inspire
the influential business exchange

The Balancing Act

a study of how to balance the talent pipeline in business, 2013

HARVEY NASH
The Power of Talent

Contents

1 Foreword

The start of 2013 has been marked by a number of high profile calls for companies to be more transparent in their reporting on the number of women on boards and in business. None will be more important than those from the Financial Reporting Council, the UK's independent regulator responsible for promoting high quality corporate governance and reporting, requiring companies to disclose the number of female and diversity executives they employ. Two years on from the publication of Lord Davies' report *Women on Boards*, diversity reporting and, more specifically, gender reporting, is now under intense scrutiny – and rightly so.

At the World Economic Forum in Davos earlier this year, Christine Lagarde, Managing Director of the International Monetary Fund (IMF), spoke about 'inclusive growth'. Visionary companies, she said, need to make investing in women a pillar of their business and talent management strategy. This is not about 'PR' or 'doing the right thing', she pointed out, it simply delivers quantifiable returns.

Looking East, the war for executive talent has never been as fierce as it is today, and it will only intensify with growing demands from China and other growing Asian economies for Western-trained talent. Ignoring half of our talent pool – women – will compromise the growth prospects in an increasingly competitive global marketplace.

Reflecting on the recent US Presidential elections, a record number of women – 141 – ran for election last year, and women voters were a key focus for Barack Obama and Mitt Romney. Women are drivers of economic growth throughout the corporate world and government. Greater awareness of this needs to be fostered to provide a mechanism of sustainability for women and diversity in organisation talent structures.

However, the shortage of women in the boardroom reflects a deeper problem, and that is the significant number of women who leave big companies at middle and senior management level. What are their motivations for opting out of corporate life? And where are they going? Despite some improvement at non-executive director level, female executive directors are still in short supply, and the reason is the 'leaking talent pipeline'. As it stands today the talent pool is not sustainable or strong enough to develop female talent and promote them up the corporate ladder. This continues to be a major challenge facing businesses around the world, which are struggling with big talent gaps and succession planning among their middle and senior executives.

The 2013 Inspire board report, *The Balancing Act*, provides clues as to why women opt out of corporate life, and what employers need to do to keep them engaged and the workforce balanced.

Carol Rosati, *Inspire co-founder & Director, Harvey Nash Executive Search – United Kingdom*

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2 About the Authors

Alexa Bailey
Consultant and co-founder, Inspire and Aspire

Based in London and New York, Alexa Bailey specialises in recruiting technology and digital executives for SMEs and multi-national corporates. She also helps organisations to shape and develop their diversity and inclusion initiatives and participates in government and client diversity councils.

She began her career in executive search at Harvey Nash in 2006 and has worked in Europe and the US with international businesses.

Carol Rosati
Director and co-founder, Inspire and Aspire

Based in London, Carol Rosati is a director and member of the Board Services Practice at Harvey Nash. During her 25 years in executive search, she has worked across most industries, with a particular focus on consumer, business services and manufacturing.

She joined Harvey Nash in 2006 to establish the CFO Practice, and now helps companies to appoint senior finance executives, CEOs, managing directors and non-executive directors.

Through the knowledge she has gained from interacting with the women of the Inspire board network, Carol advises a broad range of clients on ways to develop and enhance their diversity initiatives to improve balance in the workplace.

3 Executive Summary

- Inspire, Harvey Nash's board network for senior board-level women, set out to discover why so few women sit on boards and executive committees in business. Building on the 2012 study, which looked at how diverse boards can improve business performance, it wanted to find out why, despite the strong business case for more senior female representation, progress towards gender parity at the executive level is still so slow

- The research surveyed over 600 executive directors, non-executive directors and other senior business leaders from a range of different-sized companies in different industries and different countries. There was a fairly even split between male and female respondents, and more than 90 per cent of participants were over 40 years old. Inspire also canvassed the opinions of a variety of business figureheads – people who have reached the very top – on what is needed to accelerate progress

- *The Balancing Act* found that the primary barrier to women's progression to the top of organisations is male-dominated corporate cultures. These behaviours are so engrained that gender bias is endemic and largely unconscious. They affect recruitment, development and promotion decisions, as well as values, attitudes, behaviours and beliefs. While the views of men and women participants in the research were remarkably similar, this gender bias was evident in many of the responses

- This big cultural barrier underpins other structural barriers cited by respondents. While women would like to be able to work more flexibly, to network among other senior executives and be supported, promoted and developed into senior roles, the perceived wisdom generated by a traditionally male board is that family commitments compromise women's ability and appetite to progress

- Women were clear about what would persuade them to stay longer in an organisation. This included transparent career development plans, internal mentoring schemes and more flexible working supported by technology. But 'unconscious bias' training, 'better quality senior leaders' and 'improved culture' were top of their list, and they acknowledged that these 'initiatives' would be unlikely to happen without a culture change – something that many respondents thought would only be possible with a change of leadership at the top.

- Respondents also emphasised the business case for retaining more women. They agreed that diverse groups are stronger, more creative and more innovative, and that this makes them more competitive and customer focused and enhances their ability to exploit growth opportunities and generate revenue and profit. They also pointed out that women represent half of the talent pool, and have long been associated with the 'soft' skills that are increasingly important attributes for business leaders

- Yet despite the business case and despite the fact that the cultural change required would cost little in financial terms, respondents were sceptical about their organisations' willingness or ability to drive and commit to delivering change. Cost and time were cited as factors, but responses to an open-ended question revealed that it is the same male-dominated cultures that stop women progressing that also present the biggest barrier to change

- Most respondents believed that moving towards gender parity (at least 30 per cent female representation on boards) would take at least ten years to achieve, with one-fifth expecting it could take more than 15 years. One interviewee said that it takes four years to scope the strategy for cultural change, three years to embed it and a further two years for it to play out. The prevailing view was that the culture can only evolve once change-resistant male executives have retired

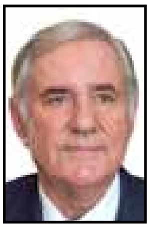
- However, mandatory quotas to force more rapid change were unpopular, with just 22 per cent of respondents (25 per cent of women and 15 per cent of men) in favour. Targets and policy changes were more favourable

4 Views from the Top

We asked prominent business leaders in a range of companies and countries for their opinions on what it will take to get and keep more senior women in the workforce. Here is a cross-section of their views...

Julie Markey, ***Director of Human Resources, Ocado (UK)***

"Businesses need to value the skill sets that women hold because they are increasingly important in the workplace. To retain these skills they should make it easier for women to get back into work after taking time out. Women don't lack ambition they just make choices. In the future people will be working longer and retiring later and men too might relish the opportunity to take time out – to travel, for example, while they feel fit enough to enjoy it – and then return to work."



Glen Moreno, ***Chairman, Pearson plc, and former CEO, Fidelity International (UK)***

"Many talented women step off the corporate ladder because they are attracted to a 'plural' career, which allows them to better balance their work life with family and other interests. The life of a CEO can be tough and unglamorous, and often requires living 'on the road' much of the time. Some women, like my colleague Marjorie Scardino, seemed to flourish in that role. Others find it less appealing."

Dr Jane Shaw Carpenter, ***former Chairman, Intel Inc, and Non-Executive Director, McKesson Corp (California, USA)***

"It is culture, not initiatives, that will persuade an individual to stay with an organisation longer. Women are communicative, collaborative, consensus driven and focused on reaching conclusions. These are very strong attributes in a leader."

Karen King, ***Managing Director and Chief Legal Officer, Silver Lake Partners (California, USA)***

"One of the biggest impediments to women in the workplace is a matter of socialization. That is, our society still expects women to be the primary care givers and to be primarily responsible for household duties. In addition to doing equal jobs, they are expected to have dinner on the table, clean the house, fold the laundry, and help with homework. Changes in this mind-set have been disappointingly slow to take effect but this will need to evolve over time. Providing women access to professional coaches and dedicated mentors would also help them to thrive professionally and remain in the workplace longer. Women bring a different perspective that helps to fuel creativity and innovation, and such diversity of thought is good for business. Therefore our society would do well to seek out ways to foster having more women with a seat at the table."

Nina Kjellson, ***General Partner, InterWest Partners (California, USA)***

"One hypothesis might be that men have been more conditioned to see the next pay level and the next promotion as status symbols (extrinsic rewards for their ambition and efforts) and are very focused on advancement, whereas women may be a bit more motivated by a sense of satisfaction and stimulation at work (intrinsic rewards) and weigh these factors more in their career planning. However, I suspect some women do climb off the corporate ladder because of imbalances in status and/or compensation between them and their male colleagues – sometimes achieving the higher rung by moving to a new company or staying put and not advancing and trading ladder climbing for better work-life balance, etc."

Stuart Lyons, ***Chairman, Airsprung Group PLC and former Chief Executive, Royal Doulton plc (UK)***

"You can introduce many measures to help retain women, which don't cost anything. But the initiative has to come from the top. One of the important challenges is to develop a culture that will welcome mothers back to renewed responsibilities, and facilitate a work-life balance to ensure they want and are able to stay. Striving for a balanced workforce is essential business practice."

Dr Rohini Anand, ***Senior Vice-President and Global Chief Diversity Officer, Sodexo (Maryland, USA)***

"Women's careers are not always linear. They might step off for a while or dial down and then come back, but women at 50 can be highly engaged with the business post-children and therefore make committed stable leadership figures. Many women opt out of corporate life because of masculine cultures or 'mainstream' leadership styles. Mentors or sponsors might have helped them overcome such barriers, making their successes and leadership styles more visible to the organization and advocating for them."

Carol Arrowsmith, ***Vice-Chairman and Partner, Remuneration Practice, Deloitte LLP (UK)***

"Flexible working is often still seen as a women's problem. The culture hasn't changed as much as I expected since the 1970s when I started working. If you don't have a balanced workforce you are picking talent with one hand tied behind your back."

Kristin Skogen Lund, ***Executive Vice-President, Digital Services and Broadcast, Telenor Group (Norway)***

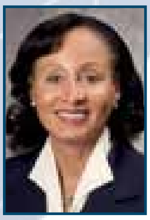
"The work environment at Telenor is very encouraging of women: it allows flexible working, it is taken for granted that men and women have obligations outside work that often have to take priority, and old-fashioned notions like staying in the office until the boss has gone home are long gone. We also have a mentoring scheme aimed at getting more women to want to take on these top jobs and to want to give what it takes. There really is nothing stopping them, other than what's in their heads. But I do think people's personal lives need to change too. Women have a very tough twin role. I have only managed with the help of a very supportive husband."

Jaana Tuominen, ***CEO, Paulig Group (Finland)***

"The problem is that our role models are principally round-the-clock-working men who admit they wish they had spent more time with their children. It doesn't have to be like that. I leave the office first so that everyone else feels they can leave. I have a family and friends and a life outside work. Women need to take top jobs and change perceptions of leadership through demonstrating that there is another way."

Ian Powell, ***Chairman and Senior Partner, PricewaterhouseCoopers (UK)***

"We can't afford to ignore diversity because it makes such good business sense. At PwC our whole approach is based on 'levelling the playing field'. It's about making sure that everyone has the same opportunities to fulfil their potential, it's not about positive discrimination or tokenism."



Brenda Newberry, ***retired Founder, Chairman and CEO of The Newberry Group Inc, Non-Executive Director of The Laclede Group and Enterprise Financial Services Corporation (Missouri, USA)***

"Traditionally, 'face time' has been critical to career success, but businesses should reward based on performance rather than political 'face time'. Women often reach a 'make or break' point in their career and choose a more balanced life. Newer companies like Google and eBay have embraced cultural changes faster because they were newly 'built' without a pre-existing culture. In more established businesses, we will need change-resistant male executives to retire before a new culture can evolve, and that could take five to ten years. The best, brightest and most productive workforces are balanced, because innovative ideas come from diverse workplaces."

5 Key Messages

The opportunity cost of male-dominated boards

The shortage of women: the facts

Women are under-represented at board and executive level in companies across Europe, the US and Asia. According to Viviane Reding, Vice-President and Commissioner responsible for justice, fundamental rights and citizenship at the European Commission, they account for just 16 per cent of board members in Europe's top companies. This, as she pointed out in her interview with us, "doesn't make sense, especially when 60 per cent of university graduates are women".

The situation is even worse elsewhere in the world – with the slight exception of the US, where 16.6 per cent of board directors are women. In Canada the proportion falls to 10.3 per cent and in Mexico and Brazil it drops to around six per cent. The numbers in Asia-Pacific look bleak too. In Hong Kong just nine per cent of board members are women, in Thailand it is 8.7 per cent, in China 8.5 per cent, Australia 8.4 per cent, New Zealand 7.5 per cent, Malaysia 7.8 per cent, Singapore 7.5 per cent and India 5.3 per cent. (Research findings from Catalyst in the US and Standard Chartered Bank's *Women on Boards: Hang Seng Index 2012*.)

Businesses all around the world are losing their best and brightest female talent from the pipeline before they even get a chance to smash through the glass ceiling.

The business case for more women

This may not matter to the women concerned. The evidence suggests that they step off the corporate ladder in order to do other, more fulfilling roles where they can take more control over the balance they strike between work and non-work responsibilities and interests, not least family. Many set up their own businesses, for example, thus having better control over the choices they make personally and professionally. However it does matter for the companies they leave. The overwhelming feedback from respondents to our survey, and from our interviewees, is that diverse groups are stronger and think more creatively, which makes them more competitive and customer focused and enhances their ability to exploit growth opportunities and generate revenue and profit. Brenda Newberry, retired Founder, Chairman & CEO, The Newberry Group, Inc & Non-Executive Director, The Laclede Group commented, "Traditionally, 'face time' has been critical to career success but businesses should reward based on performance rather than political 'face time'. The best, brightest and most productive workforces are balanced, because innovative ideas come from diverse workplaces."

At a more prosaic level, organisations that don't work hard enough to develop and promote their senior women are missing out on half of the available talent pool. There are already severe talent shortages in some areas of the world, typically high growth regions – Asia-Pacific and South America, for example – and the war for talent will only intensify over the coming years as Western populations age and employers from developing economies such as China and Brazil step up their quest for Western-trained talent, as one of the interviewees, Pierre Cohade, former President of the Asia-Pacific region at Goodyear and a Non-Executive Director of Groupe Eurofor, points out, "The challenge is that the 'Chinese are coming' and they want to recruit Western-trained talent; therefore in the next five years there will be higher demand for Western trained talent that is bi-lingual and bi-cultural and the fight for talent will be greater than it already is today."

Asia and South America are hiring top talent of this ilk; therefore companies need to build their organisations to take advantage of this. It is therefore obvious that you can't afford to lose talent and organisations need to create a business and a culture that women and their contacts will want to join. According to Maria Jaschok, Research Fellow, Lady Margaret Hall, Oxford University and Director of the International Gender Studies Centre at Lady Margaret Hall, Oxford, "Business should place a positive perspective on this type of opportunity cost because it provides large multinational companies with an interesting and exciting opportunity to provide career development for talented and educated women passionate about realising their career potential".

What's more, businesses cannot afford to lose the 'soft' skills associated with women's management style – notably co-operation, collaboration, facilitation and persuasion – particularly as these are more often associated with the kind of 'soft' skills that are increasingly critical in leadership roles, where talent is at a premium.

Why do women leave?

Despite the business case for having more senior executive women, and despite a raft of talent and diversity initiatives, regulations and high-profile calls for change, progress is painfully slow – numbers have grown by just 0.6 per cent a year for the past ten years, according to Commissioner Reding. At this rate it will take 40 years to achieve gender-balanced boards. In the meantime, organisations will pay a high price for this deficit – the dearth of women will be damaging, and even, in some cases, catastrophic.

Inspire, Harvey Nash's board network for senior board-level women, embarked on this report to try to find out why there are still so many holes in the executive talent pipeline for businesswomen, and what organisations can do to retain women in order to remain successful and competitive. A well-stocked pipeline not only helps to ensure there are more female candidates for non-executive board positions, but it also encourages more women to aspire to senior level roles in the future. Another interviewee, John Ballard, Chairman of Elders Ltd, commented, "The attitudes of senior leaders towards women is an important factor in the culture of an organisation and impacts how women relate to the organisation. If you change perceptions from the top about women and how they are valued, you will change women's aspirations and influence how men and women interact in a business environment."

> "The challenge is that the 'Chinese are coming' and they want to recruit Western-trained talent; therefore in the next five years there will be higher demand for Western trained talent that is bi-lingual and bi-cultural and the fight for talent will be greater than it already is today."

Male-dominated cultures underpin other structural barriers (policies and work practices, for example) that, on their own, ought to be relatively easy to tackle. For example, respondents believed investment in technology that would allow them to work more flexibly would make a big difference. Also they said that flexible working in itself would make them more motivated, productive, loyal and likely to stay with an organisation. But the success of flexible working policies and practices is compromised by the beliefs, stereotypes and values that favour men, as Ruth Sealy, Senior Research Fellow and Deputy Director of the International Centre for Women Leaders at Cranfield School of Management, and one of the authors of the highly regarded annual *Female FTSE* report, points out.

"Flexible working policies are now widespread, yet flexible working is still perceived as 'a mummy thing' and, largely, career death," she says. Cranfield research shows that as many men work flexibly as women do, but whereas women do so contractually, men do it unofficially. "Unless we get more senior men working flexibly officially, things won't change," she concludes.

When we spoke to Andy Kemp, Group HR Director at De La Rue Plc, he commented, "There is also more stress involved in senior positions at the top. The higher up the FTSE you go the more demanding and stressful the job. If you have to balance this alongside a family and an equally successful partner or spouse, some women often make different choices because one member in the family unit is very successful and will provide financially for the family so that the other is able to nurture a young family."

Similarly, respondents to our survey cited formal and informal networking opportunities, including participation in social activities such as after-work drinks, sports clubs and golf days, as having a big effect on promotion prospects. Another interviewee, Mark McLane, Managing Director, Head of Global Diversity and Inclusion at Barclays Plc, believes that "Generationally men have had the mechanisms in place to help them become 'board ready' through many formal and non-formalised networks. As there are fewer senior women in many organisations, women have not yet been able to create both the formal and informal networks for coaching, development and sponsorship amongst their peers. We need a mechanism to continue to build the formal networks that will drive the necessary sponsorship."

Women often debar themselves from such activities because of family responsibilities, but instead of accepting this as inevitable, as respondents suggested is too often the case, organisations should ensure a more level field by ensuring promotion is based on more objective and quantifiable criteria and ensure a balanced shortlist of candidates. David Deacon, Chief Talent Officer at MasterCard added, "Businesses need to take a long-term perspective and actively build the culture they will need rather than relying on present and habitual ways of acting. They also need to recognise that careers are not linear; employees need to gain experiences, not just add the experience, to speed up their acquisition of wisdom and perspective. The result will be seen in their excercising more good judgement to the benefit of both the business and the individual."

Furthermore, women also reach a point in their career at the senior middle management level where they get fed up with the politics, presenteeism and power play. They therefore start to disengage when they are not being heard, valued or passed over for career and promotion opportunities by their male peers.

Little appetite for change

Clear messages emerged from the survey as to what companies need to do to keep talented women and there was broad agreement that the changes required need not be costly or centred around financial reward. Yet most respondents were sceptical about their organisation's willingness and/or ability to change. The reason seems to be the same engrained male-dominated cultures that prevent women progressing. "Chairman fails to see the need and benefit" was a typical response. "It is an intellectual subject at non-executive director board level" was another. No wonder 29 per cent of women respondents said that 'better quality senior leaders' would increase the likelihood of them staying with their current employer. Fundamentally, there is a need for women to sit on decision-making councils and committees to help develop the pipeline of talent and create opportunities for others. Only then will the mechanics and process behind promotions change to assist diversity and the talent pipeline.

Dame Helen Alexander, former president of the CBI and Non-Executive Chairman of a number of listed companies, summed up the challenge in her interview with us: "If they don't get it at the top it doesn't matter how many initiatives are launched."

It seems like an intractable problem.

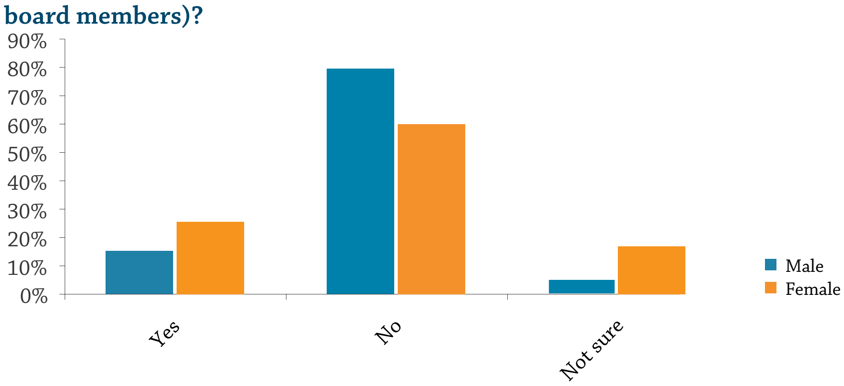
Would quotas be a catalyst for quantifiable change?

Given the apparently low appetite for change, it's not surprising that respondents were so pessimistic about the time it would take to achieve anywhere near gender parity. More than half anticipated it would take at least ten years, with around one-fifth expecting it to take more than 15 years. More surprising therefore, was the continued opposition to the idea of mandatory quotas. Even among women, only one-quarter were in favour. In an interview with Emma Howard Boyd, Jupiter Asset Management's Socially Responsible Investment and Governance Director "How long it will take depends on the leadership and communication of each organisation. It will depend on the signals sent from the top and the ability to lead by example."

Opposition centres around women's desire to reach the top 'on their own merits' – but the harsh reality is that however talented they are, most are not reaching the top. And there are signs of a sea-change in attitudes. Under a quota system, some female appointments may be seen as – and may even be – tokenism, but is that any worse than men being appointed on the strength of being in the right male networks, as so many still are?

However, there are some encouraging signs. While change-resistant male executives may need to retire before a new culture can evolve in some of the older, more established businesses, the success of newer companies like Google and eBay is testimony to the benefit of a different approach. Such companies have built diversity, flexibility and childcare support into their organisations from the outset: they didn't need policies or legislation. Indeed, Marilyn Nagel, CEO at Watermark and former Chief Diversity Officer at Cisco Systems, Inc said, "Policy requires a commitment and a belief. Policy is *not* a cost".

Do you believe boards should be forced to mandate a diversity and inclusion component (e.g. quotas for women board members)?



What's required is not money, but thought, belief and commitment. "There is no price tag attached to cultural change and encouraging the right behaviours. But losing women executive talent is costly," said interviewee Nancy Reardon, Senior Vice-President and Chief HR and Communications Officer at Campbell Soup Company and Corporate Director of Warnaco Inc.

The companies that are prepared to change will find the benefits stretch far beyond retaining women in the workforce. It was clear from our survey that men are just as likely as women to welcome things like flexibility, more effective leadership, more transparent career development, coaching and mentoring, claiming that such things would significantly increase their motivation, productivity, commitment and loyalty to an employer. As Nancy Reardon pointed out "What is good for women is often good for the workforce as a whole."

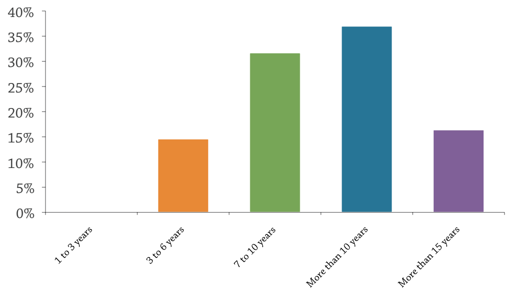
Furthermore, if you remove children from the equation because some women don't have children and that most of the workforce will have ageing parents requiring elder care, flexible working becomes gender neutral and is not just applicable to women in the business but the workforce as a whole.

Another of our interviewees, Mats Torstendahl, Executive Vice-President, Head of Retail Banking at SEB in Sweden, agrees. He told us "I think both men and women are more interested in self-fulfilment than they were 25 years ago. The prospect of climbing onto and staying on the corporate treadmill is less and less appealing to more and more people."

Corporate cultures have to change, societal norms have to change and the nature of work itself may have to change before women stand on an equal footing with men in the senior echelons of business. That will take some considerable time, probably a generation to see the changes. But organisations need to make a start. Because, although women are every bit as ambitious as men, as Torstendahl noted "They reflect more than men about what is important in life and make conscious choices accordingly".

The organisations they choose to leave will pay a high price affecting their top and bottom lines if they fail to retain and develop senior women executives to reflect customer bases and take advantage of innovation through diversity. Otherwise they are likely to lose their competitive edge.

How many years do you think it will take for the majority of private sector organisations to reach at least 30% women on their executive boards?



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6 Survey Findings

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The participants

The Balancing Act survey reflected the views of 632 business directors and senior executives from a range of different-sized companies in various industries and in different countries.

Just over 58 per cent of respondents were women, and more than 90 per cent were older than 40 years.

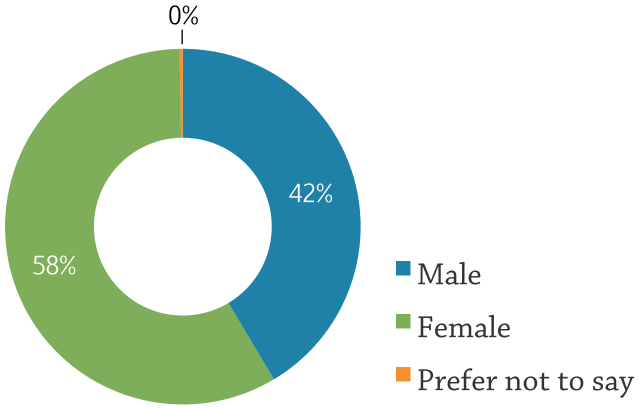
Nearly half the respondents were board members, including 14 per cent who were CEOs and 23 per cent who were non-executive directors. A further 30 per cent were directors, senior vice-presidents, managing directors, general managers and business-unit heads. Overall, nearly half the respondents held at least one non-executive director role.

In terms of company size, there was a fairly even split. Almost 24 per cent of respondents worked in companies with between one and 100 employees, 22 per cent were from companies with between 1001 and 5000 employees, and 21 per cent came from companies with more than 10,000 employees.

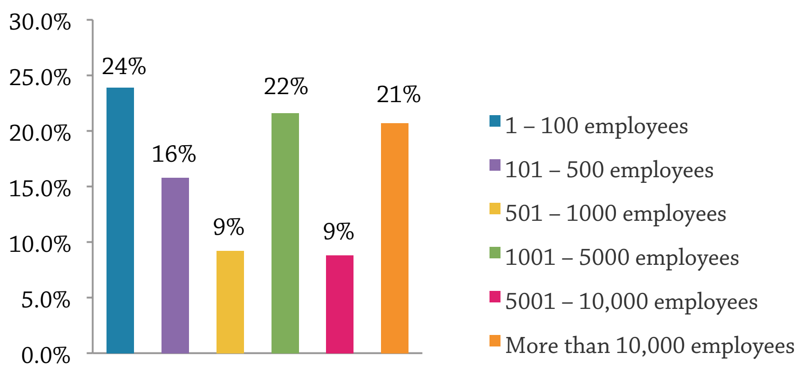
Participants worked across the spectrum of industry, commerce and public sector organisations, but the groups with the highest representation were technology/telecoms, financial services, business/professional services and charity/non-profit.

Almost 70 per cent of respondents were based in the UK, 11 per cent were in the US, and the remaining 20 per cent came from countries in Asia, Australasia, South America, the Middle East and Western and Eastern Europe.

What is your gender?



How large is your organisation?



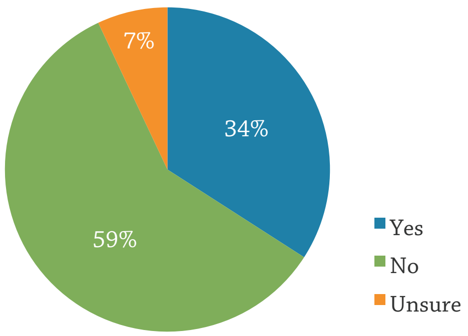
The business case for more women executives

The majority (87 per cent) of respondents to *The Balancing Act* agreed that women bring a different perspective to the board, although women were more likely than men (92 per cent versus 79 per cent) to believe that. Overall, 60 per cent of respondents believed the overwhelming argument in favour of more women executives is that 'diverse executive committees are stronger'. But here again, women were more likely than men (63 per cent versus 54 per cent) to believe this. Similar numbers – 59 per cent – felt that the gender split on their board did not reflect that of their customer base, with women slightly more likely than men to believe this.

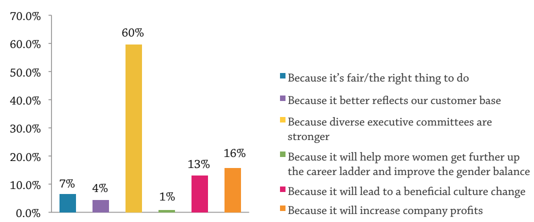
While the 'lack of a different perspective' was seen by 67 per cent of respondents (rising to 73 per cent of non-executive director respondents) as the biggest price paid by companies with overwhelmingly male boards, 46 per cent felt they missed out on 'skills, experience and knowledge', 31 per cent cited a disconnect with customers, 31 per cent said they were less competitive, and 24 per cent and 15 per cent respectively felt they were squandering opportunities to grow and generate additional revenue. If executive gender inequality prevails, both employee motivation and corporate profits will fall, believed respondents.

However, this question yielded some interesting gender differences. Women were much more likely to see a disconnect with customers (40 per cent versus 19 per cent), reduced competitive advantage (38 per cent versus 22 per cent), lost growth opportunities (31 per cent versus 15 per cent) and lost revenue opportunities (22 per cent versus five per cent).

Do you believe your organisation's board of directors accurately reflects the social makeup of the organisation's ultimate customer base (whether business or consumer)?



What is the single most important reason to ensure more women reach the senior executive level within organisations?



Why are there so few women executives?

Male-dominated corporate cultures are the biggest barrier to women reaching the board. Almost a quarter (23 per cent) of our survey respondents singled this out as the reason women are under-represented at the top; a greater percentage than any other factor. Over 17 per cent said not enough women are coming up through the ranks – and this is a symptom of male-dominated cultures. Significantly, 25 per cent of men saw the shortage of women 'in the pipeline' as the biggest barrier: compared to 12 per cent of women. However, 22 per cent of men also recognised the problem posed by male-dominated cultures, compared with 25 per cent of women.

Overall, 22 per cent of respondents believed the problem stems from a combination of factors, including (as well as the factors mentioned above) gender-biased recruitment practices (even though these may be unconscious), getting women back on track after a career break or a sabbatical, a perceived lack of skills and experience in women and women's lack of appetite for board roles. But men were more likely than women (13 per cent versus four per cent) to believe that getting back on track after a career break is a problem, and less likely than women (five per cent versus 12 per cent) to blame gender-biased recruitment. Also, nearly nine per cent of men suggested women don't want to progress, compared with just three per cent of women.

What holds women back?

When asked about their own experience, we found that the women who do attain an executive board position do so just as quickly as their male counterparts. In both cases nearly 42 per cent took ten years to get their first board role and ten per cent took between seven and ten years. Likewise, similar numbers (34 per cent of men and 33 per cent of women) had faced no barriers to their career progression.

Where there had been barriers, there were both similarities and significant differences. Some 23 per cent of women and 25 per cent of men cited their perceived lack of relevant experience as a factor. The next biggest factor was gender where 15 per cent overall cited this as a career inhibitor, but the percentage rose to 25 per cent among women, for whom it was the biggest factor. It was an issue for just one per cent of men. For men, the second most significant barrier after perceived lack of experience was not fitting into the company culture: 22 per cent of them said this was a factor compared to just nine per cent of women. The female response is perhaps surprising, given their belief that it is male-dominated corporate cultures generally that prevent more women attaining board positions.

When it came to the components that respondents believed enhanced an individual's promotion prospects, men and women agreed that the most significant factor is 'the availability of additional opportunities to network with senior management', which was cited by 78 per cent of respondents. Men and women also agreed that the next most significant factor was the ability to relocate or travel to other offices or locations – 67 per cent cited this, with, again, very little difference between men's and women's responses. Men were slightly more likely than women to cite 'participation in corporate politics' as a factor in promotion (56 per cent versus 52 per cent) but women were significantly more likely than men to cite 'participation in social activities, such as golf, sports clubs and after-work drinks' (44 per cent versus 30 per cent), 'ability to stay longer in the office' (40 per cent versus 34 per cent) and 'presenteeism' (31 per cent versus 26 per cent).

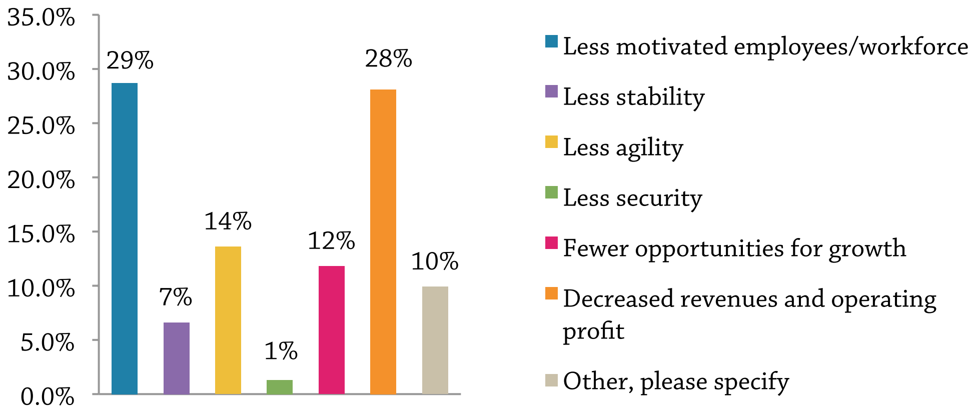
Should I stay or should I go?

When asked why women opt out of corporate life at mid-management level, men and women were united again in believing that family responsibilities restrict women's ability to pursue roles with 56 per cent citing this. Overall, 44 per cent of respondents said that women want to devote more time to other activities, interests and commitments, and 39 per cent said family responsibilities reduce the amount of time they can spend at work, meaning they are less visible and wield less influence than their male peers. In addition, women weary of the politics game (36 per cent of women said this, compared to just 21 per cent of men), grow tired of the pressure of juggling home and work and being passed over for career development opportunities to their male peers. As a result, it is likely that they lose their enthusiasm for corporate life and disengage.

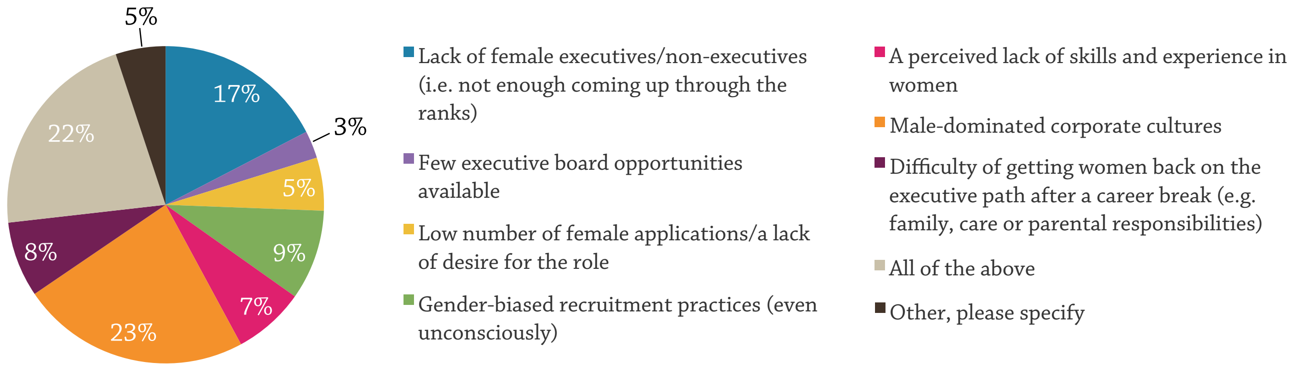
However, were men and women actively supported, promoted and developed into executive roles, they say they would be far more likely to stay with their employer. Unfortunately, only half the respondents judged their organisations to be even 'somewhat' successful at doing this, and they were similarly lukewarm about the effectiveness of their employers' succession planning strategies. It seems an easier route to promotion lies in a competitor's organisation in order for women to progress up the corporate ladder and by-pass some of the corporate politics.

Respondents believed that employing a range of different tools is the most effective way to nurture and develop their talent (41 per cent), but, of these tools, transparent career development plans and internal mentoring schemes were seen as the most important (26 per cent and 16 per cent respectively).

If an organisation fails to retain and promote women, what do you feel is the ultimate consequence of this?



Women are highly under-represented on executive boards across the globe. What do you believe is the primary reason for this?



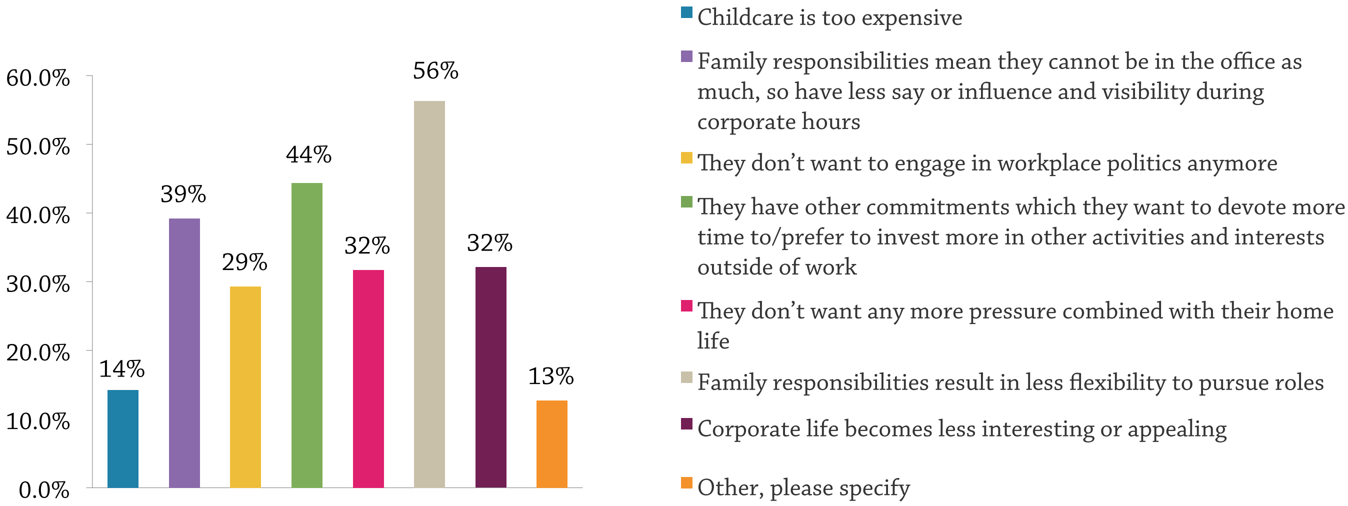
What do organisations need to do to keep women?

Over half (53 per cent) of the respondents believed that flexible working is the most effective way to reduce attrition generally within an organisation, with 'improved culture' coming a close second (49 per cent). Men were more likely to cite 'better working hours' than women (14 per cent versus ten per cent) whereas women were much more likely to see 'unconscious bias' training as an improvement (25 per cent versus five per cent).

When asked about their own particular situation, respondents said that an improved culture (cited by 54 per cent) would be a significantly more important factor than flexible working (35 per cent) in persuading them to stay with their current employer. There were other important factors too: investment in technology to support remote working was cited by 23 per cent (30 per cent of men and 19 per cent of women), training to remove 'unconscious bias' by 20 per cent (23 per cent of women and 15 per cent of men) and transparent recruitment processes by around 19 per cent of both men and women. Women are less likely than men to remain with an employer if offered a salary increase, more attractive stock options and glamorous expat packages.

And while most respondents (68 per cent) agreed that organisations themselves should fund initiatives to strengthen the pipeline of future women executives, implementing these initiatives need not be expensive. Nearly 13 per cent said it would cost nothing, and the majority of our survey likewise indicated that the estimated costs would be low.

Why do you think individuals, particularly women, often choose to opt out of corporate life at mid-management level?



So why don't they do it?

Yet there appears to be no real appetite for change. Just 12 per cent of respondents said it was 'very likely' that their organisations would adopt more of the initiatives they know make a difference in keeping talented women within the organisation, but the biggest sector (45 per cent) said they were only 'somewhat likely' to do so – that is, they 'may introduce a few further initiatives'. Around 31 per cent said they were unlikely to change things and ten per cent said they definitely wouldn't. Only three per cent said there was no need to change as they already had effective initiatives in place. On this question, non-executive directors were slightly more optimistic about change happening.

There seems to be a real discrepancy between what survey respondents believed should happen, and what they felt their organisations would be prepared to do. Despite agreement among respondents that the kind of cultural changes required should cost very little, 29 per cent of them cited 'cost/budget issues' as the biggest barrier, with 24 per cent saying that there were too many other change initiatives underway.

However, it is the open-ended responses from the 24 per cent of individuals who cited 'other' reasons for not implementing change that provide the greatest insight into the gap between need and action. In essence, these responses revealed a desire to preserve the status quo by male-dominated boards who saw no need to change, or felt threatened by change.

Here are a few representative comments: 'Chairman fails to see the need and benefit', 'Don't see as necessary', 'Not seen as important enough', 'The CEO lacks the leadership skills to make the changes', 'Perception they will weaken management control', 'Inertia at the top', 'Competency deficiencies', 'Don't value the objective – too long term'.

In your opinion which of these initiatives would be most effective at reducing attrition in the business?

Cost versus opportunity cost

The opportunity cost of *not* implementing changes far outweighs the cost of implementing them.

Nearly three-quarters (71 per cent) of respondents said that if their employer helped them to balance their work and non-work lives better they would feel more motivated, 59 per cent would be more productive, 57 per cent would be more loyal and 55 per cent would stay with them longer. On the loyalty and retention questions, women scored higher than men (61 per cent versus 51 per cent, and 57 per cent versus 49 per cent) and on the motivation and productivity questions, men scored higher than women (72 per cent versus 70 per cent and 61 per cent versus 57 per cent).

Productivity would rise significantly with over one-third (35 per cent) expected to be ten per cent more productive, 23 per cent expected to be 25 per cent more productive and five per cent expected to be 50 per cent more productive.

Loyalty would also be likely to rise significantly as 32 per cent would stay for an additional three to six years, and 31 per cent said they would stay indefinitely. Women's scores were higher: 34 per cent (versus 29 per cent of men) would stay for three to six years, and 35 per cent (versus 24 per cent of men) would stay indefinitely.

Little appetite for change

Given the apparently low appetite for change, it's not surprising that over half the respondents (53 per cent) to the survey thought it would take at least ten years before women make up one-third of private-sector boards. Over 16 per cent (rising to 20 per cent among non-executives) thought it would take more than 15 years. Yet respondents to this year's survey were even more opposed to mandatory quotas for women board members than they were last year. Nearly 67 per cent were against the idea, with just 22 per cent in favour. However, there were significant differences between men and women: 25 per cent of women were in favour, compared with just 15 per cent of men.

7 Case Studies

Electrolux & MasterCard Worldwide

We asked two global multi-nationals to describe their diversity development programmes and what steps they have taken to retain and develop women in their organisations. Electrolux and MasterCard share with us their experiences.

Electrolux

Lars Worsøe Petersen, Senior Vice President of Group Staff Human Resources and Organizational Development

"Diversity is a key part of our foundation and core values. We are convinced that a diverse and non-conform environment promotes innovation, which is a core pillar in our strategy to deliver a better margin and to increase our value share. Based on this we have introduced a new leadership model with strong focus on the business leader and people leader dimensions. It's really a fifty-fifty approach that also will help us to develop a more cross-collaborative and innovative culture that will attract more female candidates for future growth. We have also introduced more frequent dynamic people and talent processes to enable faster career progression and cross-company moves for our employees.

We have defined diversity targets for the top management levels in the company. We are currently at 23 per cent for Group Management, and between 20-25 per cent for the next two tiers. Our target is to get to 25-30 per cent over the next three years. Electrolux is a global leader in household appliances and appliances for professional use, selling more than 40 million products to customers in more than 150 markets every year. In 2012 Electrolux had sales of SEK 110 billion and about 61,000 employees."

Electrolux

MasterCard Worldwide

Donna A. Johnson, Chief Diversity Officer

"MasterCard invests in leadership development to create a global and collaborative culture of inclusion. The expectations of our senior leaders include building their own leadership capability and knowledge by participating in the Executive Leadership Program. Building on a culture of inclusion to drive innovation, the ELP provides access to professional coaching while analysing global business issues. MasterCard's integrated approach recognises the benefit of strengthening the presence of women in our pipeline while continuing to create an environment where both men and women want to work."

MasterCard Worldwide

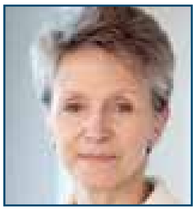
8 Plotting the Course for the Future

Do you want to attract and retain more women executives? Here are some pointers...

- Introduce training to remove gender bias in recruitment, development and promotion practices, and to help change the male-oriented values, beliefs and stereotypes (whether conscious or unconscious) which characterise most organisations
- Make it easier for women to return to work after having children, and see career development (for everyone) as modular rather than linear
- Ensure that formal and informal networking opportunities are accessible to women as well as men. That might mean day-time rather than evening activities
- Judge performance by results rather than 'face time'. Facilitate flexible working supported by technology, and have formal flexible working policies for both men and women
- Provide female role models, along with male and female mentors, sponsors and coaches
- Celebrate the success of senior women executives
- Be more proactive about succession planning, and ensure that participants in mid-career development programmes are diverse. Look right across the business when developing your talent pool
- Ensure that the interview panel is diverse, and includes at least one senior woman and a diversity leader. Understand that women tend to under-sell their skills while men tend to over-sell theirs. When recruiting, developing or promoting it's important to see beyond the façade to each individual's intrinsic ability. Understand that the 'softer skills' that women often excel in may be just what your organisation needs right now
- Provide practical solutions for your workforce that come from the voice and needs of your workforce
- Encouraging more gender diversity need not be costly, but it requires hard work and careful thought and needs to be built into everyday practice rather than be seen as 'an initiative'
- Get senior management buy-in. Initiatives in themselves are worthless; they must be underpinned by the right attitudes, ethics and behaviours. These stem from the right culture, the tone of which has to be set at the top
- Encourage recruiters and head-hunters to present balanced shortlists
- Remember that what's good for women is also good for men and the organisation as a whole. Gender diversity is not a women's issue, it's a business issue

> "Remember that what's good for women is also good for men and the organisation as a whole. Gender diversity is not a women's issue; it's a business issue"

9 Contributors



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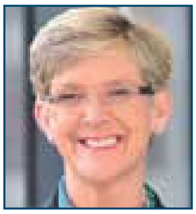

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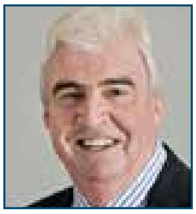

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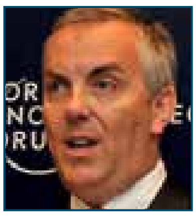

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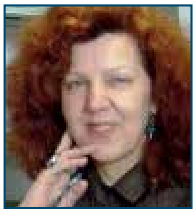

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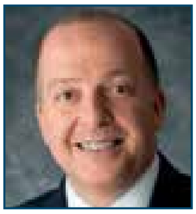

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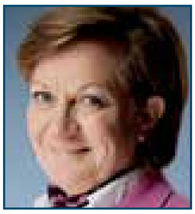

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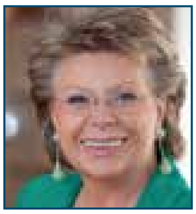

Viviane Reding, European Commission Vice-President and EU Justice Commissioner (Brussels)

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Acknowledgements

The Balancing Act report would like to thank Alumni, a Harvey Nash business, for their support and contributions to this report.

alumni

We would also like to thank BoardEx for their information services.

BoardEx

10 About Inspire

Since 2008 the Inspire board network has grown through peer recommendation and now connects over 1,000 women in the FTSE 350, privately-owned, public-sector and government organisations throughout the UK with over 2,000 senior business women in Fortune Global 1,000 companies in the US, primarily through our branch networks in New York and California.

In 2012, Inspire hosted its first event in Hong Kong and launched the aspirational subsidiary network *Aspire – fuelling boardroom evolution* to develop and encourage future women leaders and assist companies to build their talent pipeline. Harvey Nash has also launched a joint venture with Hong Kong University, designed to give senior international women the tools, knowledge and insight to help them confidently progress into board-level positions.

In 2013 the Inspire board network will build on its presence and will continue to expand from the UK, the Americas and Asia, with networking events in three European capitals, Stockholm, Paris and Munich, with satellite events for Aspire in Seattle and Chicago in the US.

In each of our global locations, our guest speakers encourage lively debate on a variety of topics, giving the members valuable unique insight into life in multinational and international corporations, government and civil service, as well as updating them on topical board issues such as corporate governance, government and other board-related topics.

Through the Harvey Nash Board Services Practice, Inspire members are made aware of CEO, chair and non-executive director/corporate director opportunities. Many of our members have already secured interesting new challenges, both in Europe, the US and further afield.

www.harveynash.com/inspire
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