WOMEN AT THE TOP

How Women at the Top Elevate the Bottom Line

U.S. Department of State
Advisory Committee on International Economic Policy
Subcommittee on Women
Judith Barnett & Jeff Volk, Co-Chairmen
January 2011
“...[W]e must support the rise of women leaders in the public and private sectors because they bring firsthand knowledge and understanding of these challenges, and their perspectives will add great value as we shape policies and programs that will eliminate barriers to bring women into all economic sectors.

- Secretary of State Hillary Clinton, Asia Pacific Economic Cooperation Women and the Economy Summit, September 16, 2011

“In fact, the percentage of women (on a board of directors) was one of the strongest correlations with better performance. Better performing companies have a higher proportion of female board directors ...”

- The Eversheds Board Report, The Eversheds International Law Firm, LLC, March 2011

Catalyst examined 353 Fortune 500 companies and proved the correlation between increased gender diversity at the highest levels and improved financial performance. However, in a survey of more than 4,000 M.B.A.s who graduated between 1996 and 2007 from business schools across the world, Catalyst found that women with M.B.A.s earned $4,600 less initially than their male counterparts, on average, across all industries... and over a 40-year career, this can be a loss of $ 400,000 in salary.

- The Bottom Line: Connecting Corporate Performance and Gender, Catalyst, 2004
The Subcommittee on Women of the Advisory Committee on International Economic Policy, U.S. Department of State, conducted a survey of the available studies on the economic value of women at the top of corporations and organizations. The Subcommittee then prepared:

1) A set of insights gleaned in these studies;
2) A summary of study recommendations;
3) A compendium of exemplary current programs, policies, and projects that can move women to the top of today’s organizations; and
4) Next steps to moving forward.
**What:** Members of the Subcommittee volunteered to research and examine numerous studies, and then to publish insights, recommendations, and programs that promote women to the most senior positions in corporations and organizations.

**When:** The survey of studies was conducted in July-September 2011.

**Why:** To understand why female leadership at the top of organizations results in more profitable and successful operations. Most importantly, the Subcommittee aspires to document, disseminate and actualize programs that can break the plexiglass ceiling.

**How:**

1. Survey the literature/studies and select 15-20 seminal studies;
2. Review and summarize the 15-20 key studies;
3. Research best practices/programs to promote senior women to the top of their organizations;
4. Prepare working draft of findings which include next steps for moving forward.

**Who:** Members of the Subcommittee on Women, ACIEP.
5 Insights
Insights
Women on Boards: The Lord Davies’ Report, 24 February 2011

- A range of research illustrates the positive impact that women’s contribution to the boardroom can make to the corporate bottom line of a company’s finances.

  Companies with more women on their boards were found to outperform their rivals with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity.

- Differences exist in the way that men and women were mentored and sponsored, giving men the edge over their female peers.

- Certain gender (behavioral) traits are a key issue, whereby women tend to undervalue their own skills, achievements and experiences.

- The relatively low number of successful female role models often compounds stereotypes and reinforces perceived difficulties in rising up the corporate ladder.
Insights
Women on Boards: The Lord Davies’ Report, 24 February 2011

□ All of the following make up significant barriers to women being appointed to serve on boards:

- Informal networks are influential in board appointments;
- There is a lack of transparency on selection criteria; and
- The manner in which executive search firms operate presents a barrier to female board candidates.
Over the past decade, the talent pipeline for women has not materially improved:

- Fewer than 3% of Fortune 500 CEOs are women;
- Only 26% of vice presidents and senior managers are female;
- 14% of executive committee members are women.
- The odds that women will advance from executive committee to CEO are about 1 in 34 versus 1 in 9 for men.

Four Barriers Hold Back Women

- Structural Obstacles: lack of networking and female role models;
- Lifestyle Issues: desire for work life balance;
- Imbedded Institutional Mindsets: promoting women is too risky;
- Imbedded Individual Mindsets: all things considered, less desire to advance to the next level.
A study of executive committees, including in Europe and the fast-tracked BRIC countries (Brazil, Russia, India, China), identified the top-quartile companies in terms of their share of women on executive committees. The study then compared the financial performance of this top group with all-male executive committees and concluded:

- Companies with the highest share of women on their executive committees have better financial performance than companies with no women.

- In terms of return on equity, the top-quartile group exceeds by 41 percent the group with no women (22 vs. 15 percent), and in terms of operating results, the more gender-diverse companies exceeds by 56 percent the group with no women (17 vs. 11 percent).
A survey of about 1500 business leaders worldwide, across all industries, from middle managers to CEOs, reveals that a majority of leaders, both men and women, now recognize gender diversity as a performance driver. However, in fact, the implementation of gender-diversity measures at the top of corporations remains limited.

- Both male and female leaders agree that the first barrier is the "double burden" syndrome - the combination of work and home/family responsibilities. It is difficult to reconcile a life style with the "anytime, anywhere" performance model.
- Women respondents identified a third important barrier and that is the reticence of many women to advocate for themselves.
Most executives recognize the positive impact of gender diversity on company performances, however, this belief does not translate into action.

- The achievement of gender diversity is not at the top of – nor even on – companies’ strategic agenda

- Only 28 percent of respondents identified this topic as a top-10 priority in their company. This is a concern, as the new McKinsey study shows a link between having gender diversity as a top priority and achieving women representation in C-level positions (CEO, COO, CFO)

- Changing the promotion system (norms and rules) is critical as the increasing number of female university graduates will not be sufficient to close the gender gap in top management.
Beyond profits, there are numerous other business reasons why gender diversity at the highest levels should be a strategic priority.

- Clients have made gender diversity a priority and are demanding it from their service providers. **Companies must present client service teams that are reflective of the global marketplace and the business world in which they are operating.**

- Women currently earn more than one-half of all bachelor’s and master’s degrees in the United States, nearly one-half of all doctorates and law degrees and comprise about one-half of the U.S. paid labor force. **Employers who focus on diversity will be positioned better to tap into an increasingly educated and skilled segment of the talent pool.**
Recommendations
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Women on Boards:
The Lord Davies’ Report, 24 February 2011

1. All Chairmen of FTSE 350 companies (UK public stock exchange) should establish the percentage of women they aim to have on their boards in 2013 and 2015.
   - **FTSE 100 boards should aim for a minimum of 25% female representation by 2015.**
   - **NOTE: These objectives/initiatives could be used for any public stock exchange including the companies listed on the New York Stock Exchange (NYSE).**

2. Chairmen should announce their aspirational goals within the next six months (Report: by September 2011). Chief Executives should review the percentage of women they aim to have on their Executive Committees in 2013 and 2015.

3. Companies should be required to disclose each year the proportion of women on their boards, as well as women in Senior Executive positions and female employees in the whole organization.
Recommendations

Women on Boards:
The Lord Davies’ Report, 24 February 2011

- The UK Corporate Governance Code should require listed companies to establish a policy concerning boardroom diversity, including measurable objectives for implementing the policy, and to disclose annually a summary of the policy and the progress made in achieving the objectives.

- Companies should report the status of this program in their 2012 Corporate Governance Statement whether or not the underlying regulatory changes are in place. In addition, Chairmen will be encouraged to sign a charter supporting the recommendations.

- A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments”. Chairmen should disclose meaningful information about the company’s appointment process in each report.
Global Board Seats Held by Women

Women on Boards: The Lord Davies’ Report, 24 February 2011

Graph showing the percentage of board seats held by women in various countries.
A focus on developing and advancing middle management women can have the biggest impact on senior management –

- More female middle managers aspire to leadership than female entry professionals, female managers aspire to top roles.
- In middle management, both men and women leave their jobs for the same reason - compensation, opportunities, for professional growth and recognition within the organization. Corporations that retain and advance women reshape their talent pipelines by retaining more senior management role models.

The solution must transform imbedded mindsets and include complete organizational transformation including:

- A clear vision and compelling business case;
- Integration with core business management process;
- Capability building
- Leadership role-modeling not just at the top but throughout the organization
### Women in Management, Global Comparison

**International Labor Office, LABOURSTA**

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<thead>
<tr>
<th>Country</th>
<th>% Women legislators, senior officials and managers</th>
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<tbody>
<tr>
<td><strong>Women in Management: Asia</strong></td>
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<tr>
<td>Philippines</td>
<td>53.30%</td>
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<tr>
<td>Russian Federation (2007)</td>
<td>38.70%</td>
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<tr>
<td>Thailand</td>
<td>23.70%</td>
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<tr>
<td>Japan*</td>
<td>9.30%</td>
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<td><strong>Women in Management: Central &amp; South American &amp; the Caribbean</strong></td>
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<tr>
<td>Chile (2007)</td>
<td>23.2%*</td>
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<tr>
<td>Panama</td>
<td>48.70%</td>
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<tr>
<td>Barbados (2003)</td>
<td>44.90%</td>
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<tr>
<td>Brazil (2007)</td>
<td>36.10%</td>
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<tr>
<td>Costa Rica</td>
<td>30.90%</td>
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<tr>
<td>Peru</td>
<td>5.60%</td>
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<tr>
<td>Argentina (2006)</td>
<td>23.20%</td>
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<tr>
<td><strong>Women in Management: Eastern European</strong></td>
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<tr>
<td>Hungary</td>
<td>36.70%</td>
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<tr>
<td>Poland</td>
<td>36.20%</td>
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<tr>
<td>Czech Republic</td>
<td>28.30%</td>
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<tr>
<td>Croatia</td>
<td>26.30%</td>
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<td><strong>Women in Management: Western European</strong></td>
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<tr>
<td>France</td>
<td>38.50%</td>
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<tr>
<td>Germany</td>
<td>37.80%</td>
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<tr>
<td>United Kingdom (2007)</td>
<td>34.70%</td>
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<tr>
<td>Spain</td>
<td>32.40%</td>
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<tr>
<td>Sweden</td>
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<td>Norway</td>
<td>31.30%</td>
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<td>Switzerland</td>
<td>30.20%</td>
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<tr>
<td><strong>Women in Management: Middle East and Africa</strong></td>
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<tr>
<td>Israel (1999)</td>
<td>26.10%</td>
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<tr>
<td>Ethiopia (2005)</td>
<td>20.10%</td>
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<tr>
<td>West Bank &amp; Gaza Strip</td>
<td>9.90%</td>
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<tr>
<td>Egypt (2007)</td>
<td>11.10%</td>
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<tr>
<td>United Arab Emirates</td>
<td>9.90%</td>
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<td><strong>Women in Management: North America</strong></td>
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<tr>
<td>United States</td>
<td>42.80%</td>
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<tr>
<td>Canada</td>
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<tr>
<td>Mexico</td>
<td>30.70%</td>
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<td><strong>Women in Management: the Pacific</strong></td>
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<tr>
<td>New Zealand</td>
<td>40.00%</td>
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<tr>
<td>Australia</td>
<td>36.80%</td>
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*"Table 1D: Economically Active Population, By Occupation and Status in Employment."
Examples of steps that businesses can take to foster gender diversity include:

- Supporting unique networking and communication styles and programs;
- Providing customized, professional development;
- Focusing on the development of role models to assist younger women; and
- Offering alternative work schedules.
Recommendations for Promoting Women into the Boardroom:

- Create an Annex on the Workplace in order to track women’s work force opportunities and representation in APEC member states;

- Conduct a Percentage Study, carried out by an appointed task force, in order to study the feasibility of affirmative action for women on commercial boards and senior government platforms.

- Organize a Women-Friendly Credits policy framework in order to assess, incentivize, and penalize corporations based on the benefits and resources provided for female employees.

- Start a Let Business Lead policy to incentivize the private sector to publicize positive images of women leaders;

- Establish an Upward Resource Center to develop programs enabling working women to continue acquiring skills for success and leadership.
Shell Oil Company U.S.

- Shell Oil Company U.S. launched a progressive leadership development initiative to develop and advance women, as well as people of color, through its leadership ranks across the company;

- The initiative, known as “Valuing and Leveraging Diversity to Become a Model of Inclusiveness,” includes, among other features, a global diversity and inclusiveness (D&I) standard developed by parent Royal Dutch/Shell Group to serve as a goal for these efforts;

- Shell U.S.’s Diversity Progress Enhancement Project (DPEP) provides guidelines for strengthening employee networks and uses a scorecard to measure progress relative to the D&I standard—features all intended to ensure the initiative’s effectiveness;

- Women currently comprise 25 percent of Shell’s employee population and 57 percent of corporate officers. Women’s representation increased from 8 percent to 32 percent at the senior executive level; from 7 percent to 14 percent at the senior management level; and from 9 percent to 22 percent at the middle management level.
OBJECTIVE: To advance women in leadership in New Zealand by increasing the number of women serving on governance boards and committees for Government agencies.

- Through our Nominations Service, the Ministry provides an avenue through which women can register their interest in and availability to take up board appointments;
- Government (and sometimes private sector officials) seeking board candidates can get access to a professional service, the Nominations database, that will help them find the right woman for the job.
- The Ministry also researches and publishes information that inspires and encourages women to participate in leadership and decision-making roles.

Nominations Database: A listing of women from all sectors and professions who have the appropriate skills and experience to serve on boards and committees.

- When director positions become available on state sector boards, the Ministry offers a professional search service to identifies women who best meet the criteria specified by the agency responsible for appointments.
- While the focus is on state sector board roles, sometimes the Ministry will connect a suitably skilled and experienced woman on the Nominations Database with a private sector or not-for-profit board role.
Some years ago, Price Waterhouse Cooper discovered that it was losing up to 50 percent of its female auditors before partnership.

PWC created a policy that allowed women to work part time and remain on the career track to partner, a position at PricewaterhouseCoopers that pays upwards of $500,000 a year.

PWC also initiated a mentoring program that enables women to connect with and service important clients, demonstrate their skills, and gain visibility in front of more senior male partners.

The firm also actively encourages senior women in the firm to promote the careers of more junior women.
General Electric

- General Electric Women’s Network (GEWN) has been nurturing the growth and development of women leaders since 1998, and is now active in 60 of the countries where GE operates.

- High-potential female executives identified as part of GE’s Succession Planning process are often tapped to manage GEWN hubs and regions worldwide, giving these women valuable, enterprise wide executive experiences and developmental opportunities.

- Strong performance metrics are in place to ensure that GE is in fact developing women executives and individuals from various minority backgrounds.

- GE’s efforts to develop women executives has resulted in women’s representation growing from 5 percent to 13 percent of GE corporate officers, from 9 percent to 14 percent of senior executives, and from 18 percent to 21 percent of executives.
Other Companies

- **Abbott**: Places particular emphasis on moving women into profit-and-loss (P&L) jobs. Women now run 27 percent of major divisions or country operations with $500 million-plus revenues. In addition, the number of female managers has increased 90 percent within five years. Abbott’s Women Leaders in Action network (WLA) focuses on building leadership skills and stresses community involvement, through a strategic alliance between the company’s philanthropic foundation and a community clinic for the medically underserved.

- **IBM**: With more than 40 women’s councils globally, IBM created an overarching council in 2009 to recommend and advocate policies and practices and provide leadership to ensure fair and equitable treatment worldwide and drive productivity. The council connects to the regional women’s councils, site councils and local women’s networks.

- **Procter & Gamble**: Four women currently oversee major divisions/regions. Programs include talent reviews which take place annually with the board and monthly with the top five leaders. It features name-by-name analysis of women in the pipeline, including their performance, plans for their next assignment and what they need to be competitive for their destination role. Board members are assigned to mentor senior women, who in turn are encouraged to join external corporate boards.
“And then we need to measure our progress to be sure that we are tracking what we care about… I am sure that if we leave this summit and go back to our governments and our businesses and focus on how we’re going to improve employment, bring down national debts, create greater trade between us, tackling all of that, and always in the back of our mind keep in focus what more can we do to make sure women contribute to those results, we will see progress and we will be in the lead at not only asserting what we think should be done, but in measuring and tracking how well we are doing.”

-- Secretary of State Hillary Clinton, APEC, September 16, 2011
Moving Forward

Next Steps:

- To work with a senior-level group of women who can collect, evaluate, implement, and circulate Best Practices programs and policies for moving women to the top;

- To provide organizations with a model comprehensive/user-friendly evaluation tool for corporate/organization progress;

- To construct alternate promotional systems for women and men, career tracks that will complement work-life balance (e.g. alternate promotional tracks to corporate leadership positions; for partnerships in law and consulting firms; for medical residency programs; for tenure at universities);

- To create internal evaluation systems that will make the mentoring and promotion of qualified women a part of the annual assessment for all senior managers.
Moving Forward

- To institutionalize ombudspersons who will monitor and innovate methods of promoting senior women and evaluating this progress in the organization;

- To organize, on a wide-spread and grass-roots level, organizations (such as a more advanced Girl Scouts or Junior Achievement) that will collectively mentor/coach, find funding, and otherwise promote career paths at the junior and high school level;

- Working on a 360 degree basis, to develop and implement educational programs within elementary schools and universities that will inspire and empower girls to become leaders.