Letter From Our President

Women have made tremendous advancements in the workforce over the years. However, progress remains sluggish when it comes to the “power seats,” particularly in the C-suite and on corporate boards. Women currently hold just 4.2% of CEO positions in Fortune 1000 companies. At the same time, there are companies that defy this trend. These companies are actively advancing women to the highest levels of leadership, and as a result, they have more engaged boards and greater diversity of talent and ideas.

The Center for Women in Business and our research adviser, McKinsey & Company, set out to identify the companies that are ahead of the curve. *Advancing Women to the Top* examines the best practices of 12 Fortune 1000 companies that are good at promoting and developing women at the board, C-suite, and management levels.

This new research highlights what’s working and outlines steps that all companies can take to better incorporate and advance women. We conducted interviews with top teams and in-depth analysis of corporate policies, procedures, and cultures to identify the common practices that other companies can learn from. Based on the findings, we made practical recommendations for business leaders to implement in their companies.

It’s important to remember that women’s advancement in business is not just a “women’s issue.” It’s an economic issue. For America to have a competitive workforce and a robust economy, we must leverage the full potential of all our talent. Business leaders—men and women alike—can gain new insights and increase their engagement on gender diversity. As a result, they will remove barriers and many more women will rise to the top. The talent is there; it is our responsibility to unlock it. The corporations that are already doing it well can be models for the business community. By taking a few important steps, all companies can help improve gender diversity in the American workforce and increase the rise of our most talented workers.

David C. Chavern, Executive Vice President and Chief Operating Officer, U.S. Chamber of Commerce, and President of the Center for Women in Business
Advancing Women to the Top: How the Best Do It

In 2012, the U.S. Chamber of Commerce launched the Center for Women in Business (CWB) with the belief that putting more women in leadership roles will bring companies a host of valuable benefits, including more active boards, improved financial performance, and greater diversity of thought. In March 2012, CWB hosted a number of companies and business leaders for a conference to share insights on why women are—or are not—making it to the very top. CWB brought together stakeholders and allies not only to share insights but also to hear from the assembled audience about the areas and best practices that merited better understanding and appreciation. With a second conference scheduled for February 28, 2013, CWB joined with research adviser, McKinsey & Company, to shape new research on the practical actions within reach of all companies. This white paper describes McKinsey’s research findings and recommendations, and it is worthy of review by every leader who shares CWB’s aspiration to make real progress in advancing women to the top.

Take the long view and you’ll applaud the state of women in leadership roles today. America’s largest companies have, for the most part, identified gender diversity as a priority. They have made great strides in opening their doors to women college graduates, spent time and effort cultivating the talents of high-potential women, and welcomed women into higher levels of management. However, women are still not well represented on boards or on top leadership teams. Given the amount of effort companies have put in to changing the situation, why is this still the case? Many senior executives, both men and women, are concerned that there has not been greater progress.

America’s top companies, the Fortune 1000, are not immune to the challenges of getting talented women into board and executive positions. However, once you disaggregate the data, the picture looks better. McKinsey found dozens of companies that are leading the way in promoting talented women to top-level positions—and these companies employ a variety of successful practices. You’ll learn that the voyage isn’t easy, but the path is clear. Many of the best performers have leveraged natural advantages, such as a greater percentage of women entering the pipeline, affinity with a female customer base, a larger top leadership team, or a greater number of women on the board. In contrast, some companies with none of these assets have successfully overcome their disadvantaged positions to include more women in top leadership ranks. Overall, the best performing companies have gender diversity numbers that demonstrate success, and they want to do even better.
More work remains to be done to create the kind of corporate environment that welcomes talent without barriers. We are inspired by what the best performers have accomplished so far and motivated by the clear steps they have taken. Any company with the desire to increase gender diversity at the top can do it.

Research Methodology

McKinsey undertook an outside-in look at the Fortune 1000 companies (as reported by Fortune magazine in its Fortune 1000 list) in 2004, 2007, and 2011, with a specific focus on the gender composition of their boards and top leadership teams. Among companies on the Fortune 1000 list in both 2007 and 2011, 649 companies made the cut. Using data from Securities and Exchange Commission (SEC) proxy filings and company websites, McKinsey built a baseline view to represent the Fortune 1000. Equipped with this rich data set, the research team asked three questions:

- How are these companies doing today?
- Who are the best on the list?
- What can we learn from them?

We found the numbers heartening. The sample companies have advanced more than 1,200 women to their top leadership teams; 80% of the companies have at least one woman on the top leadership team, and 87% have at least one woman on the board. However, one woman is clearly not enough for us to consider the company a leader in gender diversity. We found that three women board leaders (typically about 30% of the board) is the tipping point for companies to start integrating gender diversity and inclusion at all levels. In 2011, 19% of the companies in the sample achieved that status.

America’s biggest companies can do better. We are optimistic that progress is possible; it is already happening in many companies big and small. We were excited to find out how they’re doing it and want to challenge others to follow their lead.
Women at the Top Are Here to Stay

Small numbers can make a difference. The hiring or departure of a single woman from the leadership team or board significantly changes a company’s performance on gender diversity. McKinsey found that most companies experience volatility from one period to the next for this reason. Case in point: More than three quarters of the companies in the sample maintained or improved their performance over the 2007–2011 period (see Exhibit 1 – Women on Top Teams and Boards, 2007–2011). About one quarter of the company sample maintained top-third status in terms of top leadership teams or boards in 2007 and again in 2011. Only 15% of companies stayed at the bottom of representation on boards in 2007 and 2011. Simply put, more companies manage to sustain good performance than not, and companies that focus on their gender diversity goals can make real progress in just a few years.

In particular, we were curious about the companies that have achieved the best performance on gender diversity at the top. We reasoned that enabling these companies to share their best practices would allow everyone to benefit from their knowledge and insight. McKinsey looked for companies that had top-third performance on three important metrics as reported by Fortune magazine in its Fortune 1000 list: percentage of top leadership team roles held

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**Percentages**

<table>
<thead>
<tr>
<th>Women on Top Teams and Boards, 2007–2011</th>
<th><strong>Exhibit 1</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percentage of companies with women on executive teams</strong></td>
<td></td>
</tr>
<tr>
<td>Stayed top tier</td>
<td>24</td>
</tr>
<tr>
<td>Stayed middle tier or improved</td>
<td>28</td>
</tr>
<tr>
<td>Stayed bottom tier</td>
<td>12</td>
</tr>
<tr>
<td>Declined</td>
<td>36</td>
</tr>
</tbody>
</table>

| **Percentage of companies with women on the board of directors** |
| Stayed top tier | 23 |
| Stayed middle tier or improved | 44 |
| Stayed bottom tier | 15 |
| Declined | 18 |

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SOURCE: Top team data are from 649 companies with top team data from Fortune 2005, 2008, and 2012 lists; board data are from 576 companies with board data from Fortune 2005, 2008, and 2012 lists; McKinsey analysis.
by women in 2011, percentage of board roles held by women in 2011, and percentage of board roles held by women in 2007. Applying all three metrics, McKinsey identified the companies that excelled in advancing women to both the top leadership team and the board, and those that had a history of female representation on their boards. Of the 581 companies for which this data was available, McKinsey identified 78 best performing companies in terms of gender diversity (see Exhibit 2 – 78 Best Performers).

These 78 companies significantly outperformed the rest of the Fortune 1000. We were excited to learn that these best performers beat the rest by 64% when women were present on top leadership teams and by almost 80% when board representation of women was above average. These 78 companies are not that different from the rest of the Fortune 1000, though they do skew to more female-friendly industries and to larger companies (more than $5 billion in revenue).

We explored these companies’ approaches to find out what they were doing that others could replicate. Did they start out with advantages, or did they simply approach gender diversity

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**EXHIBIT 2 | 78 Best Performers**

<table>
<thead>
<tr>
<th>Criteria:</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. More than 25% women in executive roles in 2011.</td>
<td>1,000</td>
</tr>
<tr>
<td>2. More than 18% women on the board in 2011.</td>
<td>419</td>
</tr>
<tr>
<td>3. More than 22% women on the board in 2007.</td>
<td>581</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total 2011 sample</th>
<th>Companies lacking 2007 data</th>
<th>Companies with 2007 data</th>
<th>Companies that don't meet 3 criteria</th>
<th>Best performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>503</td>
<td>419</td>
<td>581</td>
<td>78</td>
<td></td>
</tr>
</tbody>
</table>


SOURCE: 581 companies with top team and board data available from the 2012 Fortune 1000 list and board data available from the 2008 Fortune 1000 list; McKinsey analysis.
with greater resolve and resources? A dozen companies agreed to go under the microscope (see Exhibit 3 – Our Best Performers Share Lessons). Two preferred to remain anonymous, though all twelve allowed McKinsey to conduct in-depth interviews with a top executive (often the CEO), the head of HR, and a high-performing female executive. The HR professionals also filled out a gender diversity questionnaire so that the McKinsey team could compare policies, practices, and other activities.

What follows is the collective insight of these great companies, whose successes are underpinned by a number of common themes (see Exhibit 4 – Common Threads).

1. Success Begets Success
2. Advantages Help, Disadvantages Are Not Unconquerable
3. Gender Diversity Is Personal for the CEO
4. Cultures Are Steeped in Humanistic Values
5. HR Promotes Diversity Through Tactics That Matter
6. Board Discipline on Gender Diversity Reinforces and Encourages

SOURCE: 2012/2013 Interviews; McKinsey analysis
Success Begets Success

Achieving gender diversity is a multiyear voyage that, over time, turns into a journey of cultural evolution. Many leaders look forward to the day when there are no women’s initiatives, because that will mean that women are well represented at every level. Getting there requires sustained change across all elements of the organization, far beyond a set of programs for women. In past research, McKinsey has highlighted five elements that help companies become leaders in gender diversity: (1) hands-on leadership, including leaders who are personally invested in diversity; (2) pervasive sponsorship, where creating opportunities for all talent is a leadership norm; (3) stepped up talent management that accelerates women’s advancement, such as recruiting, talent management, and succession planning; (4) strong accountability supported by the fact, where progress, or the lack of it, is measured, reported and discussed at all levels in the organization; and (5) diversity leadership with clout, where a specialized function, top team, or both are responsible for acknowledging and discussing diversity issues (see Exhibit 5 – Practices That Make a Difference). These elements came into sharper focus in this research. The best performers in this report pay attention to all five elements, and they have had years to develop and adjust in a continuous improvement process.

Beyond the two or three years it may take to jump-start gender diversity improvements, many of our best performing companies draw on a long history of successfully advancing women to the top, typically back to the 1970s and, at least one case, much farther. Mark Bertolini, Chairman, CEO, and President of Aetna, says:

In 1926, Aetna hired its first woman officer, Dr. Marion Bills. While hard for us to believe today, she was the first woman to walk through our front doors. Marion was a true trailblazer, paving the way for all of the women who have followed her. This kind of groundbreaking courage early in our history has created access and mobility for all women at Aetna. Women play a large role in the management of Aetna. Having women at the top of the organization sends a message to all the women in the organization: “There is a chance for me. I can be successful here.” We have a business priority to sustain the success of women in the workforce. Today, four of our board members are women, and women represent 75% of our overall workforce. More than half of our business profit and loss (P&L) leaders are women.

SOURCE: 2012/2013 Interviews; McKinsey analysis
Companies that committed to gender diversity more than 30 years ago are performing well on diversity today; those that only recently started to work on gender diversity continue to struggle. While we appreciate that it is not easy for companies without a rich history to make progress, success begets success over time.

McKinsey also identified a correlation between female representation on the board in 2007 and female representation on the top leadership team in 2011. Companies with more women on the board in 2007 had more women in top leadership positions in 2011. Indeed, women on the board and on the top leadership team prove to be real advantages for their respective companies. Companies anxious to jump-start gender diversity or accelerate their progress should not rely solely on internal candidates but should place a priority on finding qualified women for the board and the top leadership team.
Many researchers, McKinsey included, have found that once women reach the top leadership team, they can be terrific role models for younger tenured women. Maria Morris, Executive Vice President for Global Employee Benefits at MetLife, recalls her early career experience:

I had a great experience in my first role as strategic account supervisor but wanted to move into a sales role. While my leaders supported my aspiration, they were not ready to let me move on. Because I had relationships in other parts of the organization, a marketing leader encouraged me to apply for a sales trainer position. In that role, I expanded my sales capabilities and built a broader network. Building that network and getting sponsorship from my leaders have been invaluable in my career growth. It was the sponsorship of key leaders that enabled me to take on other significant roles, including my first P&L role, which was traditionally filled by male sales executives. Now I focus on creating diverse leadership teams and have several high-potential women on my team whom I have been developing for future opportunities. One of these leaders is moving into a different area within the company to take on her first P&L role as a chief distribution officer. I was pleased to sponsor her, given her proven background and execution success as our head of Strategy and Planning. This opportunity will round out her experiences as she aspires to a general management role.

Tamara Lundgren, President and CEO of Schnitzer Steel, also shares her approach to mentoring younger colleagues and helping them overcome common obstacles to professional development:

Sometimes the opportunity pipeline for women can get blocked for a number of reasons that aren’t gender specific—lack of confidence, communication skills, unwillingness to take risks, etc. And I have also seen that informal, “in-the-moment” mentoring is one of the most effective ways to unclog that pipeline for both men and women. Generally, this happens more easily for younger males than it does for younger females. I saw this in investment banking—young men and young women starting out on equal footing and the men developing more rapidly because of natural, informal mentoring. So my message to all senior executives is to keep an eye on both young men and women coming into your organization and make sure that your informal mentoring is doled out in equal measure and with equal directness.
Women at the top levels of companies, whether on the board or on executive teams, are more likely to ask, “Where are the other women?” Companies are responding to this lack of women at the top by making lateral hires and promoting high-potential women. Ultimately, the influx of women into these leadership roles inspires women farther back in the pipeline, providing them with role models and visions of success that were not previously available.

Advantages Help, Disadvantages Are Not Unconquerable

The best performers in gender diversity tend to have more natural advantages (industry or company attributes that position women for success) than the rest of the pool. However, a number of companies with disadvantages made our final list of gender diversity leaders. This proves that barriers to gender diversity can be overcome. Let’s take a look at what constitutes an advantage (see Exhibit 6 – Criteria for Assessing Advantages and Disadvantages).

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Advantage cutoff</th>
<th>Disadvantage cutoff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of women in the industry</td>
<td>54% and above</td>
<td>20% and below</td>
</tr>
<tr>
<td>Size of top team</td>
<td>18 or more</td>
<td>8 or fewer</td>
</tr>
<tr>
<td>Percentage of women on the board</td>
<td>22% and above</td>
<td>8% and below</td>
</tr>
</tbody>
</table>

Criteria for Assessing Advantages and Disadvantages | EXHIBIT 6

Cutoffs determined as top and bottom 20 percent on each list

First, some companies are in industries that attract a greater percentage of women, so their early-tenure talent pipeline is simply more robust. This includes companies in health care, retail, and professional services. McKinsey research showed that many companies start out with an incoming talent pipeline with a greater percentage of women, improving the chances that even with higher attrition women will advance to leadership positions (see Exhibit 7 – Industries That Attract More Women).
Abbott uses the natural advantage of pushing the frontiers of health care to attract, motivate, and develop top talent. Vildan Stidham, Divisional Vice President of Global Talent Acquisition at Abbott, explains, “In health care, people have a real opportunity to do important work that makes a difference in people’s lives. We see this as a clear advantage for us in terms of hiring and retaining top talent. We actively seek out people who are passionate about our mission to improve health around the world.” Advantaged industries such as health care attract significantly more women than other industries do. Women comprise more than 54% percent of these industries’ entering talent; 60%–70% for some industries. Even with steep drop-offs at each subsequent stage of leadership, more women make it to the top.
A second advantage is having a larger top leadership team, which creates more opportunities for women to find a route to the top. Companies with leadership teams of five or fewer have only 12% women at the top (less than one woman on average), while companies with more than 15 members on their teams have 16% women. With data from 24 companies, McKinsey found that most increased their female representation by adding a spot to their top leadership team. While we do not advocate adding a leadership role simply to boost diversity percentages, there seems to be value in adding another voice to the top leadership team.

Third, some companies already have more women on their boards. This creates advantage by charting a clearer path to leadership for women in the organization.

How high a percentage is enough to constitute an advantage? McKinsey took the top 20% for each of the three metrics: 53% or more female representation in the industry, 18 seats or more on the top leadership team (as described by the company), and 22% or more women on the board.

Using these three measurable advantages, McKinsey found that the 78 best performers have more natural advantages than the rest of the data set. More than 40% of best performers have two or even three advantages, compared with only 13% of the remaining Fortune 1000 sample. But having advantages does not guarantee gender diversity. McKinsey found that many companies waste their advantages. While 288 companies have one, two, or three advantages, 216 of them fail to achieve 22% female representation on the top leadership team (see Exhibit 8 – 216 Companies Waste Advantages).

McKinsey used the same approach to identify disadvantaged companies, taking the bottom 20% for each of the three metrics. This includes companies with less than 20% female representation in their industry, eight seats or fewer on the top leadership team, and 8% or fewer women on the board. The 78 best performers, unsurprisingly, have fewer disadvantages than the other companies in the data set. Only 32% of the best performers have one or more disadvantages, while 55% of the rest of the companies have at least one.
Disadvantages slow companies down but, like other barriers, they can be overcome. A Fortune 50 executive describes how his company works to overcome the shortage of women in technology:

Women are underrepresented in science, technology, engineering, and math, but our commitment to innovation and technology means that the best ideas and the best people win. We measure people on the results they produce. This is the triumph of a system that has developed processes to identify people early on, and to develop and accelerate their careers through increasingly difficult assignments. For example, we just identified a new GM (general manager) for the operations in India. She has a proven track record of innovation and success across difficult assignments. Like any other business issue, if you run into a barrier, it is not a reason for you to stop.

McKinsey learned that of 276 companies with at least one disadvantage, 54 have overcome their disadvantages to achieve female representation on the top leadership team of at least 22%—the bar for excellent gender diversity performance.
In general, companies with more advantages than disadvantages have more female representation at the top, but having a net disadvantage does not mean “game over.” In our research, we found that even disadvantaged companies had an average of 12% women on their top teams (see Exhibit 9 – Average Percentage of Women on Top Teams). If your company has advantages, leadership ought to use them to improve its performance on gender diversity. The leaders of companies that have disadvantages may want to adapt their gender diversity strategy to reflect these realities. For example, some technology companies manage their pipeline by attracting women who can excel in the industry and then working hard to retain those women over the course of a full career.

1. Includes: Percentage of women in industry, size of top team, and percentage of women on board.
2. Sample size includes Fortune 1000 companies where BLS industry data, top team data, and board data were available.
3. Small sample size.

Gender Diversity Is Personal for the CEO

McKinsey and others have noted the importance of the CEO as a transformational leader in making significant gender diversity progress beyond incremental gains. However, according to earlier McKinsey research, even when the CEO supports gender diversity, only about half the organization’s early-tenure professional population believes this to be the case. Clearly, CEOs must offer more visible evidence of their commitment and take every opportunity to tout the significance of gender diversity.

Interviews with the CEOs or senior executives of the dozen research participants reflected this view. Leaders told deeply personal and moving stories that underscored why they strongly believe in and care about diversity. Not all the CEOs singled out women as their main focus in diversity, but women certainly benefitted from their attention to this important topic. These top executives bring a passion that goes well beyond logic and economics—it is emotions and values driven. Their personal stories recount observed or felt discrimination, childhood memories of the importance of valuing others, and a deep impression left by loved ones. They believe that business benefits from a genuinely caring environment in which talent can rise. They don’t require proof, and they don’t spend time working the numbers.

For example, Mark Bertolini, Chairman, CEO, and President of Aetna, recalls:

I was raised by women who were all nurses—my mother, my aunt, my sister. My first jobs were working for nurses. I worked in a nursing home and then in a hospital. I have been influenced by women who were leaders in their field and did critical work. My experience has been that women bring an important perspective in how to solve and work through difficult problems.

SOURCE: 2012/2013 Interviews; McKinsey analysis

Steelcase President and CEO Jim Hackett relates this epiphany:

I was at Procter and Gamble in the early ’80s. We were given a binder entitled ‘Women in Sales.’ The company thought it wasn’t doing a good job at recruiting and developing women and needed to sensitize men about gender diversity. I had two or three really talented women on my team. One saw the binder and said, ‘I can’t believe they are studying us.’ I found myself on the back of my heels. I said, ‘Let me share what I have learned.’ The idea was: men curse, women cry. It was a binary structure. This woman challenged me to think about it in a different way. We now know that men cry and women curse. Having this conversation was a mark on me that didn’t leave. After that, rather than studying gender in a binary way, I started to treat it as a mix of emotions.

SOURCE: 2012/2013 Interviews; McKinsey analysis

Kim Ryan, Vice President of Human Resources at Pepperidge Farms and Vice President of Global Diversity and Inclusion at Campbell Soup, says:

Denise [Morrison, CEO of Campbell’s] has taken gender diversity to the next level by connecting us to our female consumer, positively impacting our business. She is also a huge advocate for women. Not only is she visible and inspirational in her role at Campbell’s, but she sits on the Catalyst board and, together with her sisters, works to drive their agenda. She is also personally supportive of the women at Campbell’s. She strives to connect and communicate with them, helping them better understand our culture, navigate our business, and make their way to the C-suite!

SOURCE: 2012/2013 Interviews; McKinsey analysis

McKinsey’s own experience helping companies with transformational change underscores these interview findings. Leaders cannot sit on the sidelines in support of broad change; they must lead it personally and publicly. Delegating the role of “chief storyteller” is risky business. If CEOs do delegate this position, they must pick people who are senior, well respected, and able to step into the role with their full support.

CEOs cannot single-handedly change the face of gender diversity at their firms. The top leadership team, HR function, and managers throughout the company have to be fully engaged in the effort. However, the CEO is the primary role model and must stay involved as a constant
signal that gender diversity matters. Carl Camden, President and CEO of Kelly Services, is a great example. Carl heads up his company’s Talent Deployment Forum (TDF) and personally sponsors a few women, along with men. He says, “I’m somewhat of a chief encouragement officer so I can keep the TDF visible.”

Cultures Are Steeped in Humanistic Values

These companies’ leaders do not mince words; they see their cultures’ humanistic values as core factors in their businesses and integral to their economic value. Collectively, these leaders represent an archetype that is values driven, authentic, and community focused. They recognize that positive emotions have beneficial effects in the workplace, and they strive to create environments that attract great people who want to stay and grow with the company. An organization with this type of leadership culture believes that it will continue to attract the best people and will outcompete others in the same industry with similar business models. Leaders in companies as different as Campbell’s and Wells Fargo described the same beliefs.

Corlis Murray, Senior Vice President of Quality Assurance, Regulatory and Engineering Services at Abbott, is a great example of how a supportive culture can help women rise to the top.

Leaders are supposed to help others achieve their potential. But we also need to learn from others. I push my leadership team to recognize the unique skills that everyone brings to the table. I try to make sure I learn from everyone, from my superiors to my subordinates to peers … you combine nuggets of wisdom, and it makes you a stronger business professional overall.

SOURCE: 2012/2013 Interviews; McKinsey analysis
Steelcase is another example of a company in which values have long been part of the company culture. As Nancy Hickey, Chief Administrative Officer and Senior Vice President, says, “Regardless of gender, everything is human centered at Steelcase. Our values are based on honesty and humanity, such as tell the truth and treat people with dignity.” Jim Hackett, President and CEO, adds, “You release the talent of everybody by leading with your heart. There is intimidating your people versus leading from a perspective where people feel it in all levels of the company. I am fortunate to be working in a place where I see that connection so tight.”

Executives from organizations many times the size of Steelcase reflected similar values-driven beliefs. In a Fortune 50 company, McKinsey interviewed various executives and found similar values reflected in their compelling stories. One executive says, “I came here with two suitcases, $20 in my pocket, and enough money for two years of school. 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.” A senior woman at the same company says, “I think [being a role model for gender diversity] is all just really being honest. It’s a lot of storytelling. If I went to different store locations or met with groups of leaders, I would share what it took during those times when my children were young and how I got through them. I’d share lessons.”

Wells Fargo has maintained a focus on a family-friendly culture despite its growth over the years. Chief Administrative Officer and Senior Executive Vice President Pat Callahan recalls:

In 1986, the CFO chaired the Corporate Social Responsibility Committee. Under his leadership, we changed our sick leave policy so that employees would not have to lie when their kids were sick and they needed to stay home. That was big. ... Sometimes, when you have young children, you can’t take a great job when it opens up. But here, the company doesn’t just give you one chance. You can get other opportunities down the road.

SOURCE: 2012/2013 Interviews; McKinsey analysis
Creating flexibility around work-life balance provided an environment in which employees did not have to choose between family and opportunity for professional development. Pat’s own team is a virtual one, operating in different buildings and even in different cities. The skills of managing a dispersed team can be learned, and this opens up great flexibility for employees who need to work from home on different schedules. To Pat, that’s no different than working in different buildings.

In other words, culture is a way to turn every manager back into an individual. Ultimately, it leads to treating everyone with dignity and respect. The organization-wide values McKinsey found differed by company. Some companies emphasize deep mutual respect and understanding, appreciating the fact that “ordinary people do extraordinary things.” Others value top talent, recognizing that it is worth hanging on to and therefore create a flexible workplace. Still others value caring, recognizing its importance to their employees and customers. In all cases, these values seem to lead to a more welcoming environment for women—and for men.

At Campbell Soup, David White, Senior Vice President of Global Supply Chain, says, “I wouldn’t work for a company unless my personal values matched the company values. I was intrigued that Doug [Conant, former CEO] deeply valued the ability and skills of every single person at our company. He established the promise of ‘Campbell’s valuing people, people valuing Campbell’s.’” That slogan is alive and part of what the company values today, with the added word ‘courage’ by current CEO Denise Morrison. David adds, “As our first female CEO, courage is a quality she brings to life.”

**HR Promotes Diversity Through Tactics That Matter**

Earlier McKinsey research on top U.S. companies—along with research done with European companies—demonstrates that most of these organizations are working hard on multiple gender diversity levers. However, HR professionals say that their initiatives are not well implemented. In our research, we found that the best companies’ HR functions are a powerful force for gender diversity, likely because of the CEOs’ support and the companies’ cultures. In particular, they focus on doing only a few things well.

While there is no prescription for success, these companies invest in talent management processes in a distinctive way to inform bold decisions. They use extensive data to support management discussions, and monitor progress.

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As Kelly Services President and CEO Carl Camden tells us:

The difference [between gender diversity now and three years ago] is a movement from good intentions to good systems. I never heard anybody say, “Let’s not make it possible for women to move up.” It’s critical to go from good intent to good systems to make those probabilities even higher. HR and senior management have translated the intent into actions by formulating processes and putting good systems together: not glamorous but very critical to making the numbers work. Our Talent Deployment Forum is one example. A flexible work culture is another, making it possible for people to make work fit around their lives. And straight numeric monitoring of what takes place inside the succession slates and in aggregate.

SOURCE: 2012/2013 Interviews; McKinsey analysis

Kelly Services’ Talent Deployment Forum (TDF) operates at the top. Commissioned by the CEO and led by senior leadership, TDF meets to discuss unexpected candidates for each role, finding surprising matches to accelerate a person’s development or a shift in direction for the company (See Exhibit 10 – Kelly Services’ Talent Deployment Forum).

Kelly Services’ Talent Deployment Forum | EXHIBIT 10

<table>
<thead>
<tr>
<th>Analyzes gender data across the organization</th>
<th>Identifies female candidates for critical roles</th>
<th>Encourages female candidates to raise their hands</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Understands where and how women move in the organization.</td>
<td>• Pushes members to ensure diverse pools for internal roles.</td>
<td>• Managers have one-on-one conversations with individuals to show them what’s possible in their careers.</td>
</tr>
<tr>
<td>• Ensures pay and opportunity equity.</td>
<td>• Looks at talented individuals and asks how to prepare them for their next roles.</td>
<td>• Managers encourage individuals to apply for roles they may not have considered.</td>
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<tr>
<td>• Identifies the most visible positions and largest accounts, and ensures that men and women are both being developed for these roles.</td>
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SOURCE: 2012/2013 Interviews; McKinsey analysis
Travelers has modified both its recruitment and its evaluation and compensation systems to increase transparency and accountability and thus remove barriers to diversity. Judy O’Brien, Field Vice President, explains:

The selection process in many departments consists of a multitier interview format. We require a diverse slate to be considered for each position at the director level or above. ... When CEO Jay Fishman joined Travelers, he and the senior leaders transformed the compensation program to a pay-for-performance meritocracy. They said, ‘We don’t care what you look like, but we do care what you do and about the value you add.’ That is a message that engages a broader group of talent to think, ‘I may have an opportunity here.’ I believe it was transformational.

In another example, a Fortune 50 company ties gender diversity to talent planning and compensation to driver results. As one executive tells McKinsey:

If I had to pick one initiative, it would be making gender diversity part of the talent routine. 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. 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.

Charles Schwab uses a succession planning process that measures attributes rather than traditional results. The company predicts success through leadership interviews that identify five specific attributes: drive, influence, strategy, relationship building, and execution (see Exhibit 11 – Charles Schwab’s Succession Planning Process).

Finally, a long-standing program at a Fortune 50 company helps executives across divisions recognize talent wherever it is growing in the company. HR’s global database of rising talent, combined with a rapid process of choosing candidates for promotion at the executive committee level (and cascaded down), broadened each executive’s outlook. HR added an executive interview that enables senior leaders to meet candidates from other parts of the organization well before the deadline for filling an open position.

Your company may have a succession planning or talent development process with the goal of advancing women. Companies that use such processes benefit most when they execute them consistently across the entire organization.
Board Discipline on Gender Diversity
Reinforces and Encourages

McKinsey’s assessment of board performance underscores the benefit of placing women at the very top. Again, some companies start out with more advantages. McKinsey’s two metrics are (1) industry supply of women on top leadership teams and (2) size of the board. To be advantaged, your company should have an industry average of at least 17% women on the top leadership team and a board size of 13 or more. Disadvantaged companies have an industry average of 14% or less women on the top leadership team and a board size of nine or fewer.

The reason disadvantages are not necessarily insurmountable is that it takes relatively few women to shift from low to high. One or two women added to the board makes a huge difference, and the same holds true for most top leadership teams.

Given the demand for qualified women ready for top leadership positions, McKinsey explored
the issue of the supply of these women. By McKinsey’s estimate, there are at least 2,000 qualified women—far more than the number needed to bring every public Fortune 1000 board up to a minimum of three women board members (see Exhibit 12 – Supply of Qualified Women). Admittedly, some industries must work harder than others to recruit and advance women, and companies with larger boards may have more rotation opportunities. Still, we strongly believe that every board should aspire and work toward greater female representation. As mentioned previously, a higher percentage of women on the board correlates with more women on the top leadership team.

McKinsey’s interviews with the dozen most successful companies helped us understand how boards play a role in advancing women to the top. These leading companies regularly provide gender diversity reports to the board’s HR committee or to the general board for discussion. Board members commonly demonstrate their accountability for diversity in annual or semi-annual talent discussions. To encourage and ensure steady progress, these companies’ board members regularly ask, “Where are the women?”

<table>
<thead>
<tr>
<th>EXHIBIT 12</th>
<th>Supply of Qualified Women</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top team supply</strong></td>
<td><strong>Board demand estimate</strong></td>
</tr>
<tr>
<td><strong>2,000</strong></td>
<td><strong>&gt;291</strong></td>
</tr>
<tr>
<td>The estimated number of women across all Fortune 1000 top teams—including the 1,206 we counted in our sample.</td>
<td>Open board seats in 2012.</td>
</tr>
<tr>
<td>+ Supply could increase if we include women who are retired along with women partners from professional services firms.</td>
<td><strong>900</strong></td>
</tr>
<tr>
<td>- Supply could shrink if we only include women who have line roles (approximately 35% of women on top teams).</td>
<td>The estimated number of qualified women needed to add one woman to every board with less than 3.</td>
</tr>
<tr>
<td><strong>1,400</strong></td>
<td>The estimated number of qualified women needed to bring every board up to 3+ women.</td>
</tr>
</tbody>
</table>

SOURCE: Fortune 1000 list, 2012; where top team or board data were not available, we assumed an average number of women based on the company’s revenue and industry; Spencer Stuart – S&P 500 only; McKinsey analysis.
Mary Coughlin, Senior Vice President of Talent Management at Charles Schwab, says, “The board asks us whenever we meet: ‘What are we doing to increase gender diversity?’ We regularly report on our current state and progress so there is transparency and accountability.” Tim Sloan, CFO of Wells Fargo, says:

Our board oversees diversity through the HR governance and nominating committee. Our board members ask the right questions on leadership development, succession planning, diversity statistics, and policies and procedures to ensure that our executives are following up on commitments. Our board members are 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 to our team members.

Robert Pew III, Chair of the Board of Directors at Steelcase, also emphasizes the role of the board:

As a board, we believe that diversity of all kinds—including gender, ethnicity, age, experience, and thought—makes Steelcase a stronger company and better able to meet the needs of our diverse and global customers. We speak about diversity annually (as well as in advance of leadership decisions) and apply the same principles to the selection of candidates for our board of directors. We also engage with the VP of global talent management, Laurent Bernard, on a regular basis, who updates us on the top leadership team. These regular reviews give us the opportunity to ask questions and to reinforce the importance of attracting, developing, and retaining diverse candidates, including women and minorities.

With the help of HR professionals, Wells Fargo and Campbell Soup’s boards, for example, learn about potential women leaders and discuss the best ways to develop and groom them. Every company has at least one “power path”—the path through the most powerful functions and roles within them—that increases the odds of success.

The boards of best performing companies tend to play a crucial role in advancing progress on gender diversity. Company leaders engage both their female and male board members as role models and sponsors to get to know future women leaders. Steelcase is a great example here, as is Campbell’s.
Every Company Can Benefit

Putting aside your advantages and disadvantages, your company can benefit from what the best performers have learned through these six recommendations:

1. **Create a cycle of success.** Every company knows it should have a business case for gender diversity, and most do. Take an analytic approach and find the heart and soul of your company’s diversity story. Why do women matter at your company? Why do they matter to the top leadership team? Work as a top leadership team to plan multiyear broad themes; this will allow you to sequence what you do, learning as you go. You’ll want to engage the women leaders alongside the men; many senior executives have underscored the need for powerful male partners to fully engage in this process.

At the start, accelerate the transformation by recruiting more women for the board and the top leadership team. At the same time, task each member of the top leadership team with sponsoring a few high-potential senior women to ensure the flow of women to higher levels in the pipeline.

2. **Leverage who you are.** Honor the advantages your company already has, and you will tell a more compelling story. Acknowledging disadvantages makes your diversity strategy realistic and honest. Ideally, identifying your disadvantages will help spark new ideas for addressing them.

With advantages and disadvantages identified, use your insight to shape a gender diversity strategy that makes sense for your business and tie it to business needs. Focusing on high-potential women in middle management, for example, would make sense if your early-tenure pipeline is robust. With a large top leadership team, pay attention to slates at higher levels in the company. A net disadvantage usually means it makes good business sense to focus on retention and ongoing professional development, ensuring that your talented women stay and progress.

3. **Make it personal.** The CEO should tell his or her story from the heart. Of course, numbers matter, but believing trumps economics. Real stories build commitment for an even playing field and focus on people, treating everyone with dignity, respect, and understanding. If the CEO does not feel compelled to be the diversity leader in the organization but still wants to proceed, he or she should choose another high-ranking
leader to champion the cause. Storytelling should go well beyond the top leadership team. Cascade the business case, appended with personal stories, down the line. Each time a story is told, the case for diversity gets stronger. Younger executives will mirror what they see and shift their behavior. Over time, these stories will become part of the company culture that is handed down to each successive generation.

**4. Embed gender diversity into the culture.** Every company has a set of core values and most proudly display it on the wall. If gender diversity fits into that value set, you can engage the organization more effectively. Research suggests that gender diversity programs do not have a lasting effect; rather, modifying company values leads to lasting change. If leaders promote gender diversity values in their actions and decisions, they can influence the mind-set and culture of an entire organization. First, the top leadership team must align on the desired mind-set and behavior shifts. Then, leaders can model these new behaviors, adapting organizational processes and mechanisms that reinforce the shift in thinking and empowering talented people in middle management who are examples of diversity and inclusion.

**5. Empower HR.** Each company is different, so there is no prescription for the correct three or four tactics HR should prioritize and develop. That said, the most important areas to explore are in talent management: individual development plans, succession plans, career paths, and key promotions. Invest the time it takes to assess your company’s people, discuss the best development approach for high-potential women, and make it happen through training and sponsorship.

In addition, isolate the best metrics and report them to the first level of management, tying performance discussions to the annual talent management process. Establish regular unit-by-unit progress reporting to the top leadership team and the board. Hold discussions that encourage, teach, and motivate each manager to consider what is holding women back.

**6. Instill board discipline.** Set up a plan to recruit three or more women to the board, taking into consideration the skills and experiences most needed. You may have to rethink age and term limits to free up spots or expand the board size for a period of time. The next step is to assign one or more women to the Nominating and Governance Committee as well as the Executive Committee. In addition, use the HR Committee (or, if you don’t have one, another committee) to identify and get to know high-potential women below the top leadership team.
Additional actions include ensuring that the board’s agenda addresses diversity and using board meetings to provide exposure to rising talent. It may be a good idea to find ways to engage board members as role models and sponsors through your affinity networks and sponsorship activities.

Finally, require reporting on an annual or semiannual basis and work with top management to get to know the most talented women several levels down.

McKinsey’s research on the Fortune 1000 top leadership teams and boards makes clear that the companies that want to improve performance on gender diversity can make a genuine difference. It is a journey of years, not months, but one that will increase the number of talented people at the top and all along the pipeline. Not only will women benefit but also the entire organization. The passion of the inspiring leaders we met and the data we discussed in this report reinforce our confidence that progress can be made if we make gender diversity a priority and draw on the successful practices of those who are ahead in the journey. Creating an environment for everyone to bring more of his or her potential to work is worth the time and effort, now more than ever, for every company. If you’re thinking about building a legacy, this one is worthy of your consideration.
An Added Perspective

For any senior leader, the most important job is to build and then orchestrate an organization that is sustainable—that is built to last.

Like an orchestra, high-performing organizations are those that have a diversity of sounds—the experiences, the knowledge, the personalities—that when brought together create harmony and make the whole greater than the sum of the parts.

While there is always more to be done, MGM Resorts was the first in our industry to develop and incorporate a diversity and inclusion philosophy. I’m proud that more than a third of our senior leaders—and climbing—are women. Some of my closest colleagues are the presidents of two of Las Vegas’ iconic resorts, Luxor/Excalibur and New York-New York. I’m proud that these two MGM Resorts properties have talented, engaged, and thoughtful women at their helm; they were the first in the industry.

Companies that are working toward the goal of greater gender inclusion at all levels have much to learn from one another. Together we will build organizations that go the distance.
Notes
About Us

The Center for Women in Business (CWB) promotes and empowers women business leaders to achieve their personal and professional goals by increasing opportunities for women to serve on corporate boards and in the C-suite; mentoring women at all stages of their careers; and building a network for women entrepreneurs to encourage peer-to-peer networking, education, and professional growth.

The U.S. Chamber of Commerce Foundation (USCCF) is a 501 (c)(3) nonprofit affiliate of the U.S. Chamber of Commerce dedicated to strengthening America’s long-term competitiveness by addressing developments that affect our nation, our economy, and the global business environment.

The U.S. Chamber of Commerce is the world’s largest business organization representing the interests of more than 3 million businesses of all sizes, sectors, and regions.

CWB would like to thank our research adviser McKinsey & Company.