

HEIDRICK & STRUGGLES

Meeting the demand for women directors



The case for more women executives and board directors is stronger than ever;

increasingly female representation is not only essential to the realization of gender equality in US society, but it also helps companies improve financial returns.

Heidrick & Struggles has recently committed that a minimum of half of our initial board slates, presented to all clients globally on an annual basis, will be diverse.

In the following pages, we review why this matters and offer five ways companies can stay ahead of the competition in the race for female directors.



On the **financial** side, our new proprietary research shows that top-quintile boards¹ tend to have more female directors than their bottom-quartile counterparts, a finding that's been echoed by several other firms².



Socially, the call is getting clearer as well.

A decade ago, Norway was the first country to require companies to have female directors. Just this year California became the first US state to do so³. However, even when companies aren't subject to California's—or Norway's—jurisdiction, **immunity will not grant exception from publicity** through public initiatives such as the UK's "Women on Boards" program.

1. In terms of predicted short- and long-term TSR

2. For example, "Delivering through diversity," McKinsey & Company 2018.

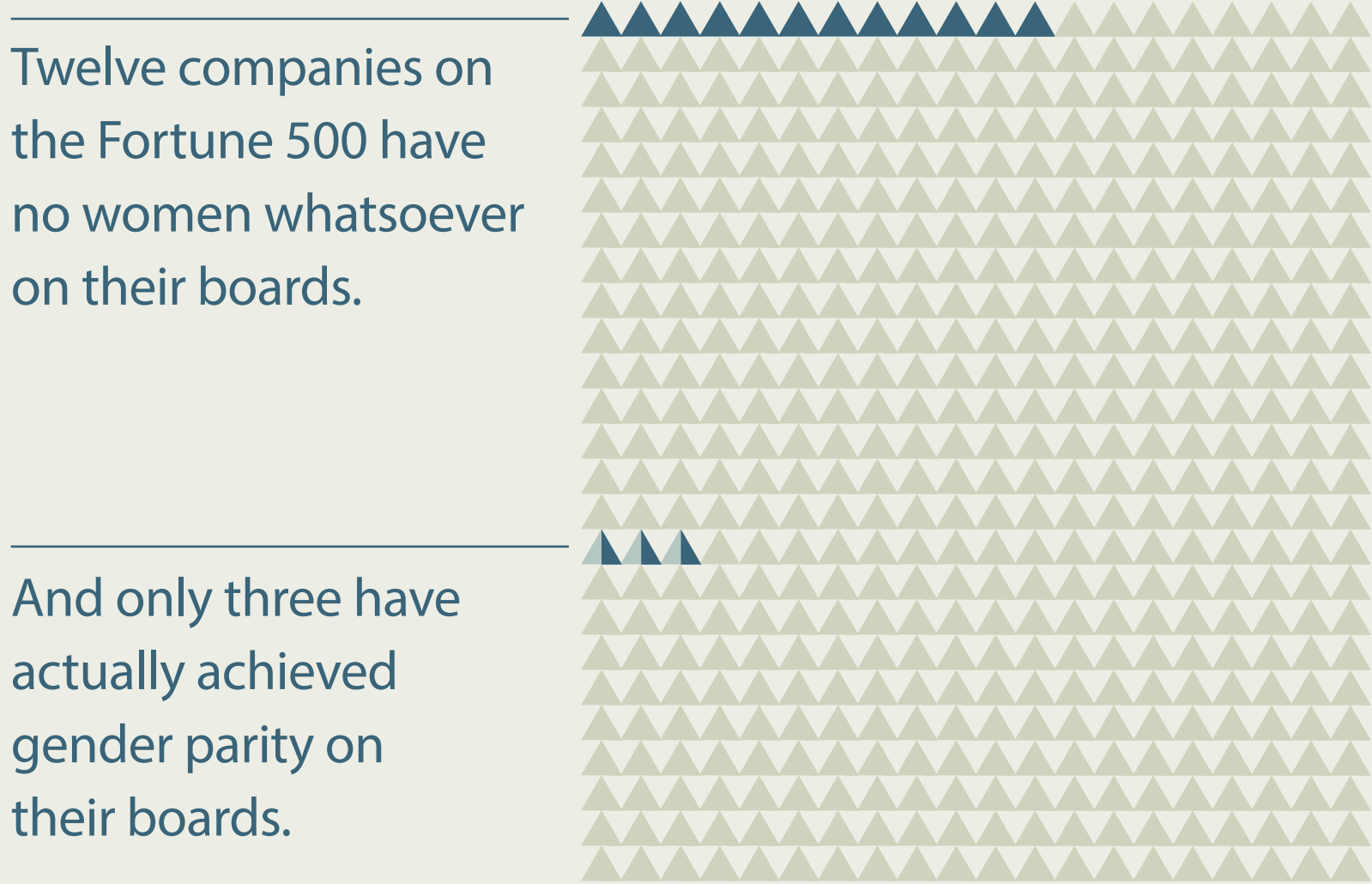
<https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

3. In September 2018, California mandated that all public companies headquartered in the state have at least one female director by the end of next year.

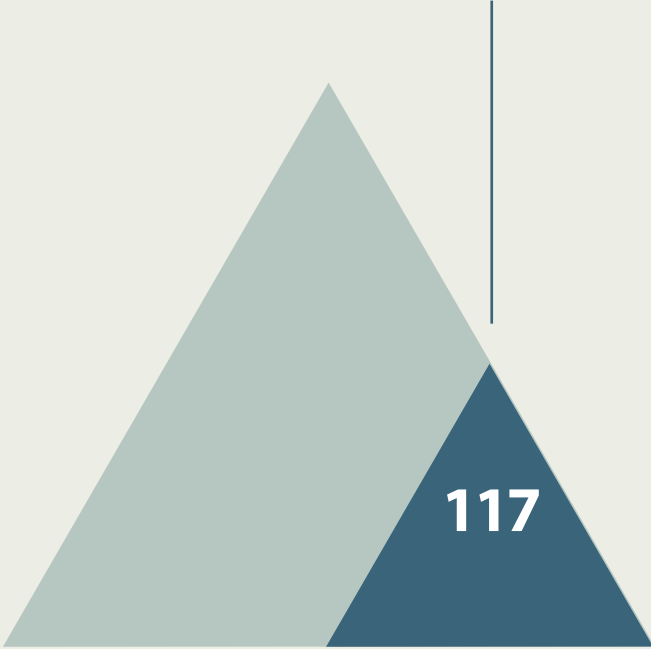


Despite these financial spurs, governmental mandates, and public demand, **finding women directors isn't going all that well.**

Among the Fortune 500, for example, despite a record number of independent seats on Fortune 500 boards going to women in 2017, progress remains slow—even at that pace women will not reach parity with men in new appointments until 2025.



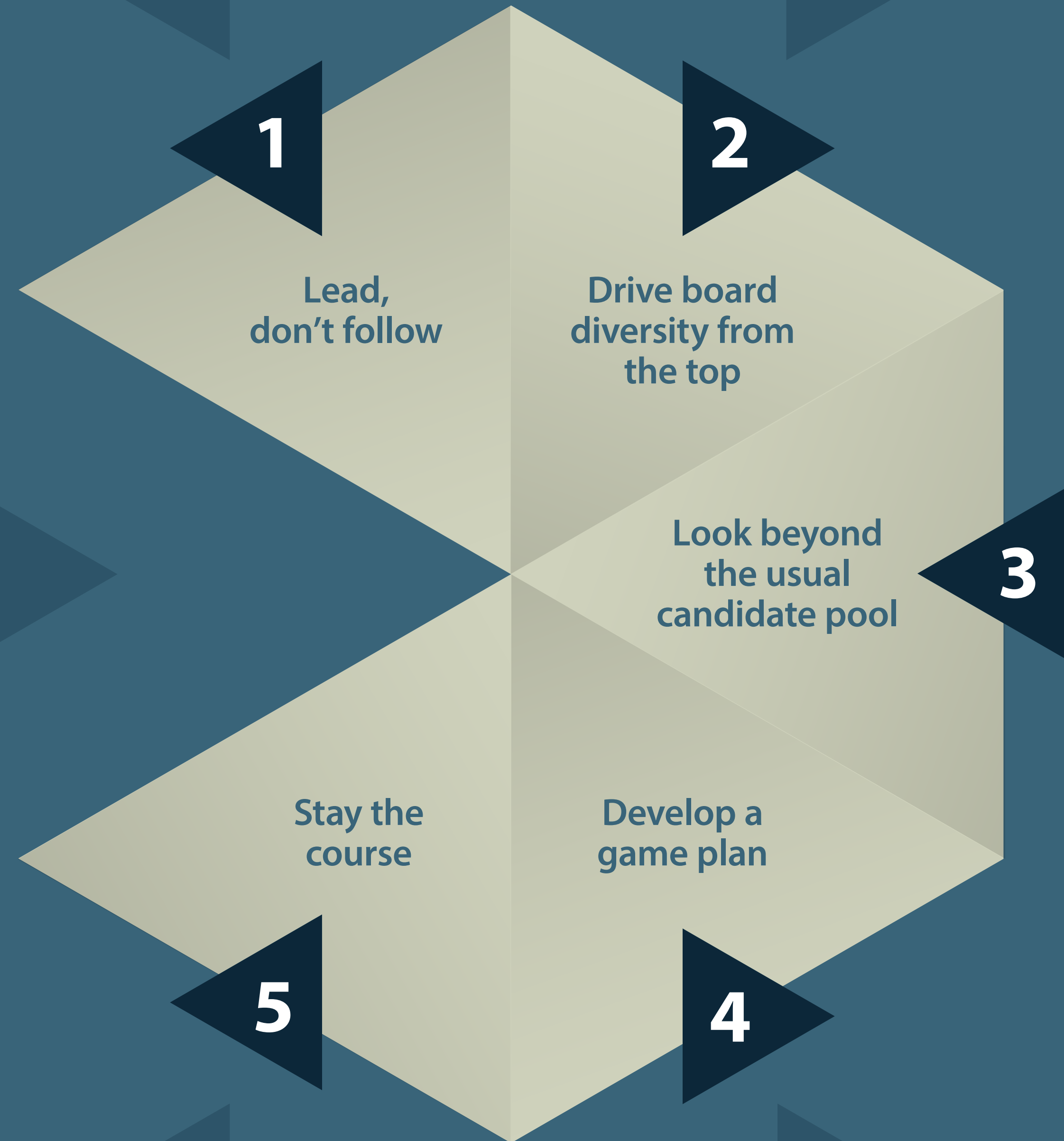
In California, 117 of the 446 public companies in the Russell 3000 index headquartered in the state have no women on their boards.



Women will not reach parity with men in new appointments until

2025

What can companies
do to find and
attract the female
directors they need?



1

Lead, don't follow

Companies that act quickly will not only reap the business advantages of board diversity sooner rather than later but also set the gold standard among their peers and send a strong message to their customers and employees – that diversity matters.



2

Drive board diversity from the top

Although execution falls on the Nominating Committee, the push for gender diversity must also come from the Chair or a strong Lead Director or CEO who keeps it front and center. Without strong support from one or more key members of the board, efforts to add diversity can often get sidelined.

One leadership team in an industry notorious for lack of diversity found success by expressing their commitment to diversity not as pressure, but as enthusiasm—an enthusiasm that spread infectiously to the entire nominating committee and resulted in one of the most diverse boards in the industry.

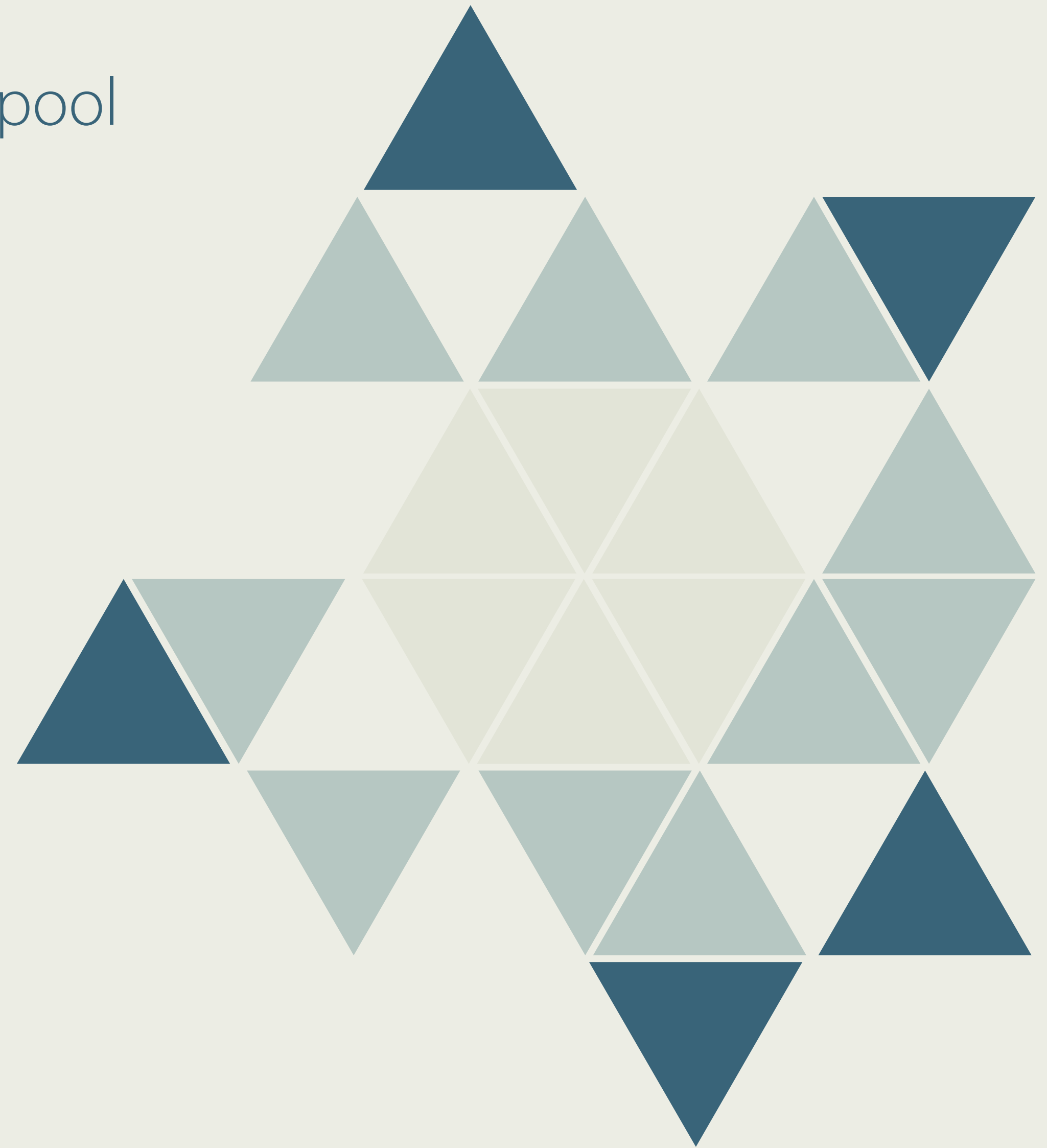


3

Look beyond the usual candidate pool

The ideal candidate does not have to be a CEO. In our experience, GMs, division heads, presidents of universities, retired public servants who have led large government agencies, and retired career military officers who have led complex commands are all strong candidates for board roles.

Consider also functional leaders whose expertise is relevant to a key area of your company's strategy or entrepreneurs who have scaled a business. Earlier in career executives often bring sharp new insights into the boardroom, especially on technology and industry disruption.



4

Develop a game plan

The most effective boards build a recruiting plan and methodically tackle it. Often they get to know candidates before they can take a board role – investing in and developing a relationship.

They think creatively about their most strategic needs and keep a focus on identifying diverse candidates, even when they are not in active recruiting mode. They ask major organizations like ELC and Catalyst for ideas. And they execute a disciplined recruiting strategy.



5

Stay the course

It is hard work to build a board. Recruiting the right person takes time. Insist on being presented a diverse slate that includes women. And think about accelerating success: not just recruiting one person today but, if you identify several great candidates, adding them sooner than you might have planned. Indeed, some companies expand the size of their boards particularly to ensure long-term diversity by being able to add people when they were available.



Taking these five steps will help companies find the best female board members and give them a better chance of staying ahead of the competition in terms of reputation and financial returns.

Learn more about Heidrick & Struggles' CEO and board practice **here**.