

Women@Work No. 8

Women on Boards

Moving Mountains

**Mirella Visser
Annalisa Gigante**

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Editor: Natasha Gunn

Authors: Mirella Visser, Annalisa Gigante

With articles by: Ruth Sealy, Peninah Thomson, Marijo Bos

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Mirella Visser



Mirella Visser is Dutch, holds a Masters degree in law and completed the General Management Programme at CEDEP in Fontainebleau. She was ING's regional director in Hong Kong and vice president in the Netherlands. At KPMG she was responsible for post-merger integrations. In 2004, she founded the Centre for Inclusive Leadership, promoting inclusive leadership styles in international corporations. She serves on the supervisory board of Royal Swets & Zeitlinger and is business faculty at RSM. Currently President of EuropeanPWN, Mirella has been nominated as 'European of the Year 2007' in the category 'Campaigner of the year' by European Voice (*Economist*) for promoting the professional progress of women (www.ev50.org).

Annalisa Gigante



Annalisa Gigante is a senior executive at Royal DSM N.V., where she is Director of Commercialisation, Innovation and Product Launch. Her international career spans the chemical, life sciences and HR services industries in business management, marketing and strategy, with Bain & Co, Monsanto and Manpower – also serving on Manpower's eCommerce Board. She is Venetian, and holds a BA and MA hons from Cambridge University in Natural Sciences and an MBA from SDA Bocconi in Milan. She also serves on the board of EuropeanPWN, as Vice President Women on Boards, and as Member of the Council of IAFS (Intangible Asset Finance Society) (www.iafinance.org).

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Introduction

By Annalisa Gigante, Mirella Visser

Building a base

EuropeanPWN has been focused on building data and information on top women and boards of the major European companies since its foundation in 2003. In 2005, our first book on the topic was published under the title 'Women on boards: Moving beyond tokenism', by Véronique Bourez and the EuropeanPWN BoardWomen Monitor Team. A wealth of experiences and knowledge following this book has led to this publication. It brings together our collective knowledge and experience gathered over the last five years on the subject of women on boards, and on how board diversity (both gender and international diversity) adds significant value to corporations. This edition of *Women@Work* hopes to inspire individuals and corporations to get informed and involved, to widen their selection and nomination sources, and to work on building a pipeline of 'board-ready' senior women. This book also aims to be thought-provoking in areas regarding diversity and access to power, presenting arguments for and against different possible interventions.

The goal is to convince our readers that change is possible and that it makes good business sense.

By putting together facts, solid research and experience about women leaders, we wish to connect further with business leaders, supervisory board nominating committees, executive search companies, research

institutes and universities, individual women and men, women's networks, and all those who are interested in diversity issues.

EuropeanPWN firmly believes that change will happen by working with and within the current power structure, and by demonstrating success and added value. After all, women increasingly represent an economic source of power, as customers, clients, employees and colleagues on the board.

Moving the mountain

In 'Part one: Finding the facts', we examine the data from the EuropeanPWN BoardWomen Monitor which was run in 2004 and 2006. Here we see how the situation differs widely in each European country, and how the numbers of women on boards are still very low and growing slowly. The mountain is steep and the slope is slippery.

In 'Part two: Identifying the issues', we present new data from a recent EuropeanPWN research carried out by Mercer, comparing the profile of the top 100 board women in Europe to those of the top 100 board men. Here we also examine recently coined metaphors referring to the advancement of women in corporations such as 'glass cliff', 'glass ceiling', the issues faced while serving on boards, and board-training. Visibility at 'high altitudes' can be deceiving, so proper preparation is vital for a successful journey.

Finally, in 'Part three: Creating a change', you will find concrete tips on how we can improve board diversity, from the use of quotas and the effect of having three or more women in a team, to appointing women CEOs,

and power networking. Here we also present the point of view of executive search professionals and what we can learn from their experience. There are many routes leading to the top.

We would like to particularly thank our corporate partner Amrop Hever for enabling us to publish the book and Mercer for carrying out the study reported on in 'Profiling the power and the pipeline'. In addition, we thank Egon Zehnder International and BoardEx our partners in the EuropeanPWN BoardWomen Monitor, and Cap Gemini for providing the cartoons, as well as the many contributors from our network: Natasha Gunn (the final editor of the book and editor of our monthly newsletters), Margaret Milan, Jennifer Varino Thiis-Evensen, Stephanie MacKendrick, Ruth Sealy, Peninah Thomson, Marijo Bos, Christine Rösingh-Koetsier, Laurence Monnery, Ine Mariën, and Griet Claeys. We would also like to thank our EuropeanPWN Board colleagues for their advice and support: Marie-Claude Peyrache, Brigitte Pichat-Sese, Thérèse Torris, Cécile Demailly, Kate Philipps and our community manager Pernille Giraud-Sauveur, Véronique Bourez and Avivah Wittenberg-Cox for writing the first Women on Boards book, the Presidents of the local networks and all members of EuropeanPWN.

This book has been written by our members, professional international women who are committed to sharing their experience and knowledge with other professional women across Europe. All proceeds go to support the EuropeanPWN network and our research.

To continue the conversation, please write to us at: wob@epwn.net

Part one
Finding the
facts

The facts

While researching the role and advancement of women in Europe, we found a significant lack of data: plenty of opinions, but few hard facts to build an argument on, so we decided to do something about this and created the EuropeanPWN BoardWomen Monitor.

Together with Egon Zehnder and BoardEx (see methodology), we set out to measure the composition of supervisory boards of the top 300 European companies. Understanding that Europe is a complex environment, we measured not only the composition by gender, but also by nationality, to gauge the importance of diversity and internationalisation at the top of the largest companies.

European overview

Women occupied 8.5% of corporate boardroom seats in 2006, or 383 of the 4,535 positions considered, a tiny variation on the 8% found in 2004. An average European board is composed of 15.4 members, including 1.3 women.

The number of companies with at least one woman on the board has increased over the past two years (from 62% to 67.8%), while companies with more than one woman on the board have slightly increased to 30.5% from 28% in 2004.

Typically, the largest companies seem to have a higher level of gender diversity than the next largest: the top 50 companies in 2006 had 9.2% of women on supervisory boards, while the next 50 companies (51 to 100) had 8%.

An average European board is composed of 15.4 members, including 1.3 women.



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Europe is significantly lagging behind North America¹ in gender diversity: 5.2 percentage points behind the US Fortune 500 companies in 2006 and 3.5 percentage points

¹2003 Catalyst Census of Women Board Directors of the Fortune 500, December 2003, 2005 Catalyst Census of Women Board Directors of the Fortune 500, March 2006.

Methodology

EuropeanPWN commissioned two surveys, in 2004 and 2006 respectively. They were carried out by Egon Zehnder International using data provided by BoardEx, which is based on publicly available information. They focus on the 300 largest companies in Europe by market capitalisation and are sorted based on the worldwide headquarters' home-countries. The top European companies were based on the FTSEurofirst 300 Index². In addition, for those countries (with the exception of Luxembourg and Ireland) that have less than 10 companies included in the 'top 300 in Europe' list, we added their next largest companies to offer a reasonable representation of each country. The data was collected in late March to early April 2004 and in late March 2006. The data from the 2004 and 2006 survey are similar while not strictly comparable. However, we do not think the slight differences in data sourcing in any way affect the conclusions.

² FTSEurofirst 300 Index measures performance of Europe's largest 300 companies by market capitalisation; index was developed with a base of 31 December, 1985.

**Figure 1: Women on boards (WOB)
2004-2006 overview**

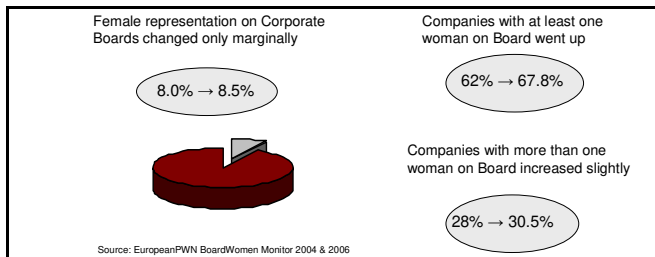
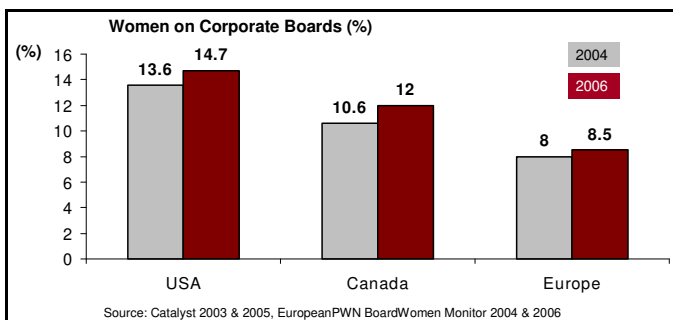


Figure 2: WOB international comparisons 2004-2006



behind Canada. Europe's gender diversity growth rate is also lower: 6.3% over two years in Europe versus 8.1% in the US and 13.2% in Canada.

Companies seem to prefer another element of diversity, that of nationality, which is progressing more quickly. The survey shows that 22.6% of board directors are not the same nationality as their company, compared to 18% in our 2004 survey.

International diversity is slightly less for women, as 20.1% of women on boards are of a different nationality than that of the company relative to 22.9% of men.

National differences

Naturally there are differences in the results by country, but these are staggering when measuring diversity: Norway leads the Scandinavian countries on the one hand, with all supervisory boards including women, and Italy closes the field with just 21.7% of companies including a woman on the board. This is excluding the

smaller Countries (Gibraltar, Luxembourg and Portugal) with no women board members.

We have identified three country segments:

Scandinavian trailblazers

In Norway, Sweden, Finland and Denmark all top companies included in the survey have at least one female board member, and women occupy respectively 28.8%, 22.8%, 20% and 17.9% of all board seats. This is up from the 2004 figures of 22% for Norway, 20% for Sweden and 14% for Finland.

Over two years Denmark moved from the slow-going to the trailblazer segment by increasing from 4% in 2004 to 17.9% in 2006! In Denmark only 18% of companies had at least one woman board member in 2004, but this is now up to 100%.

Table 1: Trailblazers 2006

| Country | % Companies with women on board | % Women on board | Average number of women on board |
|----------------|--|-------------------------|---|
| Norway | 100 | 28.8 | 3.0 |
| Sweden | 100 | 22.8 | 3.7 |
| Finland | 100 | 20.0 | 2.2 |
| Denmark | 100 | 17.9 | 2.5 |
| Total | 100 | 22.5 | 3.1 |

As a result, each board in Scandinavia has 3.1 women serving on it, with an average in Sweden of 3.7 out of 16.1 board members, and a host of companies with important female presence. Statoil in Norway retains its

leading position from 2004, and has been joined in 2006 by another nine companies.

This significant representation allows women to have real impact and influence over the board's style and practices.

Table 2: Champion companies in Scandinavia 2006

| Country | Companies with four or more female directors | Companies with three female directors |
|----------------|---|--|
| Norway | Statoil, Telenor | Orkla |
| Sweden | Electrolux, Foreningssparbanken, H&M, Nordea bank, Svenska Handelsbanken, Teliasonera | LM Ericsson, Investor, Sandvik |
| Finland | UPM – Kymmene | Fortum, Neste Oil |
| Denmark | Danske Bank | |

Scandinavian companies are still setting the pace and have gone on to significantly increase their lead. These improvements are a direct result of highly proactive policies to increase the representation of women on corporate boards, including the introduction of 40% quotas in Norway.

Middle-of-the-rovers

These countries, equalling the European average of 8.5% women board members, provide the largest number of female board members (240) and include the UK, Germany, France, the Republic of Ireland, Austria and the Netherlands.

The UK has grown from 10% of female directors in 2004 to 11.4% in 2006, France from 6% to 7.3% and Austria

from 7% to 9.5%. The Republic of Ireland had 8.1% female board members in 2006.

Germany and the Netherlands have slipped somewhat, with women on boards declining from 7% to 6.5% in Holland from 2004 to 2006, and Germany from 10% in 2004 to 7.2% on 2006.

Again, the number of women per board meets the European average of 1.3, with all countries hovering around the average. In these countries, boards are slightly larger with an average of 15.5 members and a high of 23.9 in Germany and 18.5 in Austria, boosted by the inclusion of labour representatives.

The number of companies with at least one board member varies widely in this group: The UK, France and Germany are leading the pack with 86%, 75% and 72% respectively in 2006, up from 71% for the UK and 60% for France in 2004, but down from 80% in Germany.

Table 3: Middle-of-the-roaders 2006

| Country | % Companies with women on board | % Women on board | Average number of women on board |
|-----------------|---------------------------------|------------------|----------------------------------|
| UK | 86 | 11.4 | 1.4 |
| Rep. of Ireland | 60 | 8.1 | 1.0 |
| Germany | 72 | 7.2 | 1.7 |
| France | 75 | 7.3 | 1.1 |
| Austria | 50 | 9.5 | 1.8 |
| Netherlands | 50 | 6.5 | 0.8 |
| Total | 75 | 8.5 | 1.3 |

On the other end we find the Netherlands and Austria both at 50% in 2006, down from 58% in 2004.

In this group, nine companies join the trailblazers with four or more female directors and 17 with three women board members.

Table 4: Champion companies Northern Europe 2006

| Country | Companies with four or more female directors | Companies with three female directors |
|--------------------|---|--|
| UK | AstraZeneca, Lloyds TSB Group | Centrica, HBOS, HSBC Holdings, Legal & General Group, Pearson, Scottish Power, WPP Group |
| Germany | Deutsche Bank , Deutsche Post, Deutsche Post Bank, T-Online | Allianz, Deutsche telekom, Henkel, MAN, Metro, SAP |
| France | Publicis, Sodexho Alliance | EDF, Pernod-Ricard |
| Austria | Erste Bank | |
| Netherlands | | Royal Ahold, Royal Dutch Shell |

The 'middle-of-the-roaders' segment is the largest by number of board members, and is not moving significantly in terms of gender diversity, with growth and declines by country leading to small overall increases (just 0.5% overall in two years) and a lack of proactive policies to bolster the debate.

Slow-going

This group is notably lagging behind the others, with just 40.5% of all companies including at least one woman on the supervisory board, and just one corporate champion: The Swatch Group in Switzerland.

The countries in this segment are: Switzerland, Greece, Spain, Belgium, Italy, Gibraltar, Luxembourg and Portugal. The last three countries, with few companies included in the survey (5), have no female board members out of a total of 80.

Table 5: Champion companies 'Other' Europe 2006

| Country | Companies with four or more female directors | Companies with three female directors |
|-------------|--|---------------------------------------|
| Switzerland | Swatch Group | Swiss Reinsurance |
| Belgium | | Belgacom |

Table 6: Slow-going 2006

| Country | % Companies with women on board | % Women on board | Average number of women on board |
|--------------|---------------------------------|------------------|----------------------------------|
| Switzerland | 58 | 5.9 | 0.9 |
| Greece | 57 | 4.4 | 0.6 |
| Spain | 48 | 4.1 | 0.6 |
| Belgium | 43 | 5.8 | 1.0 |
| Italy | 22 | 1.9 | 0.3 |
| Gibraltar | 0 | 0 | 0 |
| Luxembourg | 0 | 0 | 0 |
| Portugal | 0 | 0 | 0 |
| Total | 40.5 | 3.8 | 0.6 |

Switzerland has seen the biggest drop in female board members, from 9% in 2004 to just 5.9% in 2006, demonstrating a significant reversal of fortune in this respect. The country has subsequently joined the lagging

group from being part of the 'middle-of-the-roaders' segment in 2004.

Greece had 4.4% of women board members in 2006, out of a total of 90 board members in this survey.

Spain and Belgium have started climbing the lists with 4.1% and 5.8% respectively in 2006, from 3% in 2004. Spain's recent plan for introducing quotas could see it amplifying this trend in subsequent years.

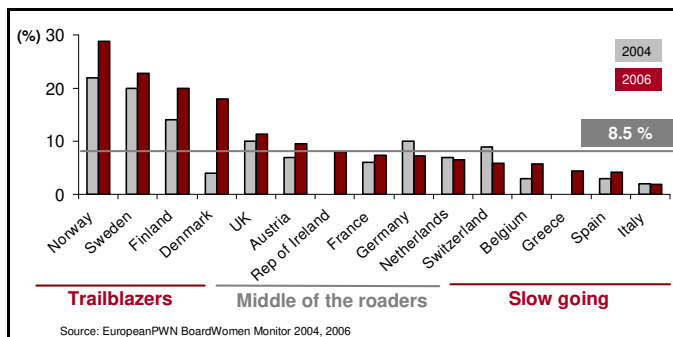
Italy is stagnating with 1.9% of female board members in 2006 versus 2% in 2004. Here an average board is composed of 15.6 people, with only 0.6 women.

Just as the 'trailblazers' are strengthening their lead, the 'slow-goers' are at risk of falling behind.

Overview and conclusions

Scandinavian countries are steaming ahead of the pack in terms of gender diversity on supervisory boards, while the largest countries stagnate and Southern Europe, together with smaller countries, is falling behind.

Figure 3: % Women board members by country

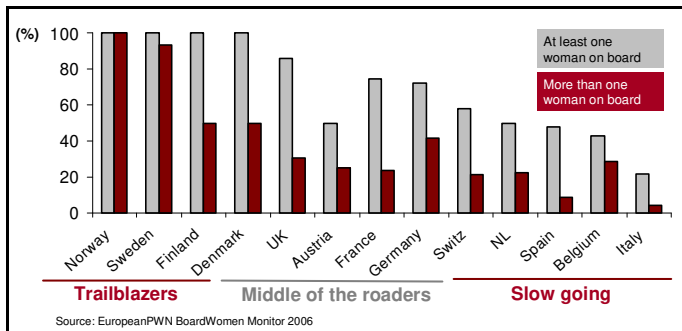


Indeed, Scandinavia outperforms the US and Canada on gender diversity metrics. On the other hand, Switzerland, Germany and the Netherlands have shrunk in this field from 2004 to 2006, which is a concerning trend.

Whether you agree with quotas or not, it is clear that the only significant positive movements in the data have been pushed by new legislation, proactive policies and quotas.

In the top-performing countries, all companies have at least one woman on their board today, and Norway has moved away from tokenism, with all companies in the survey having more than one female board member.

Figure 4: % Companies with women on boards



By focusing this analysis on the largest companies by country, certain countries have statistics that overstate the overall current situation for women in the private sector. The top companies in each country are not necessarily representative of large firms in general, but usually outperform the smaller companies, not only in financial results but also in their corporate policies. For instance, across all its publicly listed companies, the average

number of women on boards in Norway falls from 28.8% from this survey in 2006 to a still high 18% overall.

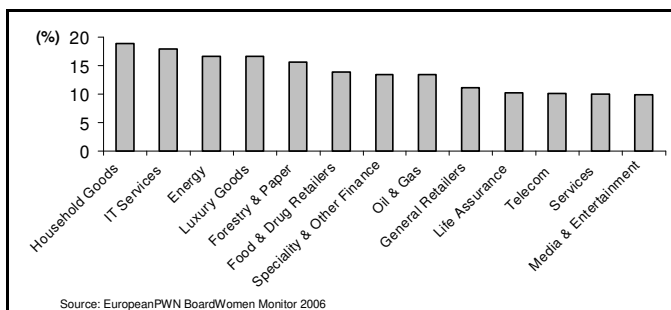
In total, however, we find that the absolute numbers of female board members are very low, and are growing at an alarmingly slow rate, indicating that European companies are still not accessing the talent pool in an optimal way.

Industry sector gender diversity

In terms of absolute numbers, more than 40% of female directors are on boards in five sectors: banks, speciality and other finance, telecom services, media and entertainment, oil and gas. In percentage terms, the sectors with the greatest proportion of women on boards are lead by household goods (18.8% in 2006), IT services (17.9%), energy and the luxury goods sectors, both at 16.7% in 2006.

The top industries with gender diversity above 10% are shown in figure 5.

Figure 5: Top industries for female representation on boards



The household goods sector largely serves women, who are the primary purchasers, which is a driver for increased top-level diversity in companies in this sector.

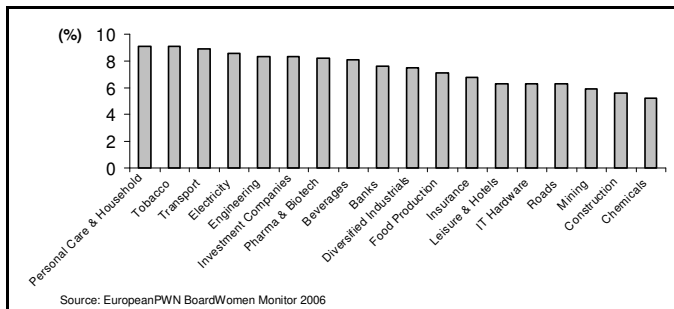
The software and computer services sector, which is relatively new, has sometimes been portrayed as being more open to women. In addition it is facing a rather severe talent shortage, encouraging companies in this sector to recruit all the best candidates – male or female.

Finance and energy are industries that have made long-term efforts in attracting and promoting women.

Retail, services and media have traditionally been more open to women.

In our 2004 survey, the leading sectors were retail (12%) and telecom (11%), followed by insurance and pharmaceuticals on 10% each.

Figure 6: Middle-tier industries for female representation on Boards



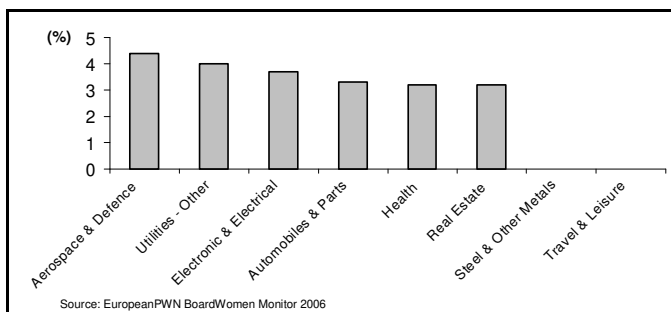
Middle-tier industries by gender diversity have between 5% and 10% of female directors, and include among others personal care, transport, pharmaceuticals, banks, construction and chemicals. The food industry was a

laggard in 2004 with only 4% of women on boards, despite the fact that women are the primary purchasers of food, but has reached the mid tier in 2006 with 7.1% of female board members.

The bottom tier of industries includes aerospace and defence, utilities, electronic and electrical (E&E) and automotive (down from 7% in 2004 to 3.3% in 2006), but also health and real estate. These last two industries have many female employees, but disproportionately few female directors.

Finally the steel industry and travel and leisure close the field, with no women on their boards.

Figure 7: Bottom-tier industries for female representation on boards



Industry sectors vary widely in terms of openness to women. These findings show that some sectors do not reflect the make-up of their markets, key purchasing decision-makers and employee base, in their top ranks and their key decision-makers.

Corporate governance systems and union representation³

Each country has evolved a different system of company ownership and governance, giving different rights and responsibilities to management, shareholders and directors.

Europe in general has two types of corporate governance systems, with one- or two-tier boards⁴.

In countries with 'Anglo-Saxon' one-tier boards (the UK, but also the US and Japan), all directors, both executives and non-executives, form one 'board of directors'.

In this system the CEO can also hold the position of Chairman of the Board.

In countries with the continental two-tier board system (Germany, The Netherlands, Finland), there is the management board (with all the executive directors, chaired by the CEO) and there is a separate supervisory board (with all non-executive directors, chaired by the chairman of the board). There is therefore a formal division of power between the chairman and the CEO. The supervisory board oversees and appoints the members of the management board and must approve major business decisions.

French companies can choose between a one- or two-tier board system.

³ www.wikipedia.com: International Chamber of Commerce, www.iccwbo.org

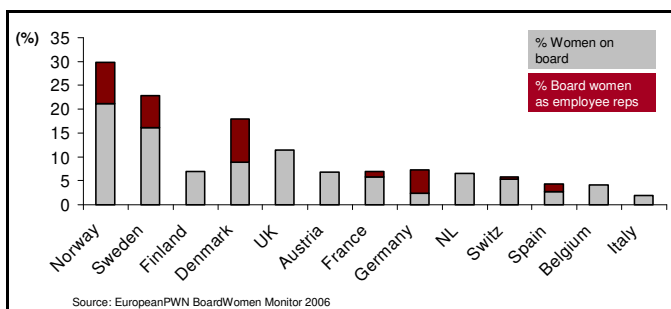
⁴ www.cmi.eu.com/publications/codes_legislation.php?type=1

Government Commission on the German Corporate Governance Code, 11 March 2005, www.corporate-governance.code.de/eng/download/Cr_Pressemitteilung_EN_11_03_2005.pdf

In addition, a number of countries prescribe the inclusion of employee representatives on the board. These countries include: Germany (where 50% of non-executive directors must be employee representatives, in companies with more than 2,000 employees), Austria, France, Luxembourg, Switzerland, Denmark, Norway and Sweden.

In the Netherlands, the Labour Council has the right to nominate 1/3 of supervisory board candidates, for approval by the rest of the board.

Figure 8: Women on boards as employee representatives



Employee representatives have a strong impact on the total number of female board members: in Germany 42 of the total 62 women were union appointees in 2006, and in 2004 this number was even greater with 66 out of 83 in total.

Half the female board members in Denmark are employee representatives, which may explain to some extent the great rise in the number of women on boards in Denmark between 2004 and 2006, from 4% to 17.9% of all board positions.

In France the number of female employee representatives has fallen from 10 out of 41 in 2004, to five out of 54 in 2006.

Overall, 73 of the women on European corporate boards are appointed by unions. This represents 1.6% of the total 8.5% female board members and has a noteworthy impact on the total numbers.

The executive pipeline

Women in leadership positions in the top 300 European companies are extremely rare.

Of the 383 board positions occupied by women in 2006, only four are described as being chairwomen of the board and three are CEOs.

Table 7: Top executive women

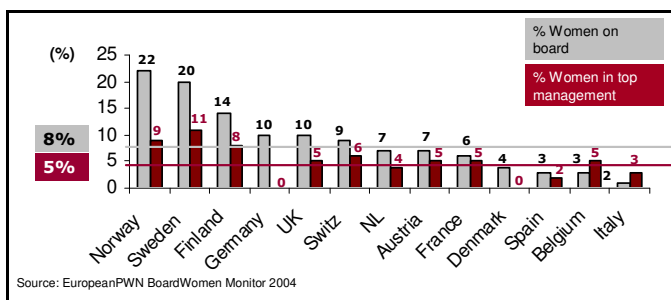
| Country | Company with female chair/CEO | Name and position |
|----------------|--|---|
| France | Publicis Groupe SA Pages Jaunes Groupe SA | <i>Elisabeth Badinter (Chair)</i> <i>Stéphane Pallez (Chair)</i> |
| Spain | Banesto | <i>Ana Patricia Botin-Sanz de Sautuola Y O'Shea (Chair)</i> |
| Sweden | Skandinaviska Enskilda Banken | <i>Amika Bolin Falkengren (President/CEO)</i> |
| UK | <i>3i Group</i> <i>Thomson Intermedia</i> <i>Pearson</i> | <i>Baroness Hogg (Chair)</i> <i>Sarah Thomson (Joint CEO)</i> <i>Dame Marjorie Scardino (CEO)</i> |

Seventeen women held the position of vice-chair in 2006, and just 22 held executive positions on the board.

The majority of women leaders can be found in UK companies (13) followed by Sweden (10) and France (6).

Our 2004 research shows that there are even fewer women executives (5%) than board members (8%). This has a significant impact on the development of the talent pipeline for women executives and for potential new board members with a business background. This also suggests that time alone will not suffice to see an increase in the number of women directors: no pipeline, no progress.

Figure 9: % Women in management and on boards



Casting a wider net, according to recent statistics from the European Union, the number of women managers has increased from 30.6% in 2000 to 32.2% in 2005 in the EU25 Countries.

The overall numbers are encouraging, even though the annual growth rate is low.

Estonia, Lithuania and Latvia have the highest results (between 37.5% and 44.3%), but France scores well with

38% of female managers. This compares with 54% of all managerial and professional positions in US Fortune 500 companies being held by women in 2004⁵.

Table 8⁶: Distribution of female managers⁷ in EU in 2005 and 2000

| Country | % Women managers in 2005 | % Women managers in 2000 |
|--------------------|---------------------------------|---------------------------------|
| Belgium | 32.9 | 32.2 |
| Czech Rep. | 30.3 | 24.1 |
| Denmark | 23.0 | 24.0 |
| Germany | 26.3 | 27.1 |
| Estonia | 37.5 | 39.8 |
| Greece | 25.8 | 25.1 |
| Spain | 32.3 | 31.7 |
| France | 38.0 | 35.0 |
| Ireland | 30.2 | 26.1 |
| Italy | 31.9 | 17.3 |
| Cyprus | 13.6 | 15.0 |
| Latvia | 44.3 | 37.3 |
| Lithuania | 42.7 | 43.1 |
| Luxembourg | 23.8 | 27.1 |
| Hungary | 34.3 | 33.1 |
| Malta | 14.5 | 17.7 |
| Netherlands | 25.6 | 25.3 |
| Austria | 27.0 | 30.3 |
| Poland | 32.5 | 32.7 |

⁵ Catalyst 2004.

⁶ Report from the European Commission to the Council on equality between women and men 2007 (Brussels, 7.2.2007).

⁷ Managers are persons classified in ISCO 12 and 13 (ILO), i.e. corporate managers (at least three direct reporting managers) and general managers (incl. enterprise managers).

| Country | % Women managers in 2005 | % Women managers in 2000 |
|----------|--------------------------|--------------------------|
| Portugal | 34.2 | 31.3 |
| Slovenia | 32.8 | 29.1 |
| Slovakia | 31.2 | 30.8 |
| Sweden | 29.8 | 30.1 |
| UK | 34.5 | 34.1 |
| Bulgaria | 34.3 | 30.0 |
| Romania | 30.7 | NA |
| EU 25 | 32.2 | 30.6 |

International diversity

When looking at a different measure for board diversity, board members with nationalities different from the one of the company's headquarters, the situation by country changes significantly.

Here the countries that demonstrate a higher degree of openness are Switzerland and the Netherlands, respectively with 54.1% and 45.2% of 'foreign' board members in 2006, up from 32% and 38% in 2004.

The UK, Finland, Belgium and Luxembourg follow with 31%, 27.7%, 27.5% and 27.3% international board members in 2006 respectively. All these countries are above the European average of 24.7%.

Most countries have increased international diversity on boards between 2004 and 2006, with significant changes also in Belgium (up 14.5 percentage points from 13% in 2004 to 27.5% in 2006), in Norway (up 16.2 percentage points from 5% in 2004 to 21.2% in 2006) and in Spain

(up from 2% to 11.9% over the same period). Only two countries have decreased in this aspect: France, from 20% in 2004 to 18.5% in 2006, and most importantly, Austria from 14% in 2004 to just 8.1% in 2006.

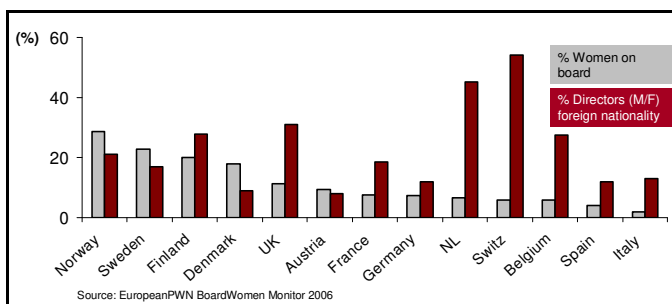
Table 1: International board diversity

| Country | % International boards members 2004 | % International boards members 2006 | % Change |
|-----------------|-------------------------------------|-------------------------------------|------------|
| Switzerland | 32 | 54.1 | 69 |
| Netherlands | 38 | 45.2 | 19 |
| UK | 31 | 31.0 | 0 |
| Finland | 20 | 27.7 | 39 |
| Belgium | 13 | 27.5 | 112 |
| Luxembourg | n/a | 27.3 | n/a |
| Rep. of Ireland | n/a | 24.2 | n/a |
| Norway | 5 | 21.2 | 324 |
| France | 20 | 18.5 | -8 |
| Sweden | 18 | 17.0 | -6 |
| Greece | n/a | 16.7 | n/a |
| Portugal | n/a | 13.5 | n/a |
| Italy | 12 | 12.9 | 8 |
| Germany | 8 | 12.0 | 50 |
| Spain | 2 | 11.9 | 495 |
| Denmark | 7 | 8.9 | 27 |
| Austria | 14 | 8.1 | -42 |
| Total | 18 | 22.6 | 126 |

International diversity is clearly more developed in Europe than gender diversity on supervisory boards (22.6% vs. 8.5% of board seats). This may well be driven by the strong internationalisation and expansion of large European companies and recognition of the increased need to understand the different markets companies

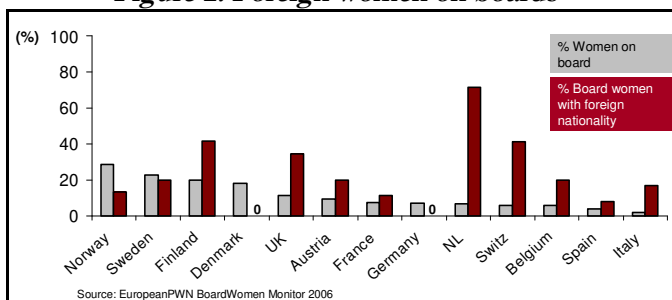
operate in, as well as the increased need to include the vision and expertise of people with different cultural and business experience on their boards.

Figure 1: % International and gender diversity



Moreover, there is plainly no correlation between female representation and non-headquarter nationality representation at the top of European companies, demonstrating no link in diversity policies regarding these two aspects. However, in some countries, women board members also have non-headquarter nationality. Particularly in the Netherlands and Switzerland, boards seem to prefer sourcing female candidates from abroad.

Figure 2: Foreign women on boards



Key findings

Women play a small role today in Europe's top 300 corporations, occupying 8.5% of all available board seats. The trend is also limited growth, with the figures rising just 0.5 percentage points in two years from 2004 to 2006.

Overall, 68.7% of companies in the 2006 survey have at least one woman director.

However, the situation by country is extremely different, with Scandinavian countries blazing ahead through concerted policies that have resulted in 28.8% of board seats allocated to women in Norway and 22.8% in Sweden. Europe's largest economies hover around the average results, and southern countries together with the smaller economies close the field, with Belgium at 5.8%, Spain at 4.1% and Italy with 1.9% of female board members in 2006.

International diversity is stronger than gender diversity on European Boards, with 22.6% of seats going to individuals with nationalities other than that of the company's headquarters. The strongest countries in international diversity are Switzerland (54.1% of all board seats in 2006), the Netherlands (45.2%) and UK (31%).

This metric is also rising fast: +26% between 2004 and 2006, possibly reflecting the increasing globalisation of markets and of talent.

There is clearly no correlation between nationality and gender in diversity policies in companies.

Industry sectors with the most female directors are: household goods (18.8% in 2006), IT services (17.9%), and the energy and luxury goods sectors, both at 16.7%. On the other end of the scale we find health and real estate with 3.2% and steel and travel and leisure with no women on their boards in 2006.

Some companies stand out, with over 30% women on their boards in 2006: H&M (38%), Statoil (36%), Scottish Power (33%), Telenor (33%), AstraZeneca (31%), Svenska Handelsbanken (31%), and Danske Bank (30%).

Generally, companies so far do not reflect the diversity of their markets, employee-base or purchasing decision-makers in their internal decision-making bodies, and in their boards.

Moreover a lack of diversity in key decision-making bodies can lead to sub-optimised decision-making and at worst to groupthink¹.

Interpreting the numbers requires taking into account that, in several countries, a significant number of the female board members are labour union appointees.

In eight of the 18 countries in the survey this has a crucial impact on overall results, particularly in Germany and Denmark where half or more of the women on boards are employee representatives.

¹ Groupthink is a type of thought exhibited by group members who try to minimise conflict and reach consensus without critically testing, analysing, and evaluating ideas. Groupthink may cause groups to make hasty, irrational decisions, where individual doubts are set aside, for fear of upsetting the group's balance. Source:Wikipedia.

Finally, there is a lack of female executive leaders. This demonstrates that companies are not actively building a pipeline of talented and experienced women in the business community, who will have the background to take over board positions in the future.

Just by using a ruler and a basic extrapolation of the survey results, parity (50% of boards seats – whether this is the ideal goal or not) will be reached in 2065! We therefore know that, without intervention, gender diversity on boards will not change significantly in the near future, and may indeed decline, as shown by recent developments in Germany and Switzerland, and recent studies in the UK and the US.

Institutions like the European Union are promoting equal opportunities², and 2007 is the 'European year of equal opportunities for all'. As part of this, the EU is launching a major debate on the benefits of diversity, both for European societies and individuals.

Some countries are influencing this trend by adopting quota-driven legislation, which includes board quotas. Norway was one of the first to do so, but legislation has already been passed or is currently under discussion in Spain, France and Belgium. In countries like the UK and the Netherlands, the government has been backing research initiatives and promoting discussions on the topic of women on boards to advance the debate and increase gender diversity on boards (e.g. the UK hosting discussions at No.11 – the Chancellor of the Exchequers' office, and the Netherlands Ambassadors Network).

² http://ec.europa.eu/employment_social/eyeq/index.cfm?language=ENf

Global highlights

In this section we focus on a selection of countries that have made significant steps in advancing women on boards. Norway has implemented 40% quotas for publicly quoted companies as part of company law, Spain emphasises reporting data on employees by gender and by level in annual reports which will encourage transparency and debate, and has included the need for 'balanced boards' (no less than 40% of one gender) in their employment legislation, while Canada is encouraging public debate to prevent stagnation in the growth of female board members.

Focus on Norway¹

The history

In Norway, a 40% quota has been enforced in all public committees since 1985, over twenty years ago. This target was met by 1997, and today, women hold 44% of seats in such organisations. All political parties (except the 'progressive' party) have internal rules requiring between 40% and 50% of each gender on electoral lists.

In 1999, a public hearing was launched to debate the issue of gender equality in the private sector. This was followed by a second hearing in 2001, with strong endorsement by the then Conservative Minister of Economics who took a strong public stance on the issue, on the basis that it was simply good for business and the economy. A law was

¹With contributions by: Margaret Milan, Past President EuropeanPWN, President of the Strategy Committee Fnac éveil & jeux, and Jennifer Varino Thiis-Evensen, Board member AIPBW, Creative Communications Specialist Varino Creative.

passed in November 2003, giving companies until end 2005 to conform before sanctions were put in place.

The legislation

The law covers state-owned companies and privately-owned public limited companies (there are around 500 on the Norwegian stock exchange). It does not apply to privately-owned non-listed companies, which are the vast majority of Norwegian companies (over 160,000).

Companies must have at least 33% to 50% of each gender depending on the size of the board. The 40% requirement applies to boards of over 10 members. These percentages are for the shareholder representatives. For employee representatives, there should be at least one of each gender, unless there is less than 20% of either sex in the workforce.

As of 1 January 2006, every new listed company must satisfy this requirement in order to register. Existing companies must conform by end 2007.

The requirement is written into the Public Limited Companies Act, and not the Gender Equality Act. It is simply an additional requirement to the existing control mechanisms for corporate governance.

The latest figures

The deadline for compliance is fast-approaching. According to the Center for Corporate Diversity (CCD)²,

² www.corporatediversity.no/about.html; Norwegian Ministry of Children and Equality, www.regjeringen.no/en/dep/bld/Topics/andre/Balanced-gender-representation-on-compan.html?pid=1250; Norwegian Ministry of Children and Equality, Gender Representation on Company Boards, Hege B. E. Nordstrand,

the ramp-up is very fast: by 1 July, 60% of companies have reached the targets set by the quota law, compared to 55% by 1 June and 38% by 1 March 2007. Between March and July 2007, the number of women elected by shareholders increased from 24% to 30%. The number of publicly traded (ASA) companies with no women serving on their boards decreases every month, from 190 in March 2007 to 94 in July 2007.

Compliance has doubled in one year and the gap is being filled, and yet one out of five companies still has no female board members. After the 2006 board elections, there were 100 new women on boards, and the quota law requires an additional 300 women on boards in the remaining companies. Information from Statistics Norway shows that the elected female board members are often younger and better educated than their male colleagues. One impact of the law that quickly became apparent is that board member qualifications in general are now under discussion, for example better education for the role.

Enforcing the law

Companies that do not follow the new law risk dissolution or heavy fines. As of July 2007, this refers to 300 companies out of a total of 516, according to the Ministry of Trade and Industry's Brønnøysund Register Centre. Under these rules, the Register of Business Enterprises will refuse to register a company board if its composition does not meet the requirements, just as it

adviser, Oslo 8 February 2006;
www.aipbw.no/Attachment/Lovtekstogstatistikkeng060206.ppt

refuses registration if the auditor does not fulfil the legal conditions.

As per the Public Limited Companies Act, the King (the Ministry) can decide against forced dissolution due to 'substantial public interests'. These companies will have to pay a fine until their board composition is in accordance with the law. However, experience has shown that most companies correct discrepancies in due time once they are pointed out. Therefore, it is unlikely that any companies will be dissolved by the court as a result of the gender representation rule.

Last-minute scramble

To avoid fines or threat of dissolution, some companies intend to hold an extraordinary general meeting before year-end in order to elect women to their boards. There is a concern that others may instead switch their company registration to avoid compliance. One branch that has so far been noticeably non-compliant is the investment industry.

Successful initiatives

The Confederation of Norwegian Business and Industry (NHO) started a programme called 'Female Future', which ran from 2002 to 2005. CEOs of volunteer companies selected up to three executive women to benefit from boardroom competence training and networking. Over the period, women's presence on the boards climbed from 6% to 21%. This programme starts again in September 2007 and plans to mobilise a further 500 women into leadership roles in the private sector.

In addition, several lists of 'board ready' women have been put in place by different offices and associations, including the National Employment office, Innovation Norway and the Norwegian association of lawyers³.

Focus on Spain⁴

Spain introduced a new Equality Act in March 2007 aimed at promoting equal treatment of women, including in the boardroom. The new legislation is part of employment law, and also includes items related to work-life balance (working hours, maternity and paternity leave, equality plans in companies with more than 250 employees).

Companies which are obliged to file ordinary annual accounts must try to include enough women in their board of directors to allow it to achieve a balanced membership of men and women within eight years, and new appointments must take this into account. Public procurement bodies will consider this issue when attributing public contracts. Here, 'balanced membership' is defined as not more than 60% and not less than 40% of individuals of either sex. The annual reports of companies will need to show data on company employees, including distribution by gender, category and level, and including splits for management, officers and directors.

³ Kvinneb@sen, Professional and executive candidate database for women
www.kvinnebasen.no/english.html,

Innovation Norway: www.innovasjon Norge.no/default.aspx,

Norwegian association of lawyers: www.kvinneristyret.no/

⁴ www.freshfields.com/publications/pdfs/2007/apr30/18439.pdf, *Employer's Law magazine*, 10 May 2007.

Focus on Canada⁵

Stalling?

There is a perception in many quarters that Canada has stalled after progressing well in earlier years in the global effort to increase the representation of women on corporate boards. The country also appears to have stalled in comparison to many other nations in this area.

The current statistics vary, depending on which survey is cited. They range from a low of 8% of board seats being held by women, cited by Patrick O'Callaghan⁶ and Korn Ferry International, based on a measurement of the top 300 companies in Canada, to 12 % according to Catalyst⁷, which measures from the Financial Post 500. The growth rate has stalled, and there are a high percentage of companies (50-52%) that have no women on their boards. Given this background, there is now a growing recognition that a renewed effort is necessary, not only to make gains but also to prevent backsliding.

Recommendations for action

A report published in 2006⁵ identified some of the key reasons for this stalling of progress. In a survey of 169 CEOs, board chairs, governance/nominating committee chairs and directors from Canadian corporations, 74% of respondent felt that the under-representation of women

⁵ With contribution by: Stephanie MacKendrick, President of Canadian Women in Communications, President of The International Alliance for Women (IIAW), and Co-Chair of its Women on Boards initiative. Member of the Board of Directors of the Smart Systems for Health Agency (SSHA), and member of the Board of Governors of Canada's Telecommunications Hall of Fame (CTHoF).

⁶ Patrick O'Callaghan and Associates, www.poca.net/speeches.html

⁷ www.catalystwomen.org

on boards was 'somewhat of a problem' or 'a very serious problem'. Eighty-one percent of respondents said that boards should take a more proactive approach to improving gender diversity and 71% of the comments were positive about the notion of female directors. There was a strong consensus that the short-term goal for female directors should be between 20% and 30%.

However, there was a significant gap between positive attitude and concrete action. The main barriers to progress identified are a perception that the pool of female candidates is too small, the use of informal male-oriented networks as a means to identify potential candidates, and an overly narrow definition of qualified board members being limited to those with C-Suite experience, preferably CEO, which by definition makes female candidates scarce. This may lead to a serious shortage of candidates unless this narrow definition of 'qualified' changes.

Some of the respondents in the study suggested that, without positive action, and given the trend to reduce board size, limit the number of outside directorships and to an increased age in directors, the numbers of female board directors could actually decline.

The report suggests four interventions:

- Redefine qualification criteria to tap the diverse and more plentiful skills of women in the layer below the C-Suite.
- Target women candidates by including them in recruiting firms' short lists for board appointments.
- Mentor and develop the female candidate pool.

- Encourage women to be proactive, and visible to support their appointment on boards.

As part of this initiative, O'Callaghan and Carol Stephenson from the Ivey School of Business have started a mentoring initiative, modelled on the successful UK programme.

Successful initiatives

In Quebec, the government has passed quota legislation for government-owned companies called Crown corporations. Bill 53 was passed in early 2007 and mandates that 50% of board seats on Quebec's 24 provincial Crown corporations be held by women within five years. This is an important precedent that will influence private corporations within the province and throughout Canada.

The Financial Women's Association of Quebec⁸ is working closely with the Quebec government to assist their efforts to find suitable female candidates.

In addition, a summit is planned for spring 2008 to agree a plan of action across a wide range of stakeholder groups throughout Canada, and women's networks are working to provide a comprehensive directory of women candidates as well as ongoing training and networking.

⁸ www.fwaquebec.com/docs/memoire_modernisation-e.pdf

Part two
Identifying the
issues

Profiling the power and the pipeline

Introduction

The EuropeanPWN BoardWomen Monitor provides unequivocal proof of the numeric situation of women's representation on the boards of Europe's largest corporations. Compelled to unravel the story behind these numbers, EuropeanPWN designed a first in-depth analysis of the backgrounds of Europe's top 100 board women for comparison with the top 100 board men.

We set out to gain insights into the following questions:

Are the top 100 board women's backgrounds different from the top 100 board men's?

Do the profiles of the female executive and non-executive (or supervisory) board member differ?

Are the women primarily to be found in staff functions and as employee representatives?

What lessons can we learn which will help capable and ambitious women to advance in corporations, and help CEOs and managers to guide them appropriately in their career?

We owe many thanks to the excellent staff and management of EuropeanPWN corporate partner Mercer¹, specialist in human capital and performance management issues, who carried out our research in June 2007. With EuropeanPWN, Mercer believes that this

¹ Many thanks to Mercer's Janine van den Nieuwenhuysen (Worldwide Partner), Ilya Bonic, (WWP) Jackie Sibley, Juliana Vélez and their team. For a description of Mercer's activities see the pages on 'Our corporate partners'.

important piece of research will provide much-needed insight into the inhibitors and drivers that dictate current levels of female representation on boards.

Methodology and sources

The names of the top 100 women and top 100 men were derived from the list of companies used for the EuropeanPWN BoardWomen Monitor 2006. New names were added to the list to compensate for the rotation of board members since 2006.

The information used was publicly available; primarily first-hand sources of information (i.e. company corporate websites). Other sources used were business databases such as Factiva and secondary sources such as Wikipedia or press articles from reputable publications. This means that only reported data have been taken into account, and no search has been conducted into potentially missing data. If certain activities are not included or misrepresented in the public curricula vitae (CVs) the results may change.

Further limitations

Given the small sample size, the results of the research can only serve as indications of patterns. It is noteworthy that the 100 leading male board members represent only 10 companies, while the top 100 board women represent 62 companies. This gives an average of 11 men per board and slightly under two women per board. Company-specific career patterns can therefore play a role in this analysis.

Key findings from the research

To be googled or not to be googled

Over a quarter of (28%) of the top 100 board women are employee representatives and have a lower profile than their male counterparts. *Consequently, finding information on the women's backgrounds was considerably more difficult than finding the equivalent information for men.* As visibility becomes increasingly important in the path to the top, this finding unfortunately confirms a widespread belief that women might simply not be 'on the radar screen' when it comes to choosing candidates for top positions. Although 'being googled' is not the only form of visibility, not being present on the web might seriously harm career opportunities. The fact that almost one-third of Europe's top corporate women are relatively invisible is not comforting.

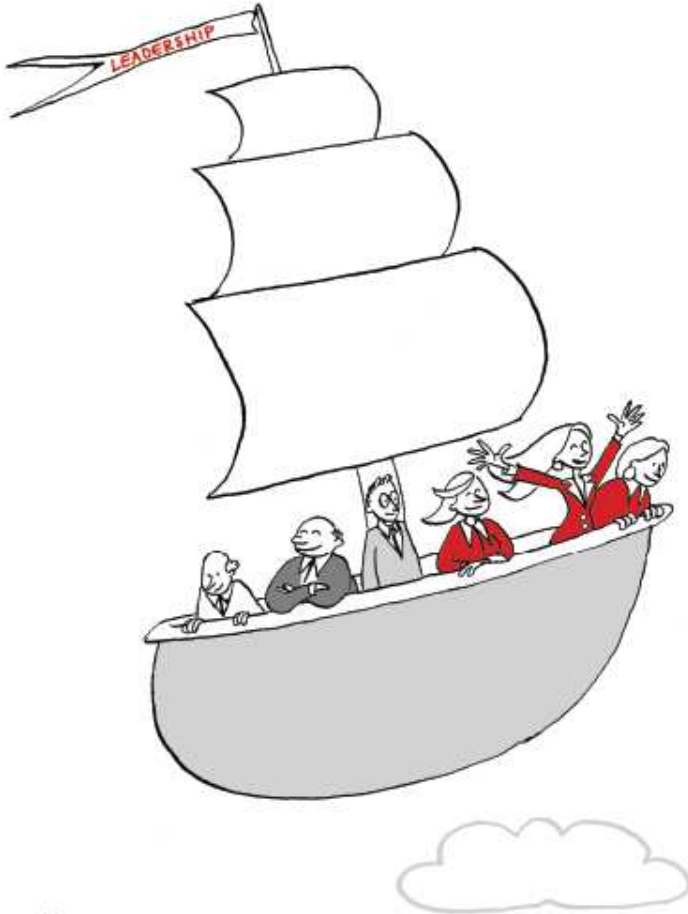
The age difference

Female board women are on average 54, while men are on average 60. Male executive board members are much younger than male non-execs; 56 against 63 respectively. This difference is not observed in women as their average age of 54 is the same for executive and non-executive positions.

The youngest female board member is 32, and a shareholder (family) representative. The youngest male board member is 40, and not a shareholder (family) representative.

The oldest female board member is 85, and a family representative. The oldest male board member is 75, and not a family representative.

Women on board



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Women are significantly younger than men, both in the executive and non-executive roles. The youngest and the oldest board member in the study were both females. Unlike the men, both women were family representatives.

Rotation or retirement

From the initial sample of male board members in 2006, 17 were no longer on the board of that particular company in 2007 (15%). Retirement was the most common reason for this.

From the initial sample of female board members in 2006, seven were no longer on the board of that particular company (6.6%). End of tenure was the most common reason for this.

Nationality

German women are in the lead, with 25% of all female board members in this group being German. This finding is heavily influenced by the fact that employee representative women on boards (28%) are primarily found in Germany due to legislation.

Table 1: Distribution of nationalities

| | Board women | Board men |
|-----------------|--------------------|------------------|
| German | 25% | 7% |
| British | 19% | 35% |
| American | 19% | 11% |
| French | 15% | 12% |
| Swedish | 9% | 0 |
| Other | 22% | 35% |

Executives vs. non-executives

Only 11% of the top 100 women hold an executive board position in contrast with 35% of the men in the sample. Eighty-nine percent of the top 100 women are non-executives compared to 65% of the men. As an executive board membership is regarded as one of the pipelines for non-executive board positions, the findings confirm that women are still seriously lagging behind.

Serving on board committees

Internal rules of corporate governance prescribe that a board nominates a number of committees, each dedicated to a specific topic, like compensation (of CEO and executives), audit (yearly financial reporting and risk management) and nomination (selection of new board members, CEO, executives).

Only 8% of the women are heads of committee, in contrast with 27% of the men. Female heads of committee were most often found in the compensation and nomination committees. Men almost exclusively led the audit committees of the top 100 companies.

Serving on other corporate boards

Female executive board members hold on average more consecutive corporate board positions than men (2 vs. 1.4). This can be explained by the fact that there are fewer high profile businesswomen than men to represent a fixed number of companies.

Serving on not-for-profit boards

Women hold, on average, more not-for-profit board positions than men (3 vs. 2). However, male executive board members hold more not-for-profit board positions than their female counterparts.

Table 2: Other board positions (average number)

| | Corporate board | Not-for-profit board |
|-----------------------------|------------------------|-----------------------------|
| Women executives | 2 | 2.5 |
| Women non-executives | 2.1 | 3.1 |
| Men executives | 1.4 | 2.6 |
| Men non-executives | 3.4 | 3.7 |

Line and staff positions²

There is hardly any difference between the number of staff and line positions which female and male board members report to have had when looking at the executive board level.

Of male executive board members, 74% report to have had line management positions and 26% staff functions. Of female executive board members, 72% report to have had line management positions and 28% staff functions.

This confirms the widespread notion that line management functions are still crucial in the advancement to the top of corporations. It is very encouraging that women seem to be on an equal footing with men here. As the executive board positions are generally considered to be the pipeline for non-executive roles, it can be expected that the talent pool for non-executives will gradually have more women in it.

² The number of different line and staff positions reported were counted; staff positions were those in the areas of HR, marketing, strategy, PR, communications and IT, whereas line management positions were described as Business Unit managers, country managers and other positions with profit and loss responsibilities.

However, a significant difference can be observed when looking at the non-executive board profiles. Fifty-seven percent of women report to have had line management positions, as opposed to 84% of men. It seems that women have been able to climb up to a supervisory board role or non-executive directorship despite their relative lack of line management experience.

Educational background

Business-related degrees are the most popular among both men and women at board level. Alternatively, 15% of the women have social science degrees (mainly political science) while approximately 30% of the men hold degrees in hard science. However, MBAs are not popular in the top 100; 12% of women and 15% of men report having an MBA.

Only 9.5% of women hold PhD's in comparison to 33% of the men. *A significant difference is that most of the women's PhD's were obtained through study, while many of the men hold honorary PhD's.*

Table 3: Educational background (%)³

| | Science degree | Business/Law degree | Other degree |
|-----------------------------|----------------|---------------------|--------------|
| Women executives | 8% | 50% | 33% |
| Women non-executives | 16% | 29% | 15% |
| Men executives | 32% | 53% | 8% |
| Men non-executives | 30% | 47% | 4% |

³ Non-availability of data means percentages do not add up to 100.

Women dominate as employee representatives

Twenty-eight percent of female board members are employee representatives compared with less than 1% of men. On the surface this may be an indication that women are more highly trusted by their peers and exhibit more informal leadership traits. However analysis shows that the majority of employee representatives come from Germany, where by law 50% of board members need to be employee representatives, often nominated by unions. Interestingly, a large portion of these employee representatives in the top companies are women.

Men dominate in expatriate assignments

It appears that male board members are still more mobile, with an average of over two expatriate assignments throughout their careers vs. 1.5 for women.

Table 4: Expat assignments

| | Average no. ⁴ of expat assignments |
|-----------------------------|---|
| Women executives | 0.8 |
| Women non-executives | 1.4 |
| Men executives | 2.4 |
| Men non-executives | 2.7 |

Remarkable is the drop in the average number of expatriate assignments for executive board women, with an average of 0.8 assignments vs. 2.4 for men. The

⁴ The average number of expatriate positions has not been analysed for duration of the assignments and does not serve as indication of the number of years served abroad.

widespread notion that 'hardship experience' in the form of an expatriate posting is imperative for a board position seems to apply for men and women differently.

Profiling the power and the pipeline

To illustrate the answer to the question that the top 100 men and top 100 women have different profiles, the following three generic profiles have been compiled of the average female board member (Profile 1) and of the average female non-executive (Profile 2) and the average female executive board member (Profile 3).

Again the limitations as set out above are important to note. Also, it is important to emphasise that the group of executive top women consists of only 12 individuals.

Profile 1: The average female board member

The average female board member is significantly younger than her male counterpart and has significantly less line management and expatriate experience.

However she serves on more boards, both corporate and not-for-profit. The reason could be that, as the pool of female board talent is still limited, and companies' diversity awareness is increasing, experienced female board members may receive a disproportionate number of invitations to join a board. The law of scarcity may apply.

Table 5: The average board⁵ member

| | Average female board member | Average male board member |
|---------------------------------------|------------------------------------|----------------------------------|
| Age | 54.2 | 60.4 |
| Credentials | University | University |
| Type of degree | Business/Law | Business/Law |
| Line % | 59% | 80% |
| Staff % | 41% | 20% |
| Not-for-profit board positions | 3 | 2.6 |
| Corporate board positions | 2.2 | 1.4 |
| Expat assignments | 1.5 | 2.6 |

Profile 2: The average female executive board member

The average female executive board member is slightly younger than her male colleagues. Comparing educational backgrounds, women tend towards business and law, whereas men have preferred science and engineering studies. Remarkably, there is hardly any difference in the experiences in line and staff positions, as both groups report that three quarters of the positions held were line management. Women spend significantly less time on expatriate assignments during their careers compared to their male colleagues.

⁵ Executive and non-executive positions.

Table 6: The average executive board member

| | Average female board member | Average male board member |
|---------------------------------------|-----------------------------|---------------------------|
| Age | 53.4 | 56 |
| Credentials | University | University |
| Type of degree | Business/Law | Science / Engineering |
| Line % | 72% | 74% |
| Staff % | 28% | 26% |
| Not-for-profit board positions | 2.5 | 2.6 |
| Corporate board positions | 2 | 1.4 |
| Expat assignments | 0.8 | 2.4 |

Profile 3: The average non-executive board member

The average female non-executive is in her mid-fifties and almost 10 years younger than her male colleagues, who are close to the retirement age of executives. Another compelling difference is that male non-executives have an extensive track-record in line management positions with almost negligible staff experience (16%). The women's backgrounds however tend to be balanced, with an almost even split between staff and line management. With a much higher number of other board positions and 'hardship experience' abroad, male non-executives seem to have a very different profile than the women they serve with on their board. Their coming from such different backgrounds begs the question of how these differences are being managed in the day-to-day board practice.

Table 7: The average non-executive board member

| | Average female board member | Average male board Member |
|---------------------------------------|------------------------------------|----------------------------------|
| Age | 54 | 63 |
| Credentials | University | University |
| Type of degree | Business/Law | Business/Law |
| Line % | 57% | 84% |
| Staff % | 43% | 16% |
| Not-for-profit board positions | 3.1 | 3.7 |
| Corporate board positions | 2.1 | 3.4 |
| Expat assignments | 1.4 | 2.7 |

Key lessons learned

Mercer's research and EuropeanPWN's analysis have brought up the following key issues for women aspiring to a board position and companies looking to appoint them:

- Men are highly visible and good at maintaining a public profile. To be taken notice of, women may need to change their often natural reluctance to promote themselves and design a strategic plan for self-promotion.
- The noted difference in Honorary PhD's awarded to men and women may point to men's extensive and highly successful networking activities. Women may want to learn from these activities as 'working hard' may not always pay off; working smart might.

- Men are firmly in the lead with regard to expatriate positions; women need to take into account that expatriate assignments still seem to be a requirement for top positions.
- The significant differences in the profiles of male and female non-executive board members (in terms of age, line vs. staff, expatriate and other board experience) may place women in a disadvantageous position on the board. On the other hand, our findings signal that companies are starting to welcome different routes to, and different profiles for, supervisory or non-executive directors. For the young female non-executives it may be a challenge to be effective on the board, and at the same time an advantage to learn from the experience around the table.
- Female executive board members have remarkably similar profiles to their male counterparts when it comes to career choices of line and staff management. This indicates that the route to the top at the executive level is still dominated by line management. As many companies observe a severe overrepresentation of women in staff functions, efforts could be undertaken to create awareness of this phenomenon and stimulate different career choices to develop and retain female leadership talent in the organisation.
- Last, but not least, the fact that women's public profiles are low indicates that more in-depth qualitative research (i.e. personal interviews) needs to be conducted into the backgrounds of women on boards to verify our findings.

The glass cliff and other metaphors

By Ruth Sealy¹

In November 2003, *The Times* published an article entitled 'Women on board: Help or hindrance?'²

The essence of the article was that, according to share prices, company performance of organisations with women on the board was lower than that of those without. However, whilst the author's evidence was anecdotal and not statistically significant, it did raise the question: is there a link between company performance and women on boards, and if so in which direction? Rather than women's appointment causing poor performance, perhaps during poor performance women are more likely to be appointed to the board?

Is there a glass cliff?

From a study provoked by that article, Dr. Michelle Ryan and Professor Alex Haslam, of Exeter University coined the term 'glass cliff', referring to the phenomenon that women are more likely than men to be appointed to precarious leadership positions.

Based on the same FTSE 100 companies cited in Judge's article, they found that those companies which appointed women were more likely to have experienced

¹ Ruth Sealy is a researcher at Cranfield School of Management and co-author of the annual Female FTSE Report 2007. A business psychologist, her research interests concern diversity at senior management and board level, and women's work identity formation.

² Judge, E. (11 November, 2003) Women on board: Help or hindrance? *The Times*, London.

consistently poor performance for the preceding five months, than those which appointed men.

They suggested a number of reasons why women might find themselves in this situation:

- In times of trouble, company boards are more likely to make changes, and the appointment of a female director on the board certainly signals radical change for most organisations.
- There is also a stereotype that suggests that women are better at crisis management than men.
- From the woman's perspective, there may be so few alternative positions available to her, that despite the apparent dangers and challenges she may decide the risk is worth it. In an attempt to embrace any chance to move up, women may in fact be hurting themselves.
- Once in the role, research shows that women are more likely to receive greater scrutiny than their male counterparts and are less favourably evaluated for identical performance to men³.
- In precarious roles the *woman*, as opposed to the *leader* is more likely to be blamed for the negative outcomes of situations which were in place before they joined the company.

After the initial research Ryan and Haslam⁴ have built on this evidence in the UK through qualitative research

³ Heilman, M. E. and Okimoto, T. G. 'Why are women penalized for success at male tasks? The implied communality deficit'. *Journal of Applied Psychology* 92(1), 81. 2007.

⁴ Ryan, M. K. and Haslam, S. A. 'The glass cliff: Evidence that women are over-represented in precarious leadership positions'. *British Journal of Management* 16(2), 81-90. 2005. Blackwell Publishing Limited.

interviews with senior women, who confirm their own experiences of the phenomenon, and also in controlled 'laboratory' environments.

In an experimental design, participants are given three candidate CVs for a top job, a male and female equally well-qualified and a male candidate clearly less suitable. In all cases, when participants were told performance was in decline, more women were appointed than when performance was said to be on the increase. The results were constant whether the context was a financial director of a poor performing company, a defence lawyer with a highly criticised case, or a political candidate with a hard-to-win constituency.

If women are appointed more frequently to precarious leadership positions, there is more likelihood that they will under-perform or fail, as successful leadership outcomes are less likely in firms with unstable financial conditions. This perpetuates the notion that women are not capable of successful leadership, thus increasing the reluctance to appoint women to key organisational positions.

The US experience

However, in a forthcoming article conducted in the US⁵, looking at CEO appointments and corporations' daily

Ryan, M. K. and Haslam, S. A. 'The glass cliff: Exploring the dynamics surrounding the appointment of women to precarious leadership positions'. *Academy of Management Review* 32(2), 549-572. 2007. Academy of Management.

Ryan, M. K., Haslam, S. A., and Postmes, T. 'Reactions to the glass cliff'. *Journal of Organizational Change Management* 20(2), 182-197. 2007.

⁵ Adams, S. M., Gupta, A., and Leeth, J. D. 'Are female executives overrepresented in precarious leadership positions?' *British Journal of Management*, forthcoming.

stock returns, no evidence for the 'glass cliff' was found: firms appointing female CEOs were in no worse financial position than those appointing males.

Interestingly, they did find that companies appointing female CEOs have relatively larger proportions of female workers in comparison to companies appointing male CEOs, and tend to be smaller than those with male CEOs.

A key difference between the two studies is that the UK research looked at the appointment of women (executive and non-executive) to the board, not just female CEO appointments, as in the US study. However, given that there are only two female CEOs in the FTSE 100 companies today, unfortunately the UK is not in a position to replicate the US study.

The US article concludes that there is "no gender bias in the appointments of CEOs". This is contrary to substantial US and UK research pointing to, amongst other things, the existence of structural barriers⁶, symbolic barriers⁷, lack of participation in social or professional networks to which male executives belong⁸,

⁶ Heilman, M. Description and Prescription: 'How gender stereotypes prevent women's ascent up the organizational ladder'. *Journal of Social Issues* 57, 658-674. 2001.

⁷ Sealy, R. and Singh, V. 'Role models, work identity and senior women's career progression' – 'Why are role models important?' *Academy of Management Best Paper Proceedings*, E1-E6, Atlanta, August 2006.

⁸ Singh, V., Kumra, S., and Vinnicombe, S. 'Gender and impression management: Playing the promotion game.' *Journal of Business Ethics* 37(1), 77. 2002.

the practices of head-hunters, and the individual views of appointment committee members⁹.

Other metaphors

The term 'glass ceiling' was first coined in 1986 in a *Wall Street Journal* article, referring to the invisible barrier that appeared to stand between women and the executive suite.

Since then, a number of other metaphors have also been utilised to express some of the events surrounding the challenges for women's career progression.

'Glass walls' were identified by Catalyst in 1992 to explain that organisations' female talent was not receiving the breadth and balance of experience needed for career paths to the top. This describes the lack of willingness to invest in crucial development opportunities for women due to, for example, the belief that women will "leave to start a family".

There is also evidence of a 'glass escalator' for men who work in typically female occupations (for example nursing or primary education). Men's accelerated rise to supervisory positions is experienced through significantly better chances of internal promotion than for equally qualified women¹⁰.

⁹ Nelson, D., Jaina, J., and Vinnicombe, S. 'How do elected leaders and chief executives in UK local authorities construe the top job? Implications for future appointments.' British Academy of Management Conference Proceedings, Sep 2007.

¹⁰ Maume, D. 'Glass ceilings and glass escalators'. *Work and occupations* 26(4), 483. 99.
Hultin, M. 'Some take the glass escalator, some hit the glass ceiling? Career consequence of occupational sex segregation'. *Work and Occupations* 30(1), 30. 2003.

The argument of waiting for women 'in the pipeline' is countered by 'leaky pipes' referring to the fact that women are walking away from corporate roles at every level in the pipeline.

Women's careers often go 'off ramps' after they start a family. Unfortunately, many face obstacles getting back to the 'on ramps' when they try to revive a career rather than just return to work.

In a recent *Harvard Business Review* article, authors Eagly and Carli¹¹, proposed the notion of 'Women and the labyrinth of leadership' (2007). They suggest that the metaphors we use are important as they tell a story that may help induce change. They argue the 'glass ceiling' metaphor is incorrect as it suggests an absolute barrier at a particular highpoint in an organisation: a transparent impediment women cannot see until they hit it. This image does not incorporate the intricate web of challenges women face a long the way. The authors suggest the 'labyrinth' metaphor as they believe there are routes to the top for women but they are full of expected and unexpected twists and turns. However they suggest that "because all labyrinths have a viable route to the centre, it is understood that goals are attainable."

This may not be a shared statement, as in recent research, across organisations and industries, when asking women if they believe a woman could be the CEO, the response was often "not in my lifetime".

¹¹ Eagly, A. H. and Carli, L. L. 'Women and the labyrinth of leadership'. *Harvard Business Review* 85(9), 63-71. 2007. Harvard Business School Publication Corp.

Moreover, the labyrinth of leadership may not be unique to women, and just as many men may describe their career progression in a very similar manner.

However, a positive point made by this article is that whilst barriers exist at every stage, if – like in a maze – women can have a bird's-eye view of the whole journey, then they can foresee the barriers they are likely to have to confront, and at least they will be making informed choices about which route to take.

Undoubtedly the reasons for so few women on our boards are varied and complex, incorporating psychological, social and organisational influences. Whilst various popular metaphors are unlikely to capture truly the complexity of the situation, they may help explain to organisational members who are concerned with talent management and retention, and also to the women themselves, just what some of the challenges they may face might look and feel like.

Diversity directors who are aware of these multi-level challenges tend to take a more joined-up approach to developing and encouraging their women, with emphasis both on preparing the women for the board and on preparing the board for women. In this way, the organisation and the individual together can negotiate their way through some of the challenges, so that the woman is not left holding a 'glass slipper', alluding to what may have been.

Improved decision-making and improved results

A great deal of academic research has been carried out on the subject of diversity linked to decision-making and bottom line results.

The discussion around board diversity has moved from moral arguments on the grounds of "democracy and equality to those of organisational effectiveness, business benefits and competitive edges."¹

Mirror the market

Boards need to be diverse in order to mirror the market: to represent shareholders and understand market needs better and faster.

This is particularly important as women are key influencers and decision-makers in most consumer purchases², and make up over one third of managers in

Women decide the majority of purchases³:

92% of vacations

89% of banking decisions

83% of consumer purchases

80% of DIY projects

80% of healthcare

61% of cars

51% of consumer electronics

¹ Cassell, C. 2000, 'Managing diversity in the new millennium', *Personnel Review*, p.270

² Tom Peters: 'Re-imagine! Business excellence in a disruptive age', 2003.

corporations, so they have strong influence and impact also in business-to-business marketing.

This is a key factor too for companies operating and growing in different countries, where a deeper understanding of the market dynamics, culture and trends can confer a significant competitive advantage.

A 1991 study also argues that diverse teams should react faster and at less cost to environmental changes.³

Increased creativity, innovation and productivity

Given that people with different backgrounds, nationality and gender, have different experiences and hold a variety of attitudes and perspectives on issues, diversity also contributes to increased team creativity and innovation.^{3,4,5}

What's more, a 1998 study on MBA students demonstrated that "increased diversity was related to decreased interaction (i.e. fewer meetings) but to increased productivity"⁴.

³ Cox, TH Jr, Blake, S, 'Managing cultural diversity: implications for organizational competitiveness', *The Executive*, August 1991.

⁴ Chatman JA, Polzer JT, Barsade SG, Neale MA, 'Being different yet feeling similar: the influence of demographic composition and organizational culture of work processes and outcomes', *Administrative Science Quarterly* December 1998.

⁵ Vallaster, C, 'Strategy making by multicultural groups – it works if leadership is effective', *Asia-Pacific Journal of Marketing and Logistics*.

Improved decision-making

"Successful corporate transformation depends on effective decision-making"⁶ and appointments with different backgrounds provide unique perspectives on strategic issues.

In fact, the wider range of perspectives provides more thorough critical analysis of the issues, and the presence of minority views improves the quality of the decision process regardless of whether or not the minority view ultimately prevails.³

Increasing women's board presence has also been seen to enrich board information, perspectives, debate and decision-making⁷; sometimes also by pushing the other board members to be more prepared, by asking questions no one dared to ask before, by asking questions in a new way or by changing the atmosphere in the boardroom – as related by Scandinavian women board members in 2006.⁸

The best decision quality though is reached when "neither excessive diversity nor excessive homogeneity are present"³, as a degree of cohesion in the team is key to a well-run process-oriented decision-making culture.

⁶ Klenke, K, 'Gender influences in decision-making process in top management teams', *Management Decision* 2003, 1024-1034.

⁷ Burke, R.J., *Women in management: international challenges and opportunities*, 2000 p.193.

⁸ Huse, M, Solberg, AG, 'Gender-related boardroom dynamics, how Scandinavian women make and can make contributions on corporate boards', *Women in Management review* Vol 21, No 2, 2006.

Ethics

While women and men have the same workplace values, women seem to make more ethical choices when asked to act on those beliefs and perceptions. Their choices are more ethical in 'grey' situations, and they score high on achievement, concern for others and honesty, while men score higher on fairness.⁹

This study also shows that ethical decision behaviour is directly related to management experience and level in the organisation, and that in general, individuals who value achievement will make the more ethical choice.

The study finds: "...females have a higher sensitivity toward ethical issues and a greater tendency to take action, when they perceive a questionable business practice..." Given this information, it may not be a coincidence that the whistleblowers in the recent accounting scandals were women!

This is a key attribute when looking at the fiduciary responsibilities of the board.

The war for talent

As talent increasingly becomes a scarce resource, companies with diverse boards and senior teams will be increasingly attractive to diverse candidates seeking a meritocratic culture.

Attracting and retaining the best skills and talent for a company is one of the key areas of competitive advantage, leading directly to improved results.

⁹ Glover, S., Bumpus, MA, Sharp, GF, Munchus, GA, 'Gender difference in ethical decision-making'. *Women in management review*, Vol 17, No 5, 2002.

The bottom line

Finally, after the review of the qualitative changes that diverse boards bring to companies, here are the quantitative ones¹⁰:

Three recent studies, one carried out by Catalyst¹¹ on Fortune 500 companies, and two by McKinsey¹² – the first on a selection of global companies and the second on the top European companies, demonstrate strong correlations between the number of women in leadership roles and the financial performance of companies.

According to Catalyst, Fortune 500 companies with the highest representation of women board directors reached significantly higher financial performance, on average, than those with the lowest representation of women board directors.

On average, companies with the highest percentages of women board directors outperformed those with the least by 53% on return on equity, by 42% on return on sales, and by 66% on return on invested capital (based upon the four-year average for ROE, ROS, and ROIC for 2001, 2002, 2003, and 2004).

In addition, companies with three or more women board directors show stronger than average performance (from four to five percentage points higher ROE, ROS, and ROIC).

¹⁰ *Financial Times*, 10 October 2007, 'Top women tip the scales', by Alison Maitland

¹¹ Catalyst, 1 October 2007, 'The bottom line: Corporate performance and women's representation on boards'.

¹² McKinsey & Company, *Women Matter*, October 2007.

The correlation between gender diversity on boards and corporate performance is confirmed across most industries – from consumer discretionary to information technology.

Based on responses to an organisational performance diagnostic of 101 companies in Europe, US and Asia, McKinsey shows that companies with three or more women in the leadership team score better than companies with no women, on nine factors of organisational excellence. In turn, these factors are linked to better results: the top quartile of respondents scores 2.2 times better than the bottom quartile on EBITDA¹³ and 2.0 times better on Company valuation.¹⁴

In a second study on 89 European companies, McKinsey demonstrates that companies with more women in their leadership teams (executive committees and boards) have 11% higher ROE, 91% higher EBIT¹⁵, and 36% higher market capitalisation than the industry average.

The causal link is not demonstrated, but the correlation between gender diversity in top management teams and hard results exists, and it is significant.

The ideal board

As David Nadler argues in 'Building better boards'¹⁶ "the key to better corporate governance lies in the working relationships between board managers, in the social dynamics of board interaction, and in the competence,

¹³ EBITDA = Earnings before Interest, Tax, Depreciation and Amortisation.

¹⁴ Enterprise Value to Book Value ratio.

¹⁵ EBIT = Earnings before Interest and Tax.

¹⁶ Nadler, D.A., Building better boards, *Harvard Business Review* May 2004.

integrity, and constructive involvement of individual directors."

To achieve this ideal balance, board composition is key.

Boards need to assess which skills and competencies they need to carry out their task, with the hurdles facing their company in mind, and strive to reach the 'ideal' composition.

Future recruitment targets should be built on filling gaps in background, capabilities, knowledge, experience in relevant industry and geographic markets, and also gender and international diversity.

In this way, both the qualitative and the quantitative elements of success will be addressed.

Moving mountains



Being on a board

By Peninah Thomson¹

This section of the book deals with what happens when you have achieved your goal, and are actually on a board. It addresses the topics of milieu; competence, confidence, contribution and collegiality.

Milieu

Being on a board is not a question of being in a 'place' as such. It is more about inhabiting a particular milieu, and also a way of being. Board membership involves not only being at between eight and twelve board meetings a year and meetings of Nomco (nomination committee) and Remco (remuneration committee); but also attending board 'awaydays' and 'strategy days'. You will also need to factor in time for lunch, dinner or a drink with other non-executive directors and spend time doing your 'corridor work'. You will need also to consider where, and how, you socialise with other board members.

Understanding this point about milieu, and taking the time consciously to build relationships with other board members is crucially important. One of the chairmen on the FTSE100 Cross-Company Mentoring Programme recently expressed his thoughts on the matter: "Stop and consider what actually goes on in a board. You are working alongside people that you may only see at eight

¹ Peninah Thomson is partner of Preasta Partners, sponsor of the FTSE 100 Cross-Company Mentoring Programme, and co-author of 'A Woman's place is in the boardroom' (Palgrave Macmillan, 2005).

board meetings a year, and perhaps a board strategy awayday and a dinner, and then any work you put in on Nomco or Remco. The pressures upon directors - including non-executive directors – are now so acute that no board member can fail to be conscious that the board as a group is sharing responsibility for a considerable amount of risk. That makes it all the more important to build trust and a trusting atmosphere between board members; because you're in this group as a group; sharing the risks and the responsibility for the successful strategic leadership of the company."

Being on a board, then, is a significant commitment both of time and also of reputation: you are a director 365 days of the year, and inhabit a particular milieu.

Next are the formal practicalities – the things that are the 'givens'. It goes without saying that as a board member you are present at all meetings, that you are timely, that you have read the board papers prior to the meeting itself. It also implies being reliable, exercising good judgement, keeping yourself well-informed about the company and – crucially – understanding the duties of directors, which in the UK are governed by the Combined Code. Whatever the corporate governance framework of the board on which you sit – and this may vary from country to country – it is essential that you have a full and deep understanding of it since the corporate governance framework shapes all your activity upon the board.

With the detail of the corporate governance framework that applies to companies in your country firmly 'under your belt', you can focus upon board behaviours. Here, it

is helpful to recall the 'four Cs': Competence, confidence, contribution, and collegiality.

Competence

This is about your skills set and your professional reputation, in whichever professional domain you happen to be.

When you go on to a board it is important to bear in mind your USP (unique selling point) and what it is about you that caused you to be approached as a credible board candidate. You will have done the work of identifying your USP prior to putting yourself forward as a potential non-executive director, but it is important not to forget what it is that caused a chairman to bring you onto the board in the first place.

Staying competent makes it essential to pay attention to your continuing professional development. Keep your skills and knowledge up-to-date by participating in sector seminars and business briefings, and by reading the technical press for your sector, as well as the quality business press - *The Financial Times*, *Les Echos*, the *International Herald Tribune*, *The Economist* (or its Continental European equivalent).

Confidence

The second of the 'four Cs' is confidence. It takes courage to have confidence, and also to have a good inner compass that 'always finds north' and which can therefore be relied on to be your unerring guide during times of difficult decision-making. Your courage, and your sense of what is right, will be founded upon the

bedrock of a clear (and adhered-to) values set. You have to know what you stand for. If you have a solid core of confidence, a clear ethical sense and are building upon a foundation of competence, you are well-placed to deliver on the 'third C': Contribution.

Contribution

During the more than two years we have been running the FTSE 100 Cross-Company Mentoring Programme, several of the Chairmen have observed how disappointing and problematic it can be when they have appointed a board member who is female (often taking a risk in so doing), and then it transpires that she does not contribute very much in meetings. As one chairman said to me recently: "But she doesn't speak!"

It is important to make your contribution, across the piece, and not solely in your subject area or technical competence. One of the things for which you have been appointed is the quality of your judgement so it is important to remember to exercise it! One of the most significant common characteristics of the corporate failures of the 1990's – WorldCom, Parmalat, Enron, Viacom – was the fact that board members apparently remained silent during crucial board meetings at which it was becoming apparent that something was going terribly wrong. These were classic cases of what in the UK is called 'the dog that didn't bark'. Women are often good at picking up nuances and the 'lights and shades' in human interaction and at board level that skill is usually coupled with experience and considered judgement. The chairmen tell us that they would welcome their non-executive directors' insights – so contribute!

Collegiality

It is important to contribute, though, in a way that is congruent with the 'fourth C', collegiality. You have to know, or to learn, how to frame your interventions in a manner that goes with the grain of the culture of the board. Your goal as a board member is to have your opinions respected, your counsel valued, and your recommendations acted upon. All those things will be achieved more easily if you take the time to establish a rapport with your fellow board members.

Some women make the mistake of disregarding or rushing through the stage of rapport-building, preferring instead 'to get down to the task' as they see it, but this approach runs the risk of being seen as brusque and uncivil. Time spent in 'reading the situation' within the board is never wasted. Understanding the dynamics in the room and between board members – where the alliances are, where there might be sources of support – all these are a great help to an effective non-executive director. Sense the mood and the atmosphere and tailor your interventions accordingly; they will stand more chance of being accepted.

Delivering in every situation

So, being an effective director (executive or non-executive) is not something that happens eight times a year in the boardroom, between two and 4.30pm! Each board meeting or awayday, each conversation with a fellow director, whether it takes place in the boardroom, the corridor, at a dinner, in the margins of a conference,

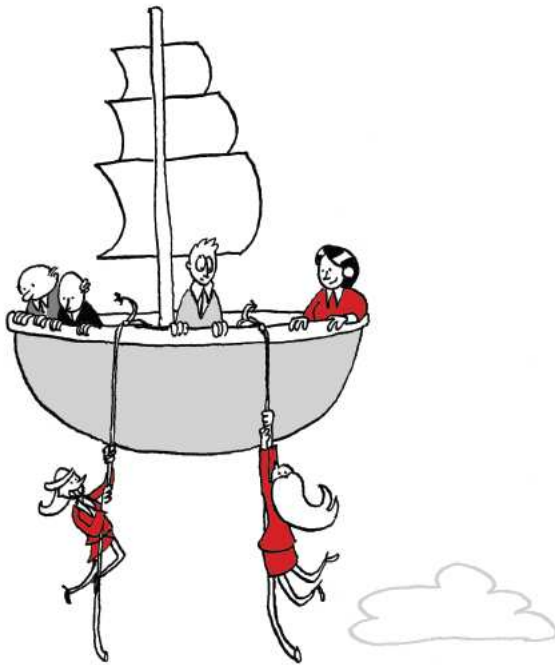
in a car-park or on a golf course is a moment when you are, or are not, an effective director.

Stepping forward into the board milieu, is for women, (and for men too) a very significant moment. How you conduct yourself in each interaction will shape other people's perception of you.

Be wise about delivering on the practicalities – the 'givens' that we outlined earlier in this section – and on the 'Four Cs': Competence, confidence, contribution and collegiality, and act upon the guidance we have provided, adding to it from your own store of knowledge, insight and experience.

Finally, it is important to lean back into the reality of your own authenticity. Going onto a board does not mean you have to assume a completely different persona, or adopt behaviours and ways of working that are not in tune with your personality. There are some generic norms that it would be wise to observe, outlined above, but observing those norms does not mean you have to negate your own personal characteristics and style. It is for each woman to decide how she can best bring the most helpful aspects of her character, personality and intellect to bear upon the task of being an effective board director.

Women on board...?



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Board training

Introduction¹

Increased attention to corporate governance issues, changes in the regulatory climate, pressure from new stakeholders and activist shareholders, combined with a few high-profile corporate failures have led to a growing awareness among board members of their liabilities when serving on a board. Newly appointed directors and experienced ones alike feel the need to update their knowledge in order to manage better their exposure to risks associated with their board position.

The number of board training programmes has grown substantially, as has the number of players in this market. Consultants, accountants, universities, business schools, board members associations, even unions, in cooperation with law firms, regulators and seasoned board members have developed an impressive array of trainings.

In this article the following questions will be addressed:

- What are the key functions of board training?
- Do women and men need the same training?
- How does one select the appropriate training?

Key functions

While executive functions depend on your ability to take charge, evaluate risks and make decisions within your

¹ This article is based on the experiences of 'board-ready' and board women, with trainings offered by CMI, IMD, PricewaterhouseCoopers and other programmes.

area of responsibility, non-executive positions require using your power to build consensus, convince executives, and ask questions that will shape the future of the company.

Generally speaking, training has two key functions:

The first function is learning the tools of the trade, which includes legal issues, the regulatory framework in which the company operates, the audit process, compensation systems, strategic planning and company financing. The roles and responsibilities of the individual board members, chair and the team, the relationship with the CEO, the executive team and the auditors, together with the internal board regulations regarding the conduct of the meetings and setting the agenda, form part of the basic tool-set too. In some countries, like Germany, the role of the employee representatives on the board and their relationship with the labour council, warrant extra attention.

The second function is developing the soft skills needed to be effective on a board. These skills include the ability to ask questions, to make your point, to get heard, and to be clear. In short: 'being able to disagree, without being disagreeable'. Soft skills are required for building a team of board members that trust each other and rely on each other's integrity, while at the same time do not shy away from debating issues in line with their own role on the board.

Ideally, board training also provides important introductions to nominating committee members of other boards. It may offer a natural way to access the

network through which some board appointments are being made.

One size fits all?

In terms of training content, women and men basically need the same. However, one needs to take into account that the starting points of men and women are often very different. As the executive pipeline of women is still limited, women taking board training are more likely to come from backgrounds like universities, politics, or from non-executive roles in corporations². Our research shows that, especially with regards to finance, accounting and strategy, women from different backgrounds may lack the necessary experience and knowledge, vital to being effective on a board. Also, lack of line management experience might hinder a woman as she will have more difficulty understanding the politics and power play inherent to a board position. Unfortunately regular board training does not always cater for the special needs of women in those cases.

As for the training method, research into management development programmes has shown that women and men have distinct different patterns of learning³. Most of the current leadership development programmes are based on the male way of learning, which concentrates on classroom presentation and plenary discussion of models, concepts and case studies, with the teacher in the role of the expert in knowledge. Women seem to

² See article 'Profiling the power and the pipeline'.

³ 'Women-only management training: an essential part of women's leadership development', S.Vinnicombe and V.Singh in *Journal of Change Management* 2003.

prefer sharing own experiences, using self-reflection to understand models and expect the teacher to offer relevant experience. Women often prefer to learn through group work as opposed to mass lectures. Therefore women should carefully reflect on the teaching methods used and select the one which provides them with the best environment for learning. Additional women's-only training programmes or specialist courses on specific topics, including those on the soft skills, like presentation and negotiation skills, can be needed next to the regular board training programmes. Seeking out experienced male and female board members as mentors may be an effective strategy to improve understanding of the issues around politics and power.

For women, board training provides an essential training ground for developing effective behaviours in situations in which they are the only, or almost the only, woman on the board. During board training a certain hierarchy is established according to the number of board positions one holds, the number of chairs, the size of the company one sits on the board of, and many other factors like connections in 'the network' of board members and personal reputation. In fact, board training gives a sneak preview of real life on the board.

Some training institutes offer one-day board training in the form of a board room discussion. Based on real life cases around accounting, financing, strategy, a day-long board meeting is conducted, and participation by the student solicited in various ways. Instead of lectures and presentations, this training offers hands-on experience of what it means to be on a board.

Matching your needs

- Assess the areas you need training in before you subscribe to one. If you lack experience in crucial areas it is recommended to first take specialist courses (like accounting) before enrolling in the board programme.
- Reflect on the training method and whether it matches your preferred learning style.
- Choose the programme that will give you the best chance of building a network of powerful connections. If you operate in an international environment, pick an international training course; if you operate primarily locally, a local course is more effective.
- Find out what the attitude of the institute is towards women. How many women faculty members do they have and how many women attend the programme on average?
- Check if the institute has an alumni network that organises interesting meetings, follow-ups of the board training and such. This will expand your network with relevant contacts.
- Do not expect a board training to get you onto a board. Board training is never a requirement for a board position as many other factors come into play, like your track record, trustworthiness and integrity. Board training can add to your track record but cannot make your track record.
- Take the training seriously and prepare well for it. After all, you might be sitting in class with your future colleague.

Part three Creating a change

Quotas: Pro's and con's

The data from the EuropeanPWN BoardWomen Monitor shows that the only significant rise in gender diversity on supervisory boards of European companies is driven by quotas.

While Norway has put legislation in place and is targeting 40% female board members by 1 January 2008, the UK government is promoting the concept and the discussion, but the number of women directors remains stable.

Within EuropeanPWN this has been the source of interesting debates: What do we think of quotas, and are they the only way to promote growth in gender diversity?

We first asked our network members¹ if they were for or against quotas in principle, and interestingly the pro camp was the strongest, but only by 5%.

Do you think governments should set quotas for women on boards, as is currently planned by the government in Norway?

| | |
|------------|---------------|
| yes | 55,32% |
| no | 44,68% |

The key points in each camp, summarised below, may help you in deciding which side to support.

¹ Source: EuropeanPWN online poll, open from mid April to mid May 2005, total number of respondents 141.

The pro quota view

There are significant positive arguments in the 'pro quotas' camp.

We have learned from the research quoted in this book that gender diversity measurably improves decision-making and performance, but that increasing the number of women on board is painfully slow, except when quotas are introduced. Improved company performance and governance can only be good for our economies, and therefore however uncomfortable the idea of quotas, they clearly outweigh the benefits.

Legislation can help speed up change, by imposing it and setting deadlines. Companies will concentrate on implementing the change, rather than discussing the benefits, while deadlines will create a sense of urgency.

Ideally the new situation, with more gender diversity at work and in supervisory boards, will promote new reflexes as people just get on with business.

Quotas will also ensure more places are available for good performers, and women will be able to concentrate on their careers, rather than address gender barriers on top of their other responsibilities. This will make it easier for women to perform, succeed and grow.

We also need an external influence to help set up a new way of working, particularly where cooptation, based on reproducing the existing model, is the rule in senior appointments.

In addition, the best candidate to add to a homogeneous team is a diverse candidate, and quotas are a way of ensuring teams are indeed diverse, and therefore

perform better. After all, it is not just the individual candidate that matters, but also the composition of the whole group.

Other 'pro camp' reasons are much more negative, for example, the idea that only imposition will supplant a culture of unequal treatment, which is ingrained and goes unquestioned.

And on the fatalist side there is the point that nothing else seems to work.

In summary, will we be able to accept gender diversity regardless of competence?

The contrary view

Primarily quotas are per se discriminatory. Isn't this in contradiction with the goals of gender diversity? Do the means justify the end in this case?

In fact, recent quota legislation for supervisory boards in France has been rejected by the constitutional court for being discriminatory and therefore illegal.

Moreover, quotas interfere with the efficient working of the market: when hiring a new colleague we want the best person available based on skills and capabilities alone, not the best person available who also fits the imposed quota.

The toughest argument for the person concerned by the quota legislation is around perceived skills and power: will quotas undermine credibility and professionalism and depreciate the value of women, implying their success is due to quotas alone? Does this portray women as victims, and if so, is this really helpful?

Then, there is always the slippery slope argument: if we accept quotas for women, will we in future have to accept quotas for all sorts of other segments of society (such as race, religion, age)?

In summary, are we ready to accept a less than ideal method in order to reach results in an acceptable timeframe?

Where should the quotas be?

If, after all, you decide that you can live with quotas, what do you measure and where do you establish quotas?

In hiring diversity candidates, there are two options: either measuring candidates, or measuring hires.

Measuring candidates means looking at the composition of short-lists for jobs; for instance at least one woman per five short-listed candidates.

In our experience this is a high-risk objective: not only does the presence of a diversity candidate on a short-list not ensure any change in the employee make-up of a company, it also provides a sense of reassurance for the hiring company that they are indeed considering diversity candidates, without needing to change hiring decisions or moving away from the hiring manager's comfort zone.

This practice also has negative consequences for the diversity candidate, who is constantly facing rejection without getting a truly fair chance.

On the positive side, asking head-hunters to include diversity candidates in short-lists has resulted in the

discovery of previously unseen talent, which is now able to rise to the surface.

Measuring hires, on the other hand, does ensure a change in the composition of the hiring company if coupled with good retention policies, and therefore justifies using a quota policy by helping achieve the desired results over time.

Finally, where do you set the quota? How high? How low?

Setting the quota too high may lead to lowering the bar, while setting them too low will not give sufficient impetus to increasing the pipeline of strong diversity candidates. Ideally quotas should be set as stretch targets to encourage an active management of the pipeline.

Finally, data shows² that companies with women CEOs have more women on their boards and on their management teams than average. Taking this into account we can argue that quotas only need to be set for the top echelons, as changes there will impact changes throughout the company.

² See article on 'Appoint a female CEO'.

Three or more women: The turning point

Diverse teams are shown to perform better than homogeneous teams, but of course it's not that simple! IMD research¹ has demonstrated that in order to outperform homogeneous teams and use all available talent effectively, diverse teams need to understand their differences, communicate effectively across these differences and use them to build performance. "...the ones (teams) that engage diversity and manage it well reach exceptional levels of performance."²

When looking at the particular situation of gender diversity on boards, the board's ability to understand, engage, and build on women's contribution is greatly influenced by the number of women on the board.

In the 'Critical mass on corporate boards' study conducted in 2006³, interviewees describe that when there are three or more women on the board, they are no longer considered 'female directors', but just directors. This allows their individual contribution to be considered at face value, with no pre-conceptions.

A critical mass also seems to give women more confidence in taking the floor, and making their opinions heard.

The evidence also points towards establishing a more collaborative rather than a combative communication

¹ Maznevski & DiStefano, 'Synergy from individual differences: Map, bridge and integrate', IMD.

² FT.com Leading diverse teams, 2 March 2006, *The Financial Times Limited* 2007.

³ Kramer, V.W., Konrad, A.M. and Erkut, S.: 'Critical mass on corporate boards: Why three or more women enhance governance'.

style, which in turn seems to benefit the working of the whole board, and their ability to tackle varied and critical issues until they are resolved.

In contrast, the experience of lone female board members points to difficulties in their making themselves heard, and being excluded from social occasions, which are also important times for board interaction and dynamics.

A recent Danish study⁴ also shows that one lone diversity candidate on a board is influenced by the majority. They need to conform in order to be regarded as professional.

Two women on a board create a special dynamic. Although they can build on each other's points, and ensure each is listened to, they can be regarded as a group by the other board members, with pitfalls both if they are in agreement ('the women's point of view') and if they disagree ('why can't they get along?'). The presence of two board women decreases their sense of isolation, but may open up perceptions of conspiring. In some cases the 'women's group', has lead to confusion over which individual brought up which point!

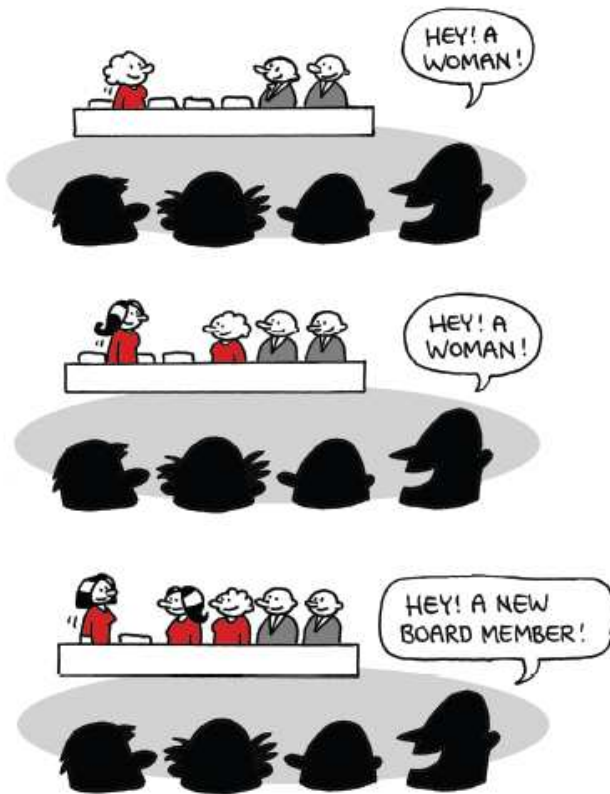
These studies show that the real benefit of diversity is unleashed when the functioning of the board goes beyond tokenism and when differences are well understood, appreciated and used. They show that a critical mass of women in a team entails a psychological

⁴ Rose, C., Copenhagen Business School: 'Does female board representation influence firm performance? The Danish evidence', *Corporate governance*, Vol15, No.2, March 2007.

effect that benefits the whole board and the whole company.

The ideal target therefore for board gender diversity is three or more.

The ideal target for board gender diversity is three women or more



Appoint a female CEO

Introduction

The number of women leading the major companies of the world is almost negligible. Only 13 of America's Fortune 500 companies (2.6%) are being led by women and only two of the UK's FTSE 100. Among the CEOs of the 300 largest European companies there are only three women (1%).

This article addresses this question: should companies that are convinced of the business case for gender diversity start actively looking for a female CEO? Could appointing a female CEO result in a more gender-diverse management team? And as a consequence, better results for the company?

The article also aims to answer the often-posed question: would women appoint more women on average when they are in the lead? Perceptions on this topic differ among both men and women. Our investigation provides proof of the fact that professional women welcome other professional women to their teams.

Limitations

Due to the small sample size, the results presented in this article have serious limitations. However, the purpose is to use the results to stimulate the debate on the issues.

White crows

Currently 2.6% of Fortune 500 companies are led by women, which is the highest percentage in history. In 2002 there were six female CEOs (1.2%) whereas the number reached nine (1.8%) in 2005.

A comprehensive academic study into the development of the so-called pipeline for leadership positions in the Fortune 1000¹ predicts that the percentage of female CEOs in Fortune 1000 companies will grow to 6% in 2016.

Bye-bye tokenism in the US

Fortune 500 companies with a female CEO have clearly moved beyond tokenism. None of the female CEOs is the proverbial 'only woman' on the board. All had at least one, and in 70% of the cases more than one, female board colleague.

In 2006, only 14.6% of the Fortune 500 board seats were occupied by women (even slightly down from 14.7% in 2005)². With a total average of 26% women on their boards, the female-led companies outperformed the Fortune 500 average by far.

The champion company is Avon; CEO Andrea Jung has three female and six male colleagues, which gives a score of 40% women on board. Avon is making a serious

¹ Helfat, Harris, Wolfson: 'The pipeline to the top', *Academy of Management Perspectives* November 2006.

² Catalyst 2006 Census Women Directors (www.catalyst.org). The research includes non-executive and executive directors.

effort to live up to its promise of being '*the* company for women'³.

Second in line is Xerox, with an impressive 36%, counting four women on a board of 11. Anne Mulcahy expresses a clear commitment to diversity: "I'm convinced diversity is a key to success. Experience tells us that the most diverse companies – companies ruled by a hierarchy of imagination and filled with people of all ages, races, and backgrounds – are the most successful over time."⁴

Europe's struggle

The European picture is bleaker. Only three out of the 300 largest companies⁵ are being led by women. It is interesting to see that the majority (two out of three) are UK-based companies.

Against the average of 8.5%⁷ women on board, these three companies do very well with percentages of over 20%.

Best in 'European class' is Thomson Intermedia. Sarah Thomson, joint CEO and major shareholder, counts two women on her board of seven. The average number of women on boards in the UK FTSE100 is 10.3%⁶, which is composed of 3.8% executive directorships and 13.7% non-executive directorships. The number of women executive directors in our EuropeanPWN BoardWomen

³ See www.avon.com

⁴ See www.xerox.com

⁵ EuropeanPWN BoardWomen Monitor in Part one of this publication.

⁶ The Female FTSE100 report 2006, by Cranfield University School of Management.

Monitor 2006 is negligible, with 22 out of 4,535 positions (0.005%).

Table 1: Fortune 500⁷ with female CEOs and their boards

| Company⁸ | CEO | % Women on board |
|------------------------------------|--------------------------|-------------------------|
| Wellpoint (35) | Angela Braly | 29% |
| Archer Daniels Midland (59) | Patricia Woertz | 18% |
| PepsiCo (63) | Indra Nooyi | 33% |
| Sara Lee (125) | Brenda Barnes | 33% |
| TJX (133) | Carol Meyrowitz | 33% |
| Rite Aid (134) | Mary Sammons | 14% |
| Xerox (145) | Anne Mulcahy | 36% |
| Alcatel-Lucent (282) | Patricia Russo | 21% |
| Avon (283) | Andrea Jung | 40% |
| Reynolds American (288) | Susan Ivey | 18% |
| Safeco (363) | Patricia Rospot Reynolds | 25% |
| Ebay (383) | Margaret Whitman | 18% |
| Western Union (492) | Christina Gold | 33% |
| Average | | 26% |

⁷ Based on publicly available information on companies' websites, September 2007.

⁸ The order of ranking, dated 30 April 2007; added Braly as from 1 June, from [www.money.cnn.com /magazines/fortune/fortune500/2007/womenceos](http://www.money.cnn.com/magazines/fortune/fortune500/2007/womenceos)

Table 2: Europe's top 300 companies with female CEOs and their boards

| Company | CEO | % Women on board |
|---|-------------------------|-------------------------|
| Skandinaviska Enskilda Banken (Sweden) | Annika Bolin Falkengren | 20% |
| Thomson Intermedia (UK) | Sarah Thomson | 29% |
| Pearson (UK) | Dame Marjorie Scardino | 20% |
| Average | | 23% |

Diversity in the executive pipeline too

Female CEOs of the Fortune 500 are leading relatively diverse executive teams. They have on average 23% women on their executive teams. Unfortunately reliable statistics on the composition of the executive teams of the Fortune500 are not available. Comparing the numbers with Catalyst's report on corporate officers², 15.8% of corporate officers are women. This indicates that female CEOs may well have more women on their executive teams as well.

Table 3: Fortune 500⁹ with female CEOs and their boards

| Company | CEO | % Women on board | % Women in executive team¹⁰ |
|------------------------------------|--------------------------|-------------------------|---|
| Wellpoint (35) | Angela Braly | 29% | 33% |
| Archer Daniels Midland (59) | Patricia Woertz | 18% | 12% |
| PepsiCo (63) | Indra Nooyi | 33% | 13% |
| Sara Lee (125) | Brenda Barnes | 33% | 11% |
| TJX (133) | Carol Meyrowitz | 33% | 12.5% |
| Rite Aid (134) | Mary Sammons | 14% | 23% |
| Xerox (145) | Anne Mulcahy | 36% | 32% |
| Alcatel-Lucent (282) | Patricia Russo | 21% | 71% |
| Avon (283) | Andrea Jung | 40% | 36% |
| Reynolds American (288) | Susan Ivey | 18% | 37.5% |
| Safeco (363) | Patricia Rospit Reynolds | 25% | 27% |
| Ebay (383) | Margaret Whitman | 18% | 12.5% |
| Western Union (492) | Christina Gold | 33% | 33% |
| Average | | 26% | 23% |

⁹ Based on publicly available information on companies' websites, September 2007.

¹⁰ Executive directors and members of the executive or management team as defined by companies on their websites.

The same pattern seems to apply to the European female CEOs in our study according to table 4.

Table 4: Europe's top 300 companies with female CEOs and their boards

| Company | CEO | % Women on board | % Women in executive team |
|---|-------------------------|------------------|---------------------------|
| Skandinaviska Enskilda Banken (Sweden) | Annika Bolin Falkengren | 20% | 22% |
| Thomson Intermedia (UK) | Sarah Thomson | 29% | 33% |
| Pearson (UK) | Dame Marjorie Scardino | 20% | 33% |
| Average | | 23% | 27.5% |

The UK FTSE100 companies with female CEOs present a less consistent picture. In some companies there is significant difference between the number of women on the board and those in the executive team.

Table 5: UK's FTSE 100 with female CEOs and their board

| Company | CEO | % Women non-executive directors | % Women executive directors |
|------------------------|------------------------|---------------------------------|-----------------------------|
| Pearson | Dame Marjorie Scardino | 20% | 33% |
| Drax | Dorothy Thompson | 0 | 20% |
| Average FTSE100 | | 13.7% | 3.8% |

Concluding remarks

In some corporate governance systems, the responsibility for the selection of a CEO lies with the supervisory board (in the two-tier system) or non-executive directors (one-tier system). Searching for a CEO of a specific gender so far has not been common practice in the boardroom; implicitly men have been searched for to fill these positions. However, in this article data have been presented showing that company boards should start taking into account the potential of proactively appointing a female CEO. Gender should become part of the CEO succession planning model. Women business leaders do appoint other women to their boards and their executive teams. And as we have seen from research¹¹ in the US, companies with more women on the board outperform those without.

Boards, which are looking after the interests of the shareholders and the other stakeholders of the company, should be interested in exploring the option of appointing a female CEO to create better returns on their shareholders' investments.

Shareholders for their part, being faced with the formal approval of the new CEOs appointment, should ask if female candidates for the CEO position have been taken into account as part of the company's normal CEO succession planning.

¹¹ Catalyst 2007, 'The bottom line: Corporate performance and women's representation on boards'.

Power networks

By Marijo Bos¹

Introduction

Powerful and influential social capital or the right professional networks can dramatically impact business success throughout the leadership pipeline to the boardroom.

Research shows that as one gains responsibility and title in the world of business, the referral network accounts for 80% of new career opportunities. Visibility and access to networks are vital in securing senior management and board appointments.

This article explores why, how and where women can more effectively network.

An increasingly open door

There are a number of changes that are positively impacting opportunities for women who are qualified and have the ambition to serve on boards. Board nominating committees are increasingly supporting a more transparent evaluation of board candidate backgrounds and experience. More and more committees are focusing on the power of diversity. It is now common for outside executive search firms to be

¹ Marijo Bos is a leadership development consultant based in Madrid and New York. She works with clients on connecting professional development to the strategic initiatives of an organisation. Earlier, she worked for 15 years in new media ventures and executive recruiting. Marijo is co-president of EuropeanPWN Spain.

retained to find qualified board candidates. Three-quarters of the FTSE companies (74 out of 100) used head-hunters in the search process. This indicates a willingness to widen the search field, to engage expert help in recruitment and to look beyond existing networks.

To compliment this, the global press is regularly publishing supportive research indicating how diverse boards, which include women, generate more creative ideas, focus on the important soft skills in leadership, generate better financial results and impact the bottom line of a company.²

Moreover, executives are increasingly risk-adverse, due to increasing legal responsibilities through legislation and corporate governance codes³, and thus are not as willing to sit on multiple boards as in the past. In addition, the number of board seats one person can hold has become a topic of debate in a number of countries.

As a result, companies are being put under pressure to be open to potential board members who have historically been overlooked and untapped, such as the management layer below the CEO, which includes many more women. This broader pool of possible board candidates also includes women from a variety of backgrounds such as lawyers, consultants, not-for-profit, private company executives or executives with significant international experience below the top

² 'Brighter boards for a brighter future', The Women and Equality Unit; www.womenandequalityunit.gov.uk/publications/brighter_boards_bf.p

³ Legislation like the Sarbanes-Oxley Act (USA) which is applicable to all (European) companies listed in the USA; corporate governance codes developed in several European countries like the Netherlands.

echelon of a company (Tyson report on the Recruitment and Development of NED, June 2003).

To be prepared for companies moving beyond the 'usual suspects', women need to strategically develop and strengthen their networking practices and techniques in order to gain credibility, visibility and opportunity through the circle of influence that appears to be broadening its reach.

Purpose-driven networking

To ensure the right direction for your networking activities, the development of a 'networking road map' is imperative.

The first step is to assess your business track record and credibility as it relates to visible, high-impact roles in an organisation. Having a sense of confidence and merit are core to your 'networking success story' and overall potential to achieve your goals of sitting on a board.

In many countries women's self perceptions need to catch up with their actual leadership capabilities. Habitually, senior women underestimate their value and contributions they could make or are making to an organisation.

The second step is to formulate a clear strategic plan. This includes a purpose-driven networking roadmap, with a clear sense of whom we need to connect with to achieve our goals and career plans, as they develop.

Preparing your board story

As a starting point, identify where the opportunities lie given your specific background and experience, and align with the right industries. Good places to start are those industries which are more open to women on their boards, such as consumer goods, retailing, and pharmaceuticals.

You need to develop a story around how you can positively impact a company's performance, through skills and experience including industry knowledge, technical expertise, international prowess, experience with turnaround management, mergers and acquisitions (M&A), change management, functional expertise, information flow management, and decision-making. The networks you are part of, other board positions (including volunteer) and even family connections can add to the perceived value of you as a potential board candidate.

In addition to the hard skills listed above, the story should include relevant soft skills, such as self-confidence, courage to raise challenging issues, independence in thinking, persuasiveness, teamwork, active engagement and initiation, ego management and integrity.

Following the self-assessment, it is important to gather basic information on corporate profiles, the state of specific companies or industries and their strategic focus; such as on diversification, acquisition, restructuring, global expansion, integration. Finding an alignment between your self-assessment and companies or industries where you can add immediate value is key to

selecting the places to get your potential board member story heard.

Visibility and connectors

For your targeted action plan you need to identify board openings and channels to tap into in order to create visibility with the right contacts.

After all, the board candidates that appear on the top of the list are those which have been recommended by many credible sources and in the right context.

Instructions from Google:

Important: Improve your link popularity! Your ranking is influenced by the link "popularity" of your site. This is determined by how many **other** Web sites link to your own.

Important: Be sure you are targeting the right keywords! If you optimize for keywords that nobody is searching for then all your efforts will be in vain.

Google's advice for building your popularity holds true for how we expand and build our personal business networks as well. The more we link to the right people, who then know us or can find us, the more likely we are to optimise further links or introductions and successful hits or board positions.

The quality of our contacts is important but quantity also matters. It is often the contacts outside of your first

degree of separation that provides new opportunities since many often feel too vulnerable to share career goals and requests for information from immediate contacts.

A quality network should offer the following benefits:

- Access to skills different than your own.
- Privileged or private information.
- Credible links to those who are in the circles of influence or power – the social network that connects board members and CEOs.

The theory around connectors should be considered when building your network. Gladwell⁴ notes how one must build relationships with those who are socially gifted, 'in the know' on important and relevant business information and whose networks are large and expansive. According to the 'Tipping point's law of the few', the best and most relevant information and new ideas come from your weak ties or business acquaintances.

Other studies⁵ show that we prefer to connect with like-minded people, but these do not lead to new information and opportunities since they are generally in the same circles and have the same information as you.

⁴ Gladwell, M.: 'The Tipping Point', Back Bay 2001.

⁵ Uzzi, B. and Dunlap S.: 'How to build your network', *Harvard Business Review*, December 2005.

Networking channels

The existing or former CEO or Chairman of your company, and former supervisors who have gone on to run organisations, are your most powerful network that may already be within reach. Current and retired CEOs are the two most popular sources for board members today, thus these executives are clear referral sources and important informational relationships to nurture. (Where are the women? Forbes.com 3.07)

For many women, the referral of their boss or chairman of their company was their first break to get nominated on a board. Research in the UK⁶ even showed that all surveyed female non-executive directors achieved their first NED position through their own business networks. Therefore it is important to reach out to existing board members across industries since most referrals to board openings come from the powerful sitting board members.

Service professionals, business advisors, private equity partners and recruiters are important sources of information and many serve as connectors or conduits to numerous board opportunities. As you build those relationships, information exchange and referrals will increase.

University or MBA professors can also provide business and board opportunities, as well as contacts from conferences and associations.

The road to a board seat may not be linear, though, and may take several steps, as exemplified by the story below.

⁶ Singh, V., Vinnicombe, S.: The Female FTSE 100 Report 2006, p. 4.

Monica de Oriol e Icaza, the president of Seguriber and recently elected board member of Indra Sistemas S.A. (listed on IBEX) says there were a number of factors that contributed to her getting her recent board seat. She actively participates in many networks, and a combination of all of these networks ultimately led to her gaining the "right visibility" for her board nomination.

A colleague from a women's networking group invited her to join the think tank group, Circulo de Empresario, an organisation of 200 members in Spain (197 men). She was then invited to be on a committee which included the president of Indra. Impressed with her performance he soon asked her to join his board.

"People need to know you exist," says Monica. "Accordingly, it's not enough just to be a member in these groups but rather it's about creating credibility and visibility within these organisations so your voice is heard and you can demonstrate your ability to move an agenda forward".

"Network more and get known" is cited⁷ as the most important piece of advice on how to get on a board.

Women's groups such as EuropeanPWN are excellent vehicles to build credibility; some of the best leadership skills are developed in volunteer organisations such as these. Although female-only groups often cannot tap into the privileged networks and do not have all the necessary connections, with the increasing number of women on boards this will gradually change. Men still

⁷ Thomson, P, Graham, J: 'A Woman's place is in the boardroom', page 77, Palgrave Macmillan 2005.

dominate boards, and it is important to engage men from the privileged circles to contribute to, connect with and support women's networking groups as much as possible and create bridges across women's groups.

Top networking tips for women

- Assess your hard and soft skills and what you have to offer to what company
- Know your 'board story' - rehearse and develop a sense of confidence around it and how to sell yourself
- Identify the 'low hanging fruit', i.e. the natural opportunities given your background, and experience.
- Identify and boldly reach out to the connectors and influencers in your network – make it known amongst your network that you are looking for a board opportunity.
- Focus on visibility and credibility as you personally connect with the 'power network' which you've identified (CEOs of your employers, former mentors, supervisors, top executive recruiters, strategic advisors, lawyers, professors).
- Prioritise the conferences, associations, programmes where you should participate as a panellist, speaker, volunteer and member.
- Reach out to the women who are paving the way on boards and solicit their support and advice.

Women need to be more visible on the internet



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The search for women: Interviews with experts

Interview with Christine Rösingh-Koetsier¹, Amrop Hever

Introduction

Executive search firms play an important role in the search and selection process of board members. Referrals from personal networks are still the main source of career advancement for executive women², but for the top levels often a professional executive search firm is involved. Therefore 'board-ready' women need to prepare for dealing effectively with executive searchers.

Changing landscape

Traditionally the top executive search firms have few women on their own managing boards. A selection of 10 of the largest international firms with board practices paints the following picture.

Only one firm has a female chairman; in April 2007 Trina Gordon was elected as chairman of the board of Boyden.

The low number of women on boards is a reflection of the composition of the boards of the firms' clients.

¹ Christine Rösingh-Koetsier is consultant on the partnership track at Amrop Hever Netherlands. With a BSc in botany and an MBA, she has been associated with Amrop Hever since 2001. Her focus is in the professional service industry, i.e. financial services in the areas of strategy, HR/diversity, strategic and marketing communication and business and corporate development issues.

² See article 'Power networks'.

Table 1: Representation of women in selected international executive search firms³

| Firm | No. board members | % Women |
|---------------------------------|--------------------------|-----------------|
| Russell Reynolds | 13 | 15 |
| Korn/Ferry | 12 | 8 |
| Amrop Hever | 11 | 9 |
| Heidrick & Struggles | 9 | 11 |
| Ray & Berndtson | 9 | 11 |
| Boyden | 8 | 12.5 (Chairman) |
| Egon Zehnder | 7 | 15 |
| Michael Page | 7 | 0 |
| Spencer Stuart | 7 | 0 |
| AT Kearney | 3 | 0 |

The number of female consultants in executive search firms is rising to between 20% and 30% nowadays. In addition, a growing number of firms are founded for 'women-only', based on the premise that there is always a qualified woman to be found for a position. Christine Rösingh-Koetsier questions the business model behind such firms.

"My first responsibility lies with the client. My client trusts me to find the right match, both in terms of

³ Based on publicly available information on companies' websites.

personality and competencies of the candidate. Limiting my search of qualified candidates to either women- or men-only compromises my duty towards my client. Executive search is a relationship and trust business so I want to serve my clients for the longer term by providing them with the best possible candidates," she says.

A common experience of consultants is that women are more difficult to find. Generally speaking women maintain a lower profile (which holds true for even the top 100 women in Europe⁴) and are less proactive in using their networks strategically⁵. Searchers often need to spend twice as much time and expense to find a qualified female candidate than they would to find a male candidate.

As more clients start to demand a minimum number of female candidates on short-lists for senior positions, search firms are feeling the pressure to expand their database of female talent. The changing landscape influences the composition and the way firms are working. *Clearly women have become a business issue for search firms.*

Unknowing, not unwilling

Convincing a male client that a female candidate is the excellent choice for a position can be challenging from time to time. Christine feels that clients are more "unknowing than unwilling." Given the few female candidates for board positions, clients often do not realise they are out there. Despite the good role models, female

⁴ See article 'Profiling the power and the pipeline'.

⁵ See article 'Power networks'.

candidates for board positions are often just not in the network. As an executive searcher convinced of the value women bring to boards, Christine spends extra time educating clients on the value of board diversity, and helps to find good solutions with them.

Linear and circular energy

"In my practice I observe that female candidates often prioritise the values they communicate about differently. For example they will make sure that they emphasise wanting to stay authentic and true to themselves," says Christine.

"These values, of course apply to good male candidates too. But they will not be 'voiced-out' first. We all seem to agree that women are better at multitasking. This has to do with the fact that women and men have different energy patterns. I always compare it to a long line of cyclists where, in a linear fashion, the head position is being taken by a number of cyclists alternately. In this way, men move in a more linear manner through their careers and take pole positions in the peloton from time to time, always backed by their colleagues.

"Women seem to move in more circular ways, changing careers without necessarily moving upwards linearly. This is often not understood by men. But for women, this change might bring the necessary growth for the next breakthrough in their career.

"Women that try to click on to the prevailing linear energy flow start acting counter-effective. Only when women stay in their own energy flow, will it push them forward and empower them and make them powerful at

the same time," says Christine, who believes a great deal again is in what we communicate about.

"Because men built the business arena, the codes of communication are close to their nature. Sharing quantitative information, strategy goals and operational challenges are common to a conversation, as is the mapping of one another's networks. For women this information-sharing is just as valid to make them more visible and better understood to their conversation partners.

"Also, I often see that it raises women's own awareness of how powerful their position already is within a certain group, network or organisation," she says.

Being top of mind

It is important to get on the radar screen of executive searchers that operate in your industry, area of expertise or that have a relevant network.

In Christine's view, "Any good executive searcher is interested in a cup of coffee with a self-confident and value-focused contact. Especially when you have a network that a searcher is interested in, there can be a trade of interests. Don't underestimate the value you can bring to the relationship."

When you want to position yourself for a specific role, "it is important that you investigate how your competencies are perceived in the network you would like to enter," says Christine.

"Prevent sending many or mixed messages. Know your forte, market yourself and communicate clearly why you want to be there," she says.

Building a track record starts with creating visibility, and, Christine advises, "A good way of showing your leadership skills is to take your role out of your professional life and into other areas. Join a not-for-profit, start an academic career or translate your expertise into other fields."

A common misconception is that when you get a phone call from an executive searcher you need to say 'yes'.

"Don't ever say yes because you're asked," says Christine.

"Know how to play the game with the searcher and have the relevant questions at hand. First concentrate on the 'what?', then on the 'who?'. Understand the content of the position and make sure you know why the searcher has contacted you. Only then agree to a face-to-face meeting," she says.

"Remember," Christine adds, "If the position does not really appeal to you but you start talking anyway, realise that you can only make a first impression once. By being clear about your own message and direction, a candidate often becomes more interesting to a searcher."

Developing your ambition

Why do women often refrain from showing their ambition for a board position? Christine has observed that for many qualified women a board position is "something to add to their plate." It is often seen as

another activity that will take up time and increase the already heavy workload.

"The big difference I observe between equally qualified men and women is that for women it is simply *not a logical step* to think about a board position. In addition, women see the networking that goes with becoming visible and known in the power networks as an extra activity, and don't treat it as an integrated and natural part of working life. It goes with the territory, and finding ways to allocate time to the necessary networking activities is a skill women need to master," she says.

The fly-wheel of your needs

The best way to become successful in your career is to "be in your own need." This will further develop your personal growth.

"You will experience that being clear about your needs will act as a 'fly-wheel' in your career," says Christine. "Following your own needs will propel you into the right arena. If you are known for other things than you would like to be known for, you risk ending up in the wrong arena. Regularly check if you are still in the right league. And don't hesitate to move on if you aren't anymore," she advises.

Executive searchers can act as sounding boards or mirrors to candidates. Christine does not hesitate to advise and connect a candidate to take a personal coach, mentor or expert consultant to work through clarity in goals issues.

"In the end it is also in my interest that candidates have a realistic view of themselves and a good sense of direction.

After all, they might become the ideal candidate for a search for a client next year or even in five or 10 years time. Or they will be my future client," she says.

Act in solutions

An important trait in leadership is the capacity to act in solutions. Christine's advice to women is, "Develop the ability to get difficult stuff on the table and make sure the executive searcher knows that you have that capability. Every issue, problem or challenge can be seen as a possibility to create a solution. For top positions nowadays, this ability separates the successful from the unsuccessful leaders. Women have a natural inclination to act in solutions; combined with their excellent skills in multitasking, women have a strong base to become the excellent leaders they can be."

Top three tips

For women dealing with executive search:

- Develop a clear message and communicate it repeatedly.
- Don't ever say 'yes' because you're asked. You can only make a first impression once.
- Have a few good head hunters in your network and maintain the relationships well. Be willing to take the time to share candidate ideas and suggestions with recruiters. It's the best way to build a trusting relationship with them.

Interview with Laurence Monnery⁶, Egon Zehnder International

One board position chosen carefully

Nowadays everyone is much more cautious in taking up board positions than 10 years ago, and senior executives will typically only take on one board position while they are still working full time.

This means that a lot of thought goes into selecting the one board to be part of.

Boards are also a lot more thoughtful and strategic about whom they need to bring on. Diversity is a relatively new concept for board hiring but that is taking ground. Diversity is not just about gender, but does include gender. It is all about bringing together people who can think differently and bring varied perspectives.

There are too few women board members today to draw many conclusions, however there are some interesting trends emerging.

One of the difficulties is a lack of women board candidates among retired senior executives. However, the good news is that among the younger generations of executives, candidates are keen and increasingly encouraged to take on one board position as a way of developing and broadening their experience. The

⁶ Laurence Monnery is a partner at Egon Zehnder International (EZI), core member of both the Board practice and the Life Sciences practice. With an MBA from Harvard Business School and an MA in Business Economics from ESSEC, Paris, she has been with EZI London for 10 years, after 10 years in commercial roles in the pharmaceutical industry.

proportion of women in this group is much larger than one would expect.

Also women seem more careful than men on the time-commitment that a board seat requires, and in making sure they can indeed deliver. In addition, women seem less keen to travel, and are more likely to accept board posts that are more convenient for them to get to.

Once on a board, we typically find women to be more likely to be on the nomination committee than on audit committees. This is partly because there are much fewer women finance directors than men, but also because women are seen as having a good understanding of people issues.

Patterns of behaviour

One of the 'Board practice' services of Egon Zehnder is 'Board review', the analysis of the dynamics and effectiveness of a board.

Through a brief analysis of 30 recent board reviews we found the following patterns of behaviour:

- Women are particularly good when the board is facing dysfunctional situations. They can be very good at diffusing the macho behaviours of male counterparts and moving away from too narrow a focus.
- Women are more likely to ask the questions that others will not dare to ask. Sometimes it is because they are not as worried about how it looks, other times it is because they will push further on difficult questions which others are reluctant to bring up – they will seek fuller discussion and a consensus view.

- Women can be more intuitive on softer issues. For instance, in one board that we appraised, the female board member was the one who suggested – in relation to a minor issue – that it was more important for the business that the CEO 'saved face', than for the board to get its way. In the end, the board went with her recommendation.

Clients seek women candidates

Clients are interested in injecting diversity into their boards, and most of the time this is a genuine interest, not just window dressing.

There are typically two such types of requests: clients who say "we want the best candidate on the market, and by the way it would be great if it were a woman", and others who deliberately need to bring diversity to a board (such as through gender, culture, background) and who ask for a number of characteristics.

For example, we were recently able to bring a very strong new board member to a large European consumer goods client which was looking for one person with many diversity characteristics: a woman, with a different nationality from most of the board, and with a top scientific background.

The reasons for seeking women tend to be different for each company, here are three examples:

- "Our customers are women, and we don't have a single woman on our board."
- "The dynamics of a mixed board is better than a board with just men. Women bring an ability to recognise softer issues better than most men."

- "It will help the future generation of women through the organisation seeing women on the board. They can aspire to this and see it as something to aim for."

However gender quotas can be dangerous as they might lead to the wrong person getting onto the board, and as a result create a counter argument for the real value of diversity.

Tips for women joining boards

- If it is your first board role, choose a board that already has women. Some recent research showed that the higher the number of women on a board, the more effective the women were. A single woman is not as effective as one amongst two or three other women colleagues.
- Do your own due diligence on the board you are joining and on its Chairman. What is the Chairman's attitude to women? What is the board's track-record with women?
- Don't necessarily be put off by dysfunctional boards. These are situations where women add particularly high value.
- Don't go onto a board too soon. This applies to men as well as women, but with the demand for diversity like we are seeing in Scandinavia, some women with little experience are pushed onto boards before they are ready. Your first board will set your track-record and help you, or not, get onto boards in the future.

Appendix

What is EuropeanPWN?

EuropeanPWN is a pan-European cross-sectoral networking and training platform for professional women with an international outlook. The association's objective is to promote the professional progress of women and give them the tools, networks and training they need to assume leadership.

Today, we represent over 3,000 members of more than 90 different nationalities and from virtually all business sectors. Participating networks are located in Amsterdam, Barcelona, Brussels, Copenhagen, Geneva, London, Lyon, Madrid, Milan, Nice, Oslo, Paris, Stockholm and Vienna, and new networks are being established in Germany (Berlin, Düsseldorf and Frankfurt) other European cities.

Who are our members?

EuropeanPWN members are international professional women who are interested in developing personally and professionally. We aim to learn the ins and outs of the world of work from one another and to maximise our recognised potential and impact. We are 50% of the talent pool and 50% of the market. Our members are:

- Active, successful and ambitious professional women of different nationalities.
- Corporate employees (50%) and entrepreneurs or self-employed professionals (50%).
- Well-educated. Most are graduates of top universities and MBA programmes.
- High-potential women of all ages who are interested in professional development for themselves and for the generations to follow.

Our ambitions

- To promote the professional progress of women through all their career phases.
- To promote diverse management approaches at executive level.
- To encourage companies to recognise the necessity of diverse and innovative management approaches.
- To raise the volume of European women's voices.

Our proposal

To women: To participate in a multi-cultural network and training platform that showcases diverse models of success.

To companies: To participate in a forum for exchanging best practices and which also offers women employees access to a cross-sectoral networking platform.

Our activities

EuropeanPWN is a unique and highly innovative online and offline venue through which you can network with other ambitious and constructive professional women and participate in events specially tailored to women's needs and interests. Activities differ from city to city, but the list below illustrates some of the 500 plus events our network organises annually. Registration and payment for events is fast and easy with our members-only online platform. Membership gives access at membership prices to all EuropeanPWN events across Europe.

Our activities include:

- Conferences with top speakers and panels.
- Training and personal development events.
- Co-operation with MBA Programmes.
- Special interest clubs.

- On-line activities (think tank communities).
- Women on boards programme.
- Women@Work publications.
- Monthly EuropeanPWN newsletter.

Our members-only online platform offers easy, searchable member directories, a pan-European events calendar, message forum and the opportunity for online meetings in a chatroom.

You can visit our website for more information at www.europeanPWN.net.

Partners

EuropeanPWN would like to thank its platinum and gold partners IBM and Deloitte, who have supported us with their enthusiasm, funding and encouragement, and have allowed the network to build its presence across Europe and the web.



Platinum Partner

Deloitte.

Gold Partner

Our corporate partners: The Amrop Hever Group

Mission

The Amrop Hever Group's mission is to provide premier executive search services and to invest with clients, wherever they do business in the world, as a passionate and trusted partner with creativity, flexibility and tenacity.

Organisation

The Amrop Hever Group is a legally structured international organisation of entrepreneurial and independent executive search firms. The Group operates as a virtual corporation under common values, standards, policies and procedures. It is managed by a truly global and multicultural board. With more than 80 offices in over 50 countries, Amrop Hever has the largest geographical coverage in the world.

Partnership with clients

Offering more than just outstanding executive search capabilities, Amrop Hever works in partnership with its clients to ensure that they are adequately prepared for whatever the future may bring. All services are carried out in accordance with strict guidelines, and adhere to the highest standards of quality and ethical behaviour to ensure a successful outcome. The Group's continuous investment in research and development, one of the highest in the industry, ensures that its methodologies and research remain dynamic and consistently relevant.

Executive search

Based on centrally-mandated high quality standards, Amrop Hever's executive search activities are among the most

comprehensive and most professional in the industry. Every Amrop Hever partner uses a proven methodology, while inserting their own experience, expertise and creative thought into each assignment. The process that is developed, supported by the Group's global research capabilities, is designed to attract and hire the best talent available in the international market. More than simply offering their clients a list of potential candidates, they look at market availability, use comparative benchmarking and work to ensure that they find the solution that best fits both the client and the candidate.

Board search

The search for independent directors can differ quite extensively from the search for senior executives, although the same basic principles apply. Amrop Hever has devised a proven methodology that has already helped hundreds of organisations and associations around the world identify and appoint appropriate independent directors.

Contact

For more information contact Christine Rösingh-Koetsier, consultant, at the Amsterdam office by telephone at +31 (0)20 4287960/62 or by email at christine.koetsier@amrophever.com.

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- **Outsourcing** – Mercer is a global leader in benefits outsourcing, known for solving its clients' most complex benefits administration challenges. By delivering seamless services across benefit domains and international borders, it help clients more efficiently manage their benefits programmes and help employees better realise the value of their employer-provided benefits.
- **Investments** – Leveraging Mercer's globally renowned heritage in consulting and world-class manager research, complemented by its own asset management and portfolio construction techniques, Mercer's investment management business creates and delivers holistic and innovative investment strategies.

Mercer serves more than 25,000 clients globally. These include not only most of the world's leading companies and governments, but also many rapidly growing organisations, including those in some of the world's fastest-growing economies. Mercer is truly a worldwide organisation with 60% of its clients located in Europe, Asia/Pacific and Latin America.

With more than 15,000 employees serving clients in over 180 cities and 41 countries and territories worldwide, Mercer is ideally positioned to develop integrated, worldwide solutions for clients who wish to establish global policies and procedures while allowing for the flexibility to accommodate local cultural, legal and regulatory requirements. Mercer's locally-based professionals are also available to address country-specific issues and opportunities.

For more information please contact Janine van den Nieuwenhuysen, Worldwide Partner, located in Amsterdam, the Netherlands, at +31(0)20 4313772.