

The Path to Parity: Search Professionals Are Catalysts for Bringing Diversity on Boards

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Janice Reals Ellig Advocate of diverse, gender-balanced corporate boards. Chair of Corporate Board Initiative, Women's Forum of NY. Co-CEO, Chadick Ellig.

In life, we tend to gravitate to those we know. We join clubs to make friends with people who have a similar outlook on life and whose background closely matches our own, and we live in communities with those more like us.

And so it has been for decades in the boardrooms of corporate America where in the S&P 500, nearly 480 of the CEOs and about 80% of the board seats belong to men.

Where are the women? Women are not hiding from the boardroom. In fact, it is the exact opposite. Communities such as the Women's Forum of New York, the premier organization advancing women's leadership in New York, and Catalyst, the leading global organization accelerating progress for women through workplace inclusion, strive for gender parity through, respectively, their Corporate Board Initiative and Corporate Board Services.

The dismal findings of the *2015 Catalyst Census: Women and Men Board Directors* demand action. Catalyst has been tracking women in U.S. corporations in the C-suite and boardroom since 1995 and yet, even after 20-plus years, about four out of every five director seats continue to be held by men. More notably, the 2015 Catalyst Census found that of new S&P 500 director seats filled in 2015, almost three out of every four new appointments went to men. Those appointments represent many missed opportunities to change the status quo. With men comprising the majority of both existing director seats as well as new director appointments, parity is nowhere in sight.

However, other regions employing a range of approaches are moving the needle for women. Norway, the U.K., and Canada have demonstrated that when government, regulators, and business leaders take action together, change is possible.

Although initially met with strong resistance, Norway's legislated quota approach has helped women's representation on public company boards in the OBX-index rise from 6.8% in 2002 to 35.5% in 2014. This meteoric increase is all the more notable because in 2002, before quotas were introduced, more than three-quarters of boards had no women board members at all.

In the U.K., a hybrid government-led /private sector-led voluntary approach has yielded significant progress. Lord Mervyn Davies was appointed by the government to study the situation, and he issued a report in 2011 that challenged business leaders to do better. Because of his report, as well as strong commitment and highly visible support from senior leaders in the government, stakeholders, and organizations like The 30% Club - founded by Helena Morrissey, CEO of Newton Asset Management - the

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representation of women on FTSE 100 boards has more than doubled from 12.5% in 2011 to 26.1% in 2015.

In Canada, securities regulators in 10 jurisdictions across the country implemented rule amendments in December 2014 requiring all TSX-listed issuers to follow a ‘comply or explain’ model. Although it is too soon to see the effects of the regulations, recent research released by Catalyst in its report *Gender Diversity on Boards in Canada: Recommendations for Accelerating Progress* suggests that these measures will reap long-term benefits.

Closer to home, we are finally starting to see sections of our government grow impatient. SEC Chair Mary Jo White recently supported a rule to facilitate more robust disclosure about the diversity of board members. She referenced a GAO report commissioned by Representative Carolyn Maloney that estimated it could take at least 40 more years for women’s representation on boards to reach parity.

All of these examples, however, overlook the role that search firms can play, especially in the U.S., where we have a particularly developed industry that can act as a catalyst for change, educating and advising boardroom directors and CEOs. To be sure, many search firms have played significant roles in advancing gender diversity.

A study published in a Harvard Business Review (HBR) article “If There’s Only One Woman in Your Candidate Pool, There’s Statistically No Chance She’ll be Hired,” (April 26, 2016) recently found that “people have a bias in favor of preserving the status quo; change is uncomfortable. So because 95% of CEOs are white men, the status quo bias can lead board members to unconsciously prefer hiring more white men for leadership roles.” This research underscores the critical role search firms in the U.S. could play by, for instance, following the example of their U.K. colleagues.

In the U.K., Lord Davies presented a simple new solution to an age-old problem—the Voluntary Code of Conduct, which 86 search firms have signed as of July 2015. The *Voluntary Code of Conduct* is simple, effective, efficient, and elegant. In part, it states that: “In presenting long lists, search firms should ensure at least 30% of the candidates are women—and, if not, should explicitly justify to the client why they are convinced there are no other qualified female options, through demonstrating the scope and rigour of their research.” Thus, search firms do all their necessary due diligence with regard to the gap analysis of competencies needed in succession-planning, board refreshment, and work to support the Board Chair and Nominating/Governance Committee.

In some cases, search professionals lag behind their clients. Mindy Grossman, CEO of HSNi, remembers asking a search firm to find a woman with a certain set of skills, experiences, and background to add to her board. The search firm kept giving her only men. She repeatedly told the firm, “I guess you did not hear me—I want all those experiences and I want a woman for the diversity of thinking on my board. And if you cannot bring me that woman, I will get another search firm.” Ultimately, the firm found a woman who fit the director profile. Mindy had been very clear and she was not compromising; in fact, she was focused on better corporate governance and decision-making by enhancing her board to reflect her marketplace, her employees, her shareholders, and her community. Today, 50% of HSNi’s board directors are women.

In the United States, we cannot keep doing the same thing and expect a different result — that’s the definition of insanity. We need to take action – now. U.S.-based executive search firms can be catalysts for change by advising and encouraging corporate boards to be more heterogeneous. Research

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demonstrates that diversity, well-managed, can produce strong results and improved decision making. We propose three simple suggestions for search firms to adopt and to adapt to their client needs.

- 1) Balanced candidate pools. In light of the research from the HBR article mentioned above, it is critical that search firms provide clients with a “long list of candidates” that has at least 50% women candidates, including women of color, with the skills and profile sought. Women, including women of color, should also comprise at least 50% of the interview pool. If that does not occur, the search firm will document why it could not produce an adequate number of women candidates to meet the needs of the company.
- 2) Transparency. Search firms should disclose the number of board placements fulfilled over the past three years and the percentage of them that were filled by women and people of color. Transparency with regard to the ratio of diverse placements on boards will give a board an indication of a search firm’s commitment and ability to accelerate the pace of change for women on boards.
- 3) Demonstrate commitment. The firms should publicly state their commitment to enhancing board diversity on their website and in their materials, including by providing the disclosures listed above. Search firms can (and many do) collaborate with organizations working to advance gender diversity. These relationships, along with their existing clients, can help them develop long-term relationships with the pipeline of female talent.

The pipeline of great talent is there. There are many databases to tap into. The Women’s Forum of New York started its CEO-Sponsored Board-Ready Women database in 2011, and it is available to Nominating/Governance Committees and search firms at no cost. These are women who have been endorsed by CEOs who know that these women are ready to serve on a board and may currently be on only one or no boards, but should be. Catalyst also has a database of CEO-sponsored board-ready women, the Catalyst Corporate Board Resource, available for consultation. It also has another cadre of CEO-sponsored board-ready women through its Women On Board™ program, where over 50% of alumnae from the Canada program have been appointed to corporate boards. The program was expanded to the United States this year.

Search firms have a key role to play. They can be proactive agents of change rather than reactive to demands of clients. Making progress requires all ‘legs of the stool’ to work together. In our respective roles, we know that it takes all of us working together to accelerate progress toward a greater number of women on boards. Today we call on the search firm community to work with us to be champions and catalysts of change and move to board parity.

Janice Ellig is Co-CEO of Chadick Ellig, an executive search firm, and Chair of the Women’s Forum of New York Breakfast of Corporate Champions, which biennially honors companies with boards composed of at least 20% women. The next event will take place November 14, 2017.

Deborah Gillis is President & Chief Executive Officer of Catalyst, the leading organization working to change workplaces and improve lives by accelerating progress for women through workplace inclusion. A thought leader and advocate, she twice served as a candidate for elected office, and has made coaching and mentoring of women in business and political life a personal priority.

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