WOMEN ON BOARDS

Building the female talent pipeline

Fotolia

Gender diversity on corporate boards is a growing necessity for companies to thrive and grow in today's environment

Today, women account for about 70 per cent of the global consumption demand[1] and control about $28 trillion in annual consumer spending.[2] For companies to thrive and grow, corporate boardrooms need to reflect the diversity of its consumer base. Despite the progress made by women in education and in the workforce, they continue to be under-represented in decision-making. By accessing the underutilised talent pool of qualified, competent and motivated women, companies can better understand their customers and stakeholders and bring diversity of thought to the boardroom, thus strengthening the company's competitive advantage.

> ***"Companies that overlook half of the world's population overlook half of the world's talent. To compete effectively, we need to reflect the diversity of the world in which we, and our clients, live and work."[3]***
>
> **Sheila Penrose**
> Chair of the Board Jones Lang LaSalle

The business case

The business case for women on boards is compelling. A growing body of evidence shows that women's participation in decision-making is positively correlated with the financial performance of companies. According to a recent study by McKinsey & Company, gender diverse companies are 15 per cent more likely to have financial returns above their respective national industry medians.[4] In 2012, *Crédit Suisse* surveyed 2,360 companies globally and found that companies with at least one female board member delivered better share price performance (by 26 per cent) than those with no women on their boards.[5] A report by Catalyst found that

Fortune 500 companies with representation of three or more women on their boards significantly outperformed those with low representation by 84 per cent on return on sales, by 60 per cent on return on invested capital and by 46 per cent on return on equity.[6]

BENEFITS OF HAVING WOMEN ON BOARDS

- Strengthen financial performance
- Better decision making
- Enhance consumer insight
- Improve corporate governance
- Build and cultivate talent

More and more investors are seeing the value of investing in women. The Barclays' Women in Leadership Total Return Index, which includes American companies with a female CEO or at least 25 per cent female board members, is already topping the S&P 500 Index by 1 per cent.[7] There is a strong link between women on boards and better financial performance. Inclusive and gender balanced boards are able to bring **diverse perspectives** to the table, **understand customer preferences** better, ensure **greater due diligence**, and as a result make **better decisions**.

Moreover, boards with women members are more likely to focus on non-financial performance indicators such as customer satisfaction and corporate social responsibility, and are better able to monitor board accountability and authority, leading to improved corporate governance. The presence of women on boards reinforces a company's culture and public image of **diversity and inclusion**, thus allowing companies to retain and **cultivate their best talent** at all levels.

Women on boards today

Despite this evidence, women continue to be underrepresented on boards worldwide

Only **19%**

board seats globally are occupied by women[8]

Less than **5%**

of the **CEOs** of the world's largest corporations are women[9]

Only **13%**

of companies surveyed have **gender balanced boards** of between 40 & 60 % women[10]

Barriers to women's leadership

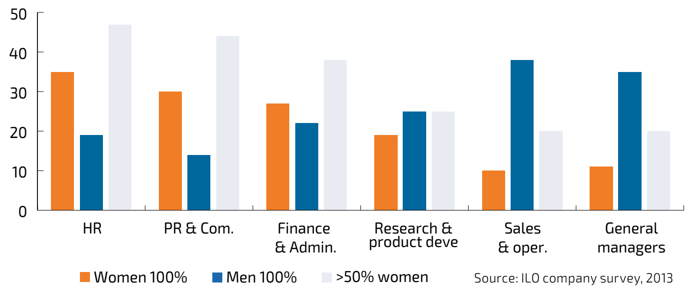
Globally women still face barriers that make it difficult for them to be selected for top positions

- The ILO Women in Business and Management report ranks **family responsibilities, gender stereotypes and masculine corporate cultures** as the top three barriers to women's leadership.[11]
- Studies show that two-thirds of senior women from corporations and professional firms across Europe highlighted **stereotypes** and preconceptions of women's roles and abilities as the most important barrier to their career advancement.[12]
- In Asia, 30 per cent of business leaders surveyed said many or most of the women at mid-career or senior levels who left their jobs did so voluntarily because of **family commitments**.[13]
- In the Gulf Cooperation Council (GCC) countries, 1 in 10 of the survey respondents selected **biases against women in leadership** as the top barrier to women's progression.[14]
- Despite anti-discrimination laws in Japan, only 43 per cent of women who tried to rejoin the workforce after **childbirth** found jobs, suggesting a major cause for a leaky talent pipeline.[15]
- In the UK, women working in the financial sector earned 55 per cent **less annual average gross salaries** than their male counterparts.[16]

There is a tendency for women to be clustered in particular management functions

Segregation by sex within management functions or the "glass walls" are another barrier to women's leadership. The ILO survey shows that in most companies, comparatively higher concentration of women were present in specific managerial functions such as human resources, public relations and communication, and finance and administration as compared to functions such as operations and sales, research and product management, and general management which were dominated by men.[17]

Percentage of companies with women and men in different types of management



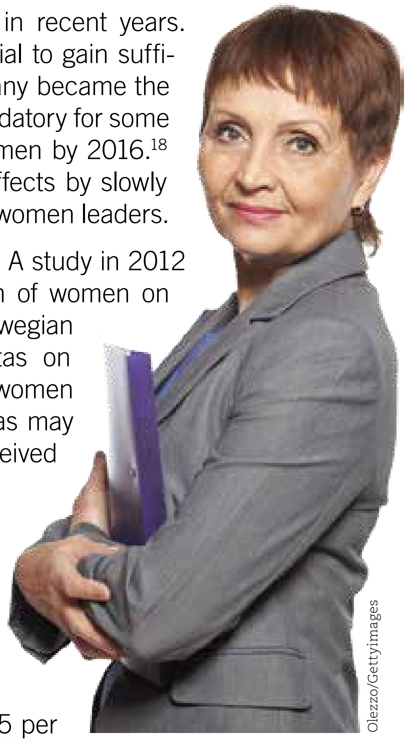
Therefore, not just **"glass ceilings"**, but **"glass walls"** are also making it difficult for women to progress to the top. Prevalence of age old stereotypes and male dominated corporate cultures have kept the "glass ceiling" intact. Moreover, the "glass walls" phenomenon makes it difficult for women to sufficiently gather the diverse and broad experiences needed to be selected for top management jobs.

GLASS WALLS AND GLASS CEILINGS ARE HOLDING WOMEN BACK

Attaining experience in managerial functions, such as operations, sales, research, product development and general management, is crucial for women to rise through the central pathway to the top of the organizational hierarchy (shown in blue).

However, women are often siloed in managerial functions such as human resources, public relations and communications, and finance and administration, and are therefore only able to go up the ladder to a certain point in the organizational hierarchy (shown in orange).

The great debate - boardroom quotas or not?



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The issue of boardroom quotas for women has been widely debated in recent years. Supporters of quotas argue that legislated boardroom quotas are essential to gain sufficient momentum to increase boardroom diversity. In March 2015, Germany became the latest country to set gender quotas in the boardroom and has made it mandatory for some of Europe's biggest companies to give 30 per cent of board seats to women by 2016.[18] The quotas are expected to be helpful in achieving long-term positive effects by slowly changing perceptions and providing mentors and role models to potential women leaders.

The quota approach has met with a fair share of criticism and resistance. A study in 2012 found that while mandatory quotas in Norway increased representation of women on boards, they also imposed significant and costly constraints on Norwegian companies. Moreover, the study showed no apparent effect of quotas on narrowing of the gender wage gap or improving the representation of women in other leadership positions. Quota critics also note that legislated quotas may inadvertently stigmatize women as their board appointments may be perceived as "tokenistic".[19]

An alternate approach to legislated quotas is the setting of voluntary targets by companies to push for an increase in the number of women on boards. In 2011, the Lord Davies report recommended against adopting mandatory quotas in the UK and argued that voluntary targets should be set and "board appointments should be made on the basis of business needs, skills and ability".[20] This voluntary approach in the UK has yielded positive results with the percentage of women on boards doubling to 23.5 per cent since 2010.[21] Another success story is that of Deutsche Telekom, a leading German telecommunications company, that set voluntary quotas in 2010 to increase the number of women on its board. The company successfully achieved 40 per cent women on its group supervisory board in 2015.[22] However, despite voluntary efforts, many companies have failed to make sufficient progress. For example, in the US the number of women on boards has only increased to 17 per cent despite significant efforts by companies.[23] Sometimes when voluntary quotas don't work, the threat of possible quotas can be an incentive for companies to improve representation of women on boards.

The question of whether to adopt mandatory quotas or voluntary targets remains a controversial one, but certainly the discourse in itself is raising awareness.

What can companies do?

Building a strong pipeline of female talent is the key to promoting more women on boards. Companies can attract and retain qualified, talented women by developing a gender diversity strategy suited to its unique environment and needs. Latest research has identified the following as key drivers of gender diversity in the workplace and in the boardroom:

ENSURE TOP LEVEL COMMITMENT

Top leadership commitment is critical in creating a sustainable and meaningful change towards increasing women's participation on boards. *Lessons from the leading edge of gender diversity,* published in 2013 by McKinsey & Company, observes that for top-diversity companies, the CEOs and executive teams "walk, talk, run and shout about gender diversity". Their consistent and visible commitment along with tangible actions catalysed other leaders in the company and teams, especially in human resources, to commit and engage fully in the company initiatives. Some companies highlighted and rewarded "positive employee behaviour" to champion the company's culture. Creating awareness among the staff, especially men, to sensitize them to the barriers that women face, can help companies to involve men and gather their support, thus making a more compelling case for gender diversity.

> ***"Active involvement of senior leaders in gender diversity leads to greater, accelerated representation of women in executive roles more so than accountability alone."[24]***
>
> **When Women Thrive, Businesses Thrive**, 2014 Mercer

DRIVE GENDER INTELLIGENT ACTION

Driving gender intelligent action means analyzing the specific gender barriers within the company and removing them through targeted action. Comprehensive workforce analytics tools are available that can aid companies in gathering and utilizing gender diversity data effectively, and in driving gender intelligent action in hiring, pay and promotion decisions. For some companies, attracting junior female talent is a challenge, for some it is retaining women after maternity, and for some others it is promoting women to top positions. It is important to understand the unique needs and environment of the company and to adopt an approach that best suits it. Companies are also recognizing the need to maintain a database of qualified women, including internal and external candidates, in order to strengthen their female talent pipeline and elevate women to top positions.

Kimberly-Clark, a global producer of paper-based household consumer products, built their diversity strategy by first identifying areas where women were hitting the "glass ceiling". Their analytics team pin-pointed that women were stuck two rungs up from entry level, just before being promoted to director level. Since then, Kimberly-Clark has implemented regular pay equity reporting and propelled its effort to promote women to the upper ranks. As a result, women now hold up to 30 per cent of director level jobs or higher[25] and constitute 17 per cent of the company board.[26]

ENCOURAGE TRANSPARENCY

Companies committed to increasing women on their boards actively promote equal opportunity at work – in terms of assignments, pay, hiring, promotion and training – for both men and women. Men and women should be given the same level of responsibility, visibility and variety of positions that may "stretch" them and prepare them for higher positions. Transparent reporting remains an effective measure to promote equal opportunity for men and women. The Davies report *Women on Boards* recommends that companies publically disclose the diversity of their ranks as a way to monitor progress and improve women's representation on corporate boards.[27]

SAP, a multinational software company, has committed to obtaining EDGE certification in order to accelerate the progress of women to top positions. The EDGE Certification is an instrument that helps companies to implement impactful solutions aimed at improving the representation of women at top levels by conducting a thorough assessment of the company's policies and practices and identifying gaps in the areas of equal pay, recruitment and promotion, leadership development, training and mentoring, flexible working arrangements and company culture. With the aid of EDGE Certification, SAP aims to achieve 25 per cent representation of women in the SAP management by 2017.[28]

PROMOTE FLEXIBILE WORKING ARRANGEMENTS

Flexible work-life practices are key to retaining women leaders. A global market survey by the Corporate Executive Board (CEB) Corporate Leadership Council found a positive link between satisfaction with workplace flexibility and intent to stay among women leaders.[29] Furthermore, the CEB report suggests that making flexible work schedules the default for all levels is imperative to increase representation of women in leadership positions. Companies can also take maternity, paternity and childcare needs into consideration and create fast track programmes to re-engage women and men who temporarily put their careers on hold. Please refer to the accompanying ILO briefs on *Maternity and paternity at work* and *Work and family* for more information.

"Informal, individual arrangements that allow autonomy and agility are what women feel helps them most to succeed."[30]

Cracking the Code, 2014
30% Club, KPMG and YSC

Mizuho Financial Group Inc., a Japanese banking company, adopted a simple female empowerment policy of "4R": recruit, raise, retain and relate. The company evolved this strategy to attract and retain women with different needs. Itsuko Igarashi, General Manager of Mizuho's Diversity Promotion Department says, "Women have so many different ways of thinking when it comes to work – some want to stay connected to society in some way but also place importance on family, while others want to work in the same way as men do." So Mizuho developed three main career paths for employees to choose from: (i) relocate anywhere in the world (ii) limit to a particular region or (ii) remain in one location. It has also developed support mechanisms for employees who want to move with their spouses without leaving the company and a rehiring system for those who left the workforce for family reasons. The company is committed to building its female talent pipeline for board positions and is expected to achieve its initial target of 15 per cent of management positions held by women in 2015 as a result of these efforts.[31]

CREATE AN ENABLING ENVIRONMENT

Programmes to identify, nurture and value talented female employees are crucial to creating an enabling environment for women in the organization. Many of the successful gender diversity initiatives include:

Mentoring and sponsorship schemes. Mentoring and sponsoring schemes offer high potential women the opportunity to pair up with senior managers to receive advice, guidance and visibility in order to accelerate their career growth. Sponsorship was seen as the biggest career enabler for women and it has positively impacted advancement of women leaders.

TOP THREE ENABLERS OF CAREER SUCCESS FOR WOMEN

1 **SPONSOR**

2 **MENTOR**

3 **FAMILY**

Cracking the Code, 2014
30% Club, KPMG and YSC

Training programmes. Companies invest substantially in development programmes for future leaders. However, participation of women has remained low. For women to have an equal chance, it is important that companies ensure that women participate in management and technical trainings, and if they do not take part, to find out why and adapt as necessary. These could include lack of encouragement, perceptions that such training is not for them or that the time at which training is held conflicts with family demands.

Networking opportunities. Facilitating inter– or intra-company networking events for women can be an effective way for women in the company to gain confidence and knowledge to boost their career growth.

The mentoring programme run by Mentore Consulting aims to create a pipeline of female executives in the UK by pairing potential female leaders with top executives in the industry. For example, through the one-on-one mentoring and coaching sessions with Lord Davies, Beatriz Butsana-Sita was successful in getting a promotion at BT Group, a UK based multinational telecommunications services company, which she thought was otherwise impossible to achieve.[32]

Advancement of women in leadership and management is integral to the growth and success of companies. With the evolution of labour markets, the high educational and skill levels of women and their growing role in national economies, women today hold a wealth of talent and resources that can be tapped by companies. Companies can play a key role in advancing women in the workplace and ensuring greater gender parity at the board level.

SET THE MOMENTUM – DISMANTLE THE BARRIERS, ADDRESS THE BIASES, PROVIDE DEVELOPMENT OPPORTUNITIES – AND UNLOCK THE POTENTIAL OF FEMALE LEADERS.

THE ILO AND WOMEN IN LEADERSHIP

The ILO is committed to promoting gender equality in the world of work and there is increasing research being done by the ILO on the issue of women's under-representation in managerial and senior positions. The ILO global report on *Women in Business and Management: Gaining Momentum* looks at recent statistics and information at a global level, and provides guidance towards attaining more equitable representation of women in leadership positions.

FOUR KEY ILO GENDER EQUALITY CONVENTIONS

- **C100 - Equal Remuneration Convention, 1951 (No. 100)**
- **C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)**
- **C156 - Workers with Family Responsibilities Convention, 1981 (No. 156)**
- **C183 - Maternity Protection Convention, 2000 (No. 183)**

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