

Toward the board: A strategic approach to achieving gender diverse leadership, for now and the future

1) Achieving a healthy pipeline of female talent – the challenge

The need to increase the gender diversity of business leadership has been largely focused on getting more women onto the main boards of public companies. Lord Mervyn Davies’ inquiry is considering whether quotas, or more likely a ‘comply or explain’ policy, should be introduced to spur progress in the UK.

Having women at the top is an essential catalyst in both achieving enhanced financial performance and in encouraging more women through the ranks and into leadership. We believe that the growing female talent pipeline below board level is equally important in order to maintain both short and longer term objectives. Since retaining female talent largely depends on women reaching the top, having a healthy pipeline of female talent is critical.

A Typical Gender Employment Structure:

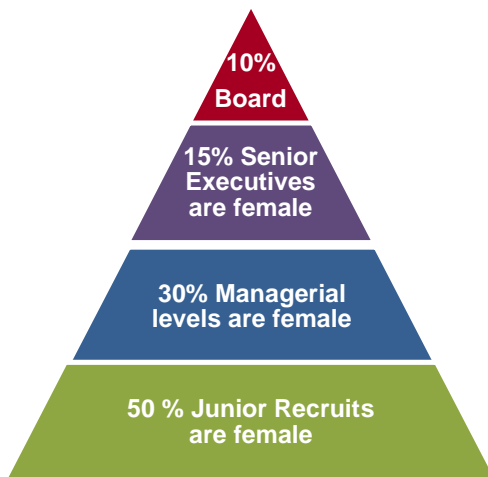


Fig 1 Lynda Gratton/PwC, “Closing the Gender Gap”

In tandem with the current efforts to increase the number of women on boards, the visibility of lower level talent must be increased, and the loss of women at these levels – as per *Figure 1* above – must be reduced. Baroness Hogg, the chairwoman of the FRC, chose to include clear expectations on bettering gender composition of boards for the first time in the 2010 Code, and said “there is a huge amount of female talent in British industry; the problem is that it is not visible”.

Executive-level talent in publicly listed companies is visible: statistics can be produced and action

needed to increase female appointments can be clearly defined. However, measuring and maintaining the managerial levels of female talent in the pipeline is more complex and challenging.

2) Augmentum and gender diversity






Augmentum operates at board level, but also at board ‘plus 1, 2 and 3. Our concern is with high-potential talent from senior management upwards; the top 50 - 500 in leading companies. We have resource dedicated to mapping high potential talent as part of our search process or as a standalone research exercise driven by a clearly-defined need in the business. As part of any search, we can tailor our approach to:

- Offer advice and insight into talent demographics
- Integrate diversity into client briefings, research methodology and search reports
- Extend our search ‘scope’ beyond that of established networks, industry and sector silos (and singular levels of seniority)
- Factor in information on the employer brand in relation to diversity
- Gather candidate feedback on the hiring processes
- Advise on internal ‘diversity best practice’ in relation to the internal talent pipeline

Executive search should be an agent of progress in relation to diversity as it should be an information and advisory service. Indeed, we would advocate the regulation of executive search to ensure that this is the case. We have built a reputation on providing insight and information on issues that affect our clients; our NED Practice, for example, has led the debate on non-executive risk and reward, and on the implications of the revised FRC Code.

The business case for diversity is empirically sound: to have a diverse workforce is to have a more successful and sustainable company for the long term. Some of the evidence is displayed in the diagram overleaf. The latest in the McKinsey research series, *Women Matter*, shows that 62% of men and 90% of women at C-Level were convinced that gender diversity is a performance driver leaving 38% of male board directors unconvinced. Executive search can and should encourage conviction and drive change.

Why is Diversity Important? An Overview of the Evidence

	Evidence	Referenced Studies
IMPACT ON BOTTOM LINE	<p>European companies with the greatest gender diversity achieved:</p>  <p>In comparison to the lowest.</p> <p>Fig 2</p>	<ul style="list-style-type: none"> • <i>Women Matter: Gender Diversity, a Corporate Performance Driver</i>, McKinsey & Co, 2007 • <i>Women Matter 2: Female Leadership, a competitive edge for the future</i>, McKinsey & Co, 2008 • <i>Room at the Top: Women & Success in UK Business</i>, McKinsey & Co, 2008 • <i>A Business Case for Women</i>, McKinsey & Co. Quarterly, September 2008
	<p>On examining 353 of Fortune 500 Companies, those with the highest representation of women in top management compared to those with the lowest achieved:</p>  <p>Fig. 3</p> <p>Companies with more women on boards outperformed those with the least:</p>  <p>Fig. 4</p> <p>And...</p> <p>Firms led by women...  ...were 10 to 20 per cent more profitable.</p> <p>Fig. 5</p>	<ul style="list-style-type: none"> • <i>The Bottom Line: Connecting with Corporate Performance and Gender Diversity</i>, Catalyst, 2004 • <i>The Bottom Line: Corporate Performance & Women's Representation on Boards</i>, Catalyst, 2007 • <i>Female Leadership and Firm Profitability</i>, Finnish Business and Policy Forum EVA, 2007.
	<p>Firms with 3 or more women in senior management score...  ...more highly, on average, for each organisational criterion than companies with no women at the top.</p> <p>Fig.6</p> <p>Based on McKinsey's proprietary diagnostic tool which measures the organisational excellence of a company against 9 criteria:</p> <ul style="list-style-type: none"> • Leadership • Direction • Accountability • Innovation • Capability • Coordination and control • Motivation • Environment and Values • External orientation 	<ul style="list-style-type: none"> • <i>Women Matter: Gender Diversity, a Corporate Performance Driver</i>, McKinsey & Co, 2007.