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Lessons from the leading edge of gender diversity

By Joanna Barsh, Sandra Nudelman, and Lareina Yee

Advancing women to the top may be a journey, but how to do so is no longer a mystery. New research points to four principles that can help just about any company.

We all know the gloomy statistics: some 49 percent of Fortune 1000 companies have one or no women on their top teams. The same is true for 45 percent of boards. Yet our latest research provides cause for optimism, both about the clarity of the solution and the ability of just about every company to act.

Almost two years ago, when we last wrote in *McKinsey Quarterly* about the obstacles facing women on the way to the C-suite, we said our ideas for making progress were "directional, not definitive."[1] Since then, we've collaborated with McKinsey colleagues to build a global fact base about the gender-diversity practices of major companies, as well as the composition of boards, executive committees, and talent pipelines.[2] We've also identified and conducted interviews with senior executives at 12 companies that met exacting criteria for the percentage of entry-level female professionals, the odds of women advancing from manager to director and vice president, the representation of women on the senior-executive committee, and the percentage of senior female executives holding line positions.[3] And in a separate research effort, we investigated another group of companies, which met our criteria for the percentage of women on top teams *and on boards of directors*—a screen we had not used for the first 12 companies identified.[4]

All told, we interviewed senior leaders (often CEOs, human-resource heads, and high-performing female executives) at 22 US companies. Two emerged as high performers by both sets of criteria.[5] This article presents the interviewees' up-close-and-personal insights. Encouragingly, many of the themes identified in our research over the years—for example, the importance of having company leaders take a stand on gender diversity, the impact of corporate culture, and the value of systematic talent-management processes—loom large for these companies. This continuity is reassuring: it's becoming crystal clear what the most important priorities are for companies and leaders committed to gender-diversity progress. Here's how the top performers do it.

1. Diversity is personal

CEOs and senior executives of our top companies walk, talk, run, and shout about gender diversity. Their passion goes well beyond logic and economics; it's emotional. Their stories recall their family upbringing and personal belief systems, as well as occasions when they observed or personally felt discrimination. In short, they fervently believe in the business benefits of a caring environment where talent can rise. "I came here with two suitcases, $20 in my pocket, and enough money for two years of school," one executive told us. "I know what kind of opportunities this country can provide. But I also know you have to work at it. I was an underdog who had to work hard. So, yes, I always look out for the underdogs." Similarly, Magellan Health executive chairman René Lerer's commitment stems from watching his parents struggle. "Everyone is a product of their own experiences and their own upbringing," Lerer said. "The one thing [my parents] strived for was to be respected; it was not always something they could achieve."

Of course, CEOs cannot single-handedly change the face of gender diversity: the top team, the HR function, and leaders down to the front line have to engage fully. But the CEO is the primary role model and must stay involved. "It has to start at the top, and we must set expectations for our leaders and the rest of the company," Time Warner Cable chairman and CEO Glenn Britt said. "I've cared about this since the beginning of my career. I wasn't CEO then, of course, but it was important to me and has continued to be." Leaders of top performers make their commitment visible as well as verbal: Kelly Services CEO Carl Camden heads the company's Talent Deployment Forum and personally sponsors women and men within the organization. "You can say all you

want about the statistics, but an occasional act that's highly visible of a nontraditional placement of somebody that advances diversity also is a really good thing," Camden said. "It gets more talk than the quantity of action would normally justify."

The bottom line: Numbers matter, but belief makes the case powerful. Real stories relayed by the CEO and other top leaders—backed by tangible action—can build an organizational commitment to everything from creating an even playing field to focusing on top talent to treating everyone with respect. Each time a story is told, the case for diversity gets stronger and more people commit to it.

2. Culture and values are at the core

For many of our best-performing companies, a culture of successfully advancing women dates back decades. "In 1926, we hired our first woman officer," Aetna CEO Mark Bertolini said. "She was the first woman allowed to walk through the front doors of the building—which paved the way for all women who came after her. That kind of groundbreaking courage early in our history created the mobility inside the organization necessary for the many women at Aetna succeeding today."

Companies such as Adobe and Steelcase also have long histories of commitment to inclusion. "I am a big believer that so much of it is role modeling," Adobe CEO Shantanu Narayen said. "If you have good role models, then people are inspired." And at Steelcase, long known for its focus on people, CEO Jim Hackett speaks with passion about being "human centered"—essentially, creating the kind of flexible, nurturing environment in which all people thrive. Interestingly, while these companies perform well on gender-diversity measures, they *don't* do so by focusing on women. Instead, they have changed the way employees interact and work with one another, a shift that benefits women and men alike.

The bottom line: Gender-diversity programs aren't enough. While they can provide an initial jolt, all too often enthusiasm wanes and old habits resurface. Values last if they are lived every day by the leadership on down. If gender diversity fits with that value set, almost all the people in an organization will want to bring more of themselves to work every day.

3. Improvements are systematic

Achieving a culture that embraces gender diversity requires a multiyear transformation. Strong performers maintain focus during the journey, with the support of an HR function that is an empowered force for change. Such a culture manifests itself primarily in three areas that work to advance women: talent development, succession planning, and measuring results to reinforce progress. Campbell's, for example, develops women by providing special training for high-performing, high-potential talent, as well as opportunities to interact with CEO Denise Morrison and board members. Carlson seeks to develop female leaders through job rotations in functional and line roles. Current CEO Trudy Rautio, for example, previously served as the company's CFO and as the president of Carlson Rezidor Hotel Group's North and South American business.

It's critical to identify talented women and look for the best career paths to accelerate their growth and impact. Many companies convince themselves that they are making gender-diversity progress by creating succession-planning lists that all too often name a few female "usual suspects," whose real chances for promotion to the top are remote. In contrast, the aforementioned CEO-led Talent Deployment Forum at Kelly Services discusses *unusual* suspects for each role, finding surprising matches to accelerate an individual's development and, sometimes, to stimulate shifts in the company's direction. (For one female leader's surprising story in another organization, see sidebar, "'They were just shocked that I wanted to go.'") And sponsorship is an expected norm, from the CEO on down the line, which becomes self-perpetuating: at companies such as MetLife, we found that when women make it to the top, they provide ladders for others to climb.

Another Fortune 50 company ties gender diversity to talent planning and compensation in order to drive results. "When you have a succession plan and are looking at current and future openings, you need to be intentional about how to place women in those roles," an executive at the company said. "When there is no woman to fill a gap, you need to ask why and hold someone accountable for addressing it. We tie it to the performance-review process. You may be dinged in compensation for not performing on those dimensions." Ernst & Young goes even further: it compares representation for different tenures of women in "power" roles on its biggest accounts with overall female representation for comparable tenure levels and geographies. When those two metrics are out of sync, E&Y acts.

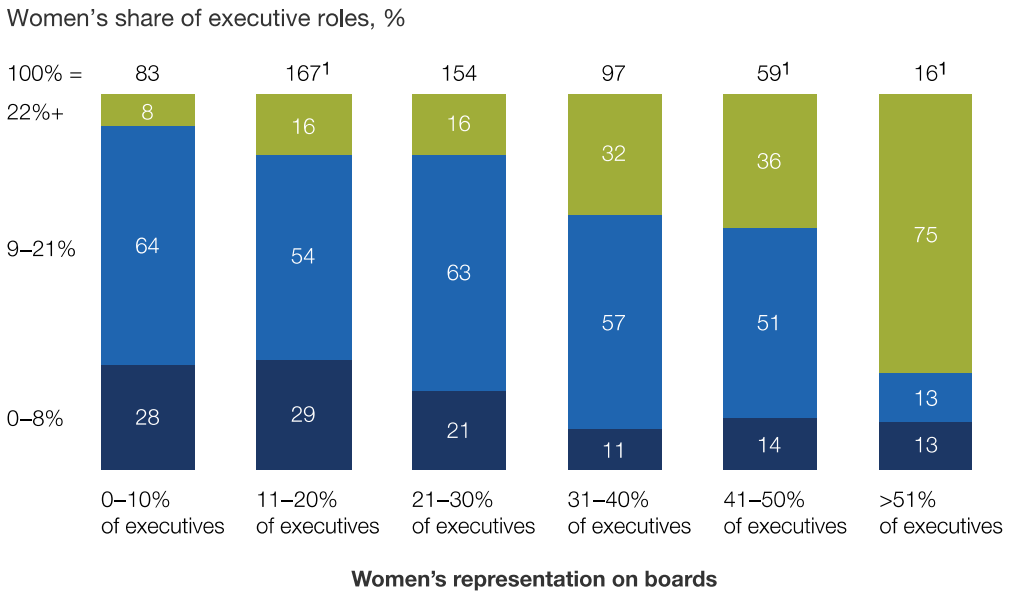
The bottom line: Get moving. Evidence abounds about what works for identifying high-potential women, creating career opportunities for them, reinforcing those opportunities through senior sponsorship, and measuring and managing results.

4. Boards spark movement

Our research suggests a correlation between the representation of women on boards and on top-executive teams (exhibit). Leaders at many companies encourage female (and male) board members to establish relationships with potential future women leaders and to serve as their role models or sponsors. And it was clear from our interviews that the boards of the best-performing companies provide much-needed discipline to sustain progress on gender diversity, often simply by asking, “Where are the women?” “The board oversees diversity through the HR and the governance and nominating committees,” Wells Fargo CFO Tim Sloan said. “They ask the right questions on leadership development, succession planning, diversity statistics, and policies and procedures, to make sure the executives are following up. Our board members tend to be very focused on these topics. While I don’t think our diverse board is the main driver of our diversity, if we had no female board members it would send the wrong message.”

Exhibit

Our research suggests a relationship between the proportion of women on boards and the proportion of women on top teams.



[1] Figures do not sum to 100%, because of rounding.

Source: Top-team data collected from company Web sites in Nov, 2012; board data from the 576 companies that were present in the Fortune 1000 lists for 2005, 2008, and 2012 and had board data available from public filings

Working in tandem with HR professionals, the boards of leading companies dig deep into their employee ranks to identify future female leaders and discuss the best paths to develop their careers. Dialogue between the board and top team is critical. "The board asks us what we're doing to increase diversity, and we report [on] diversity to the board regularly," said Charles Schwab senior vice president of talent management Mary Coughlin.

Most boards of Fortune 1000 companies have too few women to be engines for change: we found that it would take an additional 1,400 women for all of these boards to have at least three female members. Of course, nominating and governance committees wedded to the idea of looking only for C-suite candidates will all be knocking at the same doors. If companies cast a broader net and implement age and term limits to

encourage rotation, they will have plenty of talented, experienced women to choose from. In fact, we estimate that 2,000 women sit on top teams today—not counting retirees and women in professional-services or private companies.

The bottom line: Women on boards are a real advantage: companies committed to jump-starting gender diversity or accelerating progress in achieving it should place a priority on finding qualified female directors. It may be necessary to take action to free up spots or to expand the board's size for a period of time.

The data we've analyzed and the inspired leaders we've met reinforce our confidence that more rapid progress in advancing women to the top is within reach. Frankly, the formula for success should no longer be in doubt. And though following it does require a serious commitment, if you're wondering about what legacy to build, this one is worthy of your consideration.

1. See Joanna Barsh and Lareina Yee, "Changing companies' minds about women," *McKinsey Quarterly*, 2011 Number 4.
2. See Joanna Barsh, Sandrine Devillard, and Jin Wang, "The global gender agenda," *McKinsey Quarterly*, 2012 Number 4.
3. We launched this first effort as the research partner for the *Wall Street Journal*'s Executive Task Force for Women in the Economy. To qualify as leaders in this area, companies had to meet at least three of four criteria: women accounting for at least 53 percent of entry-level professionals, odds of advancing from manager to director and vice president at least 85 percent of men's, women accounting for at least 22 percent of the executive committee, and at least 55 percent of female vice presidents and senior vice presidents in line positions (roles in revenue-generating units, not cost centers). For more on gender-diversity leadership criteria, see *Unlocking the full potential of women at work* (April 2012).
4. To qualify as leaders in the US Chamber of Commerce research effort, companies had to be in the top third of Fortune 1000 companies in the percentage of women in top-team roles and on boards in 2011 and to have had that board status in 2007 as well. Seventy-eight companies emerged as gender-diversity leaders by these criteria; we conducted interviews at 12. For the purposes of this research, the top team comprised eight executive positions: chief executive officer, chief financial officer, and the heads of business development, marketing, legal, human resources, communications, and technology. For more on the gender-diversity leadership criteria, see *Advancing women to the top*, on cwb.uschamber.com.

5. The 22 companies include Abbott Laboratories, Adobe, Aetna, Campbell's, Carlson, Charles Schwab, Ernst & Young, Kelly Services, Magellan Health, MetLife, Schnitzer Steel, Steelcase, Time Warner Cable, Travelers, and Wells Fargo. Seven preferred to remain anonymous. The interviews took place between May 2012 and February 2013.

About the author(s)

Joanna Barsh is a director emeritus in McKinsey's New York office, where **Sandra Nudelman** is an associate principal; **Lareina Yee** is a principal in the San Francisco office.

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