Getting to the head of the table

Let's see whether we can accelerate the process with a succinct checklist of targeted actions.

By Melissa Sawyer

Female directors finally have at least one seat at the board table at most U.S. public companies, but women still are not routinely making it to the head of the table in the boardroom or the C-suite.

The number of female directors at Fortune 500 companies has increased noticeably in the past decade to around 20%. Admittedly, the rate of change is slow. Among new directorships in 2015, fewer than 30% went to women. Complicating the issue are shareholder activists who, despite frequently advocating for board refreshment and corporate governance reforms, actually make boards even less gender-diverse. A recent study showed that, in the past five years, a group of the largest activist funds only nominated female directors 4% of the time. But the good news is that the numbers are inching up and the issue is drawing attention from key governance observers.


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More concerning is the fact that the number of women in leadership roles on boards continues to lag. Of the 11 Fortune 50 companies that separate the roles of chair and CEO, none of them has a female chair, and only seven women serve as the lead independent director out of 39 Fortune 50 companies that have a lead director.

At the committee level, on their face, the numbers do not seem so dire: the percentage of female board committee chairs is close to being proportional to the number of female board members overall. However, those leadership positions are not evenly distributed. While women make up close to 28% of nominating/governance committee chairs, that percentage drops into the teens for audit chairs and falls below 13% for compensation committee chairs. Notably, female representation on board committees is both lower and increasing more slowly in the United States than in countries like France and the United Kingdom.

The numbers of women in the C-suite are even worse. Today, only about 5% of Fortune 500 companies have female CEOs and only 12% have female CFOs. In fact, less than 10% of "named executive officers" (or NEOs, who are a company's five most highly compensated employees) at Fortune 50 companies are women. Only half of the companies in the Fortune 50 currently have even one female NEO and only a single company in the Fortune 50 has a majority of female NEOs.

When women do succeed in securing C-suite positions, their compensation does not put them into the NEO stratosphere. For example, women appear to have had the most success in securing promotions in the human resources field: 25 Fortune 50 companies have women in their highest-ranking HR position. However, only five of those women are NEOs. Many talented women have also secured general counsel positions in recent years — in fact, 20% of GCs at the Fortune 50 are now women — but very few GCs are NEOs, and of those GCs that are NEOs, a disproportionate share are men.

The business case for increasing the representation of women on boards and in the C-suite has been studied extensively and is well accepted. If the goal is to enhance diversity on boards and in C-suites, let's see whether we can accelerate the process with a succinct checklist of targeted actions:

1. If you are a company with a disproportionately small number of female directors, make it a priority to look for qualified female candidates. Keep your eyes open for "rising star" female candidates even when you do not have a vacancy to fill in the near term. Consider interviewing "all female" slates or implementing the "Rooney rule" and making sure you interview at least one female candidate for each vacancy. Then, once you have female directors on the board, make efforts to train and integrate them and consider making them committee chairs even if they have shorter overall board tenures than other directors.

2. If you are the CEO of a public company that only has a couple of female directors, let the board know that you would welcome the opportunity to work with more female directors in the future. If you are a board reviewing CEO performance, spend a few minutes evaluating how your CEO interacts with diverse directors.

3. If you are an activist investor assembling a slate of directors to put forward in a proxy contest or settlement arrangement and you cannot find any female directors to include in your slate, hire a board placement firm to help.

4. If you are a board placement firm and you serve up lists of prospective directors that do not include multiple female candidates, make it a priority to identify more female candidates.

5. If you are an institutional investor who is scheduled to meet with company management

to discuss governance, consider suggesting that board and C-suite diversity be an agenda item for the discussion.

6. If you are responsible for voting recommendations at a proxy advisory firm and you are evaluating a contested election in which you are presented with an all-male slate, remind the proponent of your policies on diversity and consider making a "vote no" recommendation for at least one of the members of the non-diverse slate.

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7. If you are a director or CEO at a company that has a terrific up-and-coming female executive, use your networks to "sponsor" her for director positions at other companies and look for opportunities to promote her and reward her financially at your company.

Gender diversity is obviously just one drop in the ocean of issues that boards need to consider, but it could be low-hanging fruit. With a little consistent attention to this issue, U.S. public companies may be able to have their boards and C-suites mirror the gender make-up of the general population much more quickly than at current rates.

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