

22 (3) Companies with women on their boards tend to be relatively
23 risk–averse and carry less debt, on average; and

24 (4) Net income growth for companies with women on their boards
25 averaged 14% over a 6–year period, compared with 10% for those with no women directors;
26 and

27 WHEREAS, An Oklahoma State University study found that board diversity,
28 including gender and ethnicity, is associated with improved financial value and that a
29 significant positive relationship exists between the fraction of women or minorities on the
30 board and the value of the firm; and

31 WHEREAS, The Catalyst Research Center for Equity in Business Leadership report
32 entitled “Women on Corporate Boards Globally” found that companies with more women
33 on boards had better financial results, on average, than other companies, and that
34 companies with sustained high representation of women board directors, defined as having
35 three or more women board directors in at least 4 of 5 years, significantly outperformed
36 those with sustained low representation by 84% on return on sales, 60% on return on
37 invested capital, and 46% on return on equity; and

1 WHEREAS, Catalyst’s report “Women on Corporate Boards Globally” also cites
2 findings that companies with fewer women on boards had more governance–related
3 controversies than average; and

4 WHEREAS, Catalyst found a clear and positive correlation between the percentage
5 of women board directors in the past and the percentage of women corporate officers in the
6 future; and

7 WHEREAS, Catalyst found that (1) women board directors appeared to have a
8 greater effect on increasing the percentage of line positions held by women than they did
9 on staff positions and (2) line experience is necessary for advancement into chief executive
10 officer and top leadership positions; and Catalyst’s annual censuses show that, historically,
11 women are underrepresented in those roles; and

12 WHEREAS, Executive Alliance’s Census report has shown little improvement in the
13 representation of women on corporate boards in Maryland over the last 10 years; and

14 WHEREAS, Women in the Workplace 2016, a comprehensive study of the state of
15 women in corporate America conducted by LeanIn.Org and McKinsey & Company,
16 emphasized that (1) women are less likely to receive the first critical promotion to manager
17 – so far fewer end up on the path to leadership; (2) women are less likely to be hired into
18 more senior positions; and (3) women also get less access to the people, input, and
19 opportunities that accelerate careers – thus, the higher you look in companies, the fewer
20 women you see; and

21 WHEREAS, Catalyst’s report “Women on Corporate Boards Globally” indicated that
22 research from many scholars and organizations, including Catalyst, had found that three
23 or more women serving on a board “changes boardroom dynamics substantially”, “enhances
24 the likelihood that women’s voices and ideas are heard”, and “creates a ‘critical mass’ of
25 women which can lead to better financial performance”; now, therefore, be it

26 RESOLVED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Maryland
27 General Assembly finds that the State of Maryland has a significant stake in promoting
28 equitable and diverse gender representation in the public, private, and nonprofit leadership
29 ranks of Maryland companies, institutions, and State and local government; and be it
30 further

31 RESOLVED, That all nonprofit, privately held, and publicly traded institutions and
32 companies doing business in the State of Maryland should undertake a commitment to
33 increase the gender diversity on their boards of directors and in senior management
34 positions and set goals by which to measure their progress; and be it further

35 RESOLVED, That the Senate of Maryland and the House of Delegates urge that by
36 December 31, 2021, all nonprofit, privately held, and publicly traded institutions and
37 companies doing business in the State of Maryland have a minimum of 30% of women
38 directors and measure their progress toward a goal of equal representation of men and
39 women in leadership positions on an annual basis; and be it further

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1 RESOLVED, That a copy of this Resolution be forwarded by the Department of
2 Legislative Services to the Honorable Lawrence J. Hogan, Jr., Governor of Maryland; the
3 Honorable Thomas V. Mike Miller, Jr., President of the Senate of Maryland; and the
4 Honorable Michael E. Busch, Speaker of the House of Delegates.