

Gender balance on boards: Five steps to achieve success

How can any corporate board really afford to wait for gender balance? They can't, not if they hope to remain globally competitive. Here is how to kick-start the process.

BY JANICE ELLIG AND ILENE H. LANG

Six years ago we were on the cover of this journal as co-authors of the featured article, "Getting from a Good to a Great Board — You Can Do It Through Gender Diversity." Central to our argument was Catalyst's breakthrough study, "The Bottom Line: Corporate Performance and Women's Representation on Boards," showing that more women on corporate boards correlated with significantly improved financial returns — on aver-

age, 53% higher return on equity and 42% higher return on sales. Another 2008 Catalyst report, "Advancing Women Leaders: The Connection Between Women Board Directors and Women Corporate Officers," showed that having more women on the board predicted an increase in the number of women in the C-suite five years later.

Improved performance and a boost to diversity presented an appealing "win-win" we felt sure would prompt boards to act. To help, we offered five actions directors could easily and quickly undertake to achieve board diversity, and we offered examples of how a number of major corporations had improved their gender mix over a 10-year period.

Then we stepped back to watch the transformation and the anticipated changes.

What happened? Virtually nothing. In 2008 when the article was written, 16% of the board seats among the S&P 500 were held by women, as tracked by the Spencer Stuart Board Index. Today,

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it's 19.2%, as reported by Catalyst in its 2014 Census of Women Board Directors released earlier this year. At this glacial pace of just 0.5% annually, female parity in the boardroom is nowhere on the horizon. If the past is an indication of the future, at this rate parity would occur around 2090.

Excuses abound about why change hasn't happened — ranging from “There aren't enough qualified women” to “Only sitting or former CEOs are qualified to serve on boards” to “We can't get there from here.” Yet, given “The Bottom Line” study's financial performance findings, the increasing percentage of the well-educated and experienced talent base that women

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represent, the role of women in influencing decisions as business partners and consumers, and the fact that women are a growing percentage of regulators and legislators, how can any corporate board really afford to wait for gender balance?

For those corporate boards satisfied with *one and done* or *two and through* for female representation — and for those that don't see a problem at all — the handwriting is on the wall. Boards that ignore or delay this issue will be at a global competitive disadvantage.

What's a board to do?

Concerted action by CEOs, board chairs, lead directors, and nominating/governance committee members is required if they aspire to lead rather than lag in global competitiveness. Here are five steps to kick-start that action:

- **Set Voluntary Targets — with Parity as a Goal:** Starting now, set consecutive targets for achieving gender parity on your board within nine to 15 years — three consecutive 3-year goals or three consecutive 5-year goals. This is not rocket science. Companies routinely set goals and targets for every aspect of the business that matters. Our point is this: If a board sets parity as a business objective, it can achieve parity by 2030 at the latest! And if it doesn't have a specific objective, progress will be elusive and likely unachievable. Moreover, those gender parity targets, like financial targets, should be published in the company's annual reports.

- **Formalize Diversity and Gender Parity as Part of the Nominations/Governance Committee's Charter:** Targets and accountability go hand-

in-hand. As Sharon Allen, retired chairman of Deloitte and a board member of Bank of America and First Solar, said, “It's important for governance committees to be very intentional and persistent regarding diversifying boards.” It also doesn't hurt to ensure that the nominations/governance committee membership includes its fair share of women.

- **Require Women in Pools of Talent:** Fifty percent of all short-listed candidates for director should be women. The pipeline of talent is there. Look beyond sitting or former CEOs, beyond those who are “overboarded,” beyond candidates known personally by the CEO or other directors. Insist on seeing new names from your search firm, and if your search firm can't come up with a fresh talent pool of candidates, change search firms.

- **Expect Leaders to Sponsor Women:** Your CEO should commit to sponsor high-performing female leaders as “board ready.” Obviously, these are women with whom the CEO has worked and observed and whom he or she assesses as qualified for corporate board service. Such sponsorship launches the woman into the traditionally male-dominated board “network” while at the same time adding to the female talent pipeline. The Women's Forum of New York (www.womensforumny.org), the nearly 500-member New York arm of the International Women's Forum, has established an exclusive and unique database of board-ready women already sponsored by a Fortune 1000 CEO. (Sixty-six Women's Forums on five continents comprising 5,000 members are affiliated through the International Women's Forum, formed in 1982 and based in Washington, D.C.) This rich resource is available at no cost to nominating committees and retained search firms. Additionally, CEOs of Catalyst member companies can sponsor board-ready women for the Catalyst Corporate Board Resource, a similar database (www.catalyst.org/catalyst-corporate-board-resource). And if your CEO cannot come up with a candidate to sponsor, then you have other issues to work on as well.

- **Aspire to the Council of CEO Champions:** Aim to join this distinguished roster, comprising those companies whose boards are currently at least 20% female. (Note that we will continue to raise this bar, as we aspire to parity.) Keeping track is the Women's Forum of New York, which biennially honors those companies that are accel-

erating women into their boardrooms, C-suites, and at all levels. In 2013 a panel of seven CEOs took the lead in honoring 174 of the Fortune 500 that had at least 20% women board members. This Council of CEO Champions included Roger Ferguson of TIAA-CREF, Jeffrey Immelt of General Electric, Steven Kandarian of MetLife, Ellen Kullman of DuPont, Terry Lundgren of Macy's, Deanna Mulligan of Guardian Life Insurance Co. of America, and Richard Davis of U.S. Bank. Commit to getting your company to qualify for this Council as your board makes its way toward gender parity. It will evidence your commitment not just to a cause but to action.

Diversity is good for business

Research confirms that gender-diverse groups perform better than homogenous groups when it comes to critical analysis and creative thinking (see as a representative example of this research the 2014 Catalyst report, "First Step: The Link Between Collective Intelligence and Diversity"). In what is being called the Innovation Economy, diversity is likely to be necessary for survival.

Visionary CEOs and directors know that gender diversity is not altruism, nor is it simply a matter of fairness or justice. It simply makes good business sense in a world where half or more of your talent and consumers are female.

Change Drivers — CEOs, board chairs, and nominating/governance committees — can make change happen on boards *without* quotas or regulations. In the U.K., the 30% Club — an association of committed board chairs and CEOs — has made significant progress in just a few short years toward more gender-balanced boards by setting targets and holding themselves accountable. From 2011 to 2014, FTSE100 boards have gone from 12.5% to 22.8% women's representation, eclipsing S&P boards in the U.S.

Across the globe, gender diversity on boards is often legislated by quotas or mandates, or stock exchanges have implemented "Comply or Explain" rules that govern disclosure regarding diversity on boards. One of the latest efforts happened in Canada, where in October 2014 the Ontario Securities Commission mandated that most TSX-listed companies set targets for women's board and executive committee representation. In the U.S., we believe each company should set its own three consecutive 3- or 5-year targets, measure progress, communicate to shareholders, and get our boards *beyond 30% and to parity*.

Take ownership of your goals

With advocates for gender diversity in every boardroom, change will happen. When U.S. boards take ownership of their gender-parity goals, just like in the U.K., progress will accelerate, ensuring that in 10 to 15 years (by 2025 or 2030 at the latest) we will see parity in our corporate boardrooms. This should be our commitment to ourselves, our stakeholders and, very importantly, our shareholders.

Women make up 51% of the population as consumers, employees, shareholders and the communities in which corporations operate. Can U.S. corporate boards afford to ignore the advantage women bring to the table? Visionary boards will proactively select the best and the brightest — half of whom will be women.

As Deanna Mulligan, CEO of Guardian Life (ranked 245 on the Fortune 500 list), succinctly stated, "This is the United States of America. We put a man on the moon . . . we ought to be able to get women on boards." ■

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Named by *Business Week* as one of “The World’s Most Influential Headhunters,” Janice is Co-CEO of Chadick Ellig, focusing her search practice on recruitment of Board Directors, C-suite executives and divisional heads and building a company’s bench strength in all functional areas. Janice’s 20-year corporate experience includes Pfizer, Citibank and Ambac Financial Group, which she helped take public after a spin-off from Citibank in 1991. As a member of Ambac’s Executive Committee, she was responsible for Marketing, Human Resources and Administration.

Janice has co-authored two books: *Driving The Career Highway, 20 Road Signs You Can’t Afford To Miss* (2007) and *What Every Successful Woman Knows: 12 Breakthrough Strategies to Get the Power and Ignite Your Career* (2001), acknowledged by *Business Week* as “the best of its genre.” Janice has co-authored two previous articles for *Directors & Boards*, in 2012, “Boardroom parity in the US by 2022” and in 2008, “Getting from a good to a great board.” She published articles for *Forbes.com*, “How to Add More Women To Corporate Boards” and “How To Fix Corporate Boards;” in *Directorship*, “It Is About Time” and “Put Some Teeth Into Those Rules” among other publications. Janice has appeared on network television and moderated panels on building stronger boards, gender diversity and career management issues.

Janice is a Board Director of the National YMCA and Past Chair of the YMCA Board of Greater New York; Trustee of the Actors Fund and The Committee For Economic Development (CED); Board Director/Executive Committee, University of Iowa Foundation; Women’s Forum of New York Past President and Chair of the *Corporate Board Initiative*; Harvard Kennedy School, Women and Public Policy Program Board; Charles Edison Fund Advisory Board, Business Committee of the Metropolitan Museum of Art, Lincoln Center Women’s Leadership Council and The Economic Club of NY.

Chadick Ellig

Chadick Ellig is a premier retained executive search firm based in New York City. Founded in 1977, Chadick Ellig is the only New York member firm of IIC Partners, a leading worldwide executive search consortium of independent search firms with 8 offices in the United States and over 50 offices worldwide. Partnering with these firms provides instant access to 34 leading nations for candidate sources allowing Chadick Ellig *global reach, as well as local presence* in the U.S.

Chadick Ellig’s mission is to build partnerships for the long term success of their clients, providing outstanding attention, accessibility and advice. They are passionate client advocates who take a hands-on approach to help both clients and candidates achieve success.

A full-service firm, Chadick Ellig is retained for positions from Board Directors, CEO’s and Presidents to divisional line, product areas, and functional roles. Clients range in size from Fortune 500 corporations to mid-cap and private entrepreneurial companies encompassing Diversified Financial Services, Consumer Services, Business Services and Technology companies. Across these sectors, Chadick Ellig conducts searches for the leaders of businesses as well as functional heads for Finance, Human Resources, Marketing, and Digital.

Chadick Ellig is also a certified Women’s Business Enterprise (WBE) and has a formidable track record of attracting women and minority executives to the executive suite and placing them on Boards. Over 95% of candidate panels include diversity representation and in the past 5 years, nearly 50% of placements have resulted in women and diversity hires; for Board placements, 85% were women/diversity.