

A path that pays off: Why women on boards improve female CEO participation



Female CEOs make up a tiny 4.9% of major company heads worldwide. In Switzerland, the post is even more male-dominated, with 97.9% of companies listed on the SMI Expanded led by men. Given that CEO posts have traditionally been filled by applicants with previous CEO experience, the lack of female candidates at CEO level is a self-perpetuating problem. Or at least, it has been. Shifts in women's leadership career paths are making way for a new generation of female talent at the top of the corporate ladder.

THE SCENIC ROUTE

An analysis published in the Harvard Business Review (HBR) found that females were significantly more likely than men to have risen to their CEO role after serving on a public company board (59% for women compared to 42% for men). Almost twice as many women (23%) as men (12%) had served on a private company board.

In those cases where CEOs were recruited from outside a company, over half of men (52%) had already held CEO positions, while just 18% of women had. Aspiring female CEOs should seek out board positions early in their career. It appears that a growing number are already doing just that. The 2018 U.S. Spencer Stuart Board Index found that women make up

40% of incoming board directors (up from 36% in 2017).

This takes the total number of female directors to 24% – an unprecedented level. In the next-gen group (directors aged 50 or under), 53% are women. It is an exciting indication that the potential CEO ascension pool could explode with female talent if companies – and female candidates themselves – would seize on the board-to-CEO route as a common and viable pathway.

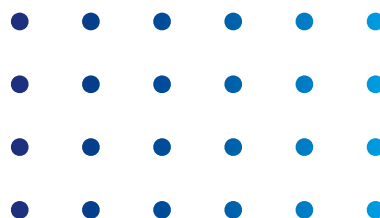
It is interesting to note that while typical career paths of men and women CEOs differ, there are similarities elsewhere. For example, the average age of a Fortune 500 CEO is 51, regardless of gender: In the HBR analysis, other demographics and company indicators also matched. This is an encouraging sign that oft-cited female penalties such as motherhood do not inevitably translate into slower career progress.

FROM PATHWAY TO SIGNPOST

These findings are an interesting snapshot of the current reality, but they also offer valuable insights into how companies can actively assist high-potential women on their way to the corner office. After all, there are excellent reasons why companies should actively seek to foster female development at board level – regardless of quotas or ultimate career outcome for female executives.



The correlation between women at C-suite level and firm profitability has been demonstrated repeatedly. In 2016 the Peterson Institute for International Economics conducted a global survey of 21,980 firms from 91 countries. Their analysis confirms the positive effect of women leadership on firm performance. Interestingly, the impact was most significant at companies with a higher share of female executives, then those with the most female board members. The presence (or absence) of a female CEO did not have a statistically significant effect. The key takeaway for business leaders: embracing gender equality at every level is likely boost company performance, whether or not those females subsequently rise to CEO level.





INTERNATIONAL STRENGTH – THE SWISS PERSPECTIVE

Although Switzerland has one of the lowest percentage of female CEOs (2.1% among firms listed on the SMI Expanded), women are occupying more leadership roles in general. Since 1996, the share of leadership roles and positions with direct reports taken by women has grown slowly but steadily from 29.4% to 36.1%.

International experience appears to be a particularly valuable asset in CEO candidature in Switzerland, where 74% of appointments go to leaders with cross-border experience, rising to 94% for candidates not promoted within the ranks of their current company. Switzerland also stands out for its high number of non-Swiss nationals in CEO roles – more than half come from other countries. International female talent may be encouraged by these trends, despite the currently low level of female representation overall.

MORE MENTORING

Experience is not just a collection of concrete practice examples, it's a mindset. Women with CEO ambitions, like their male counterparts, should seek out opportunities to exchange experiences and transfer knowledge. Mentoring has been shown to improve performance across a range of subject areas and scenarios. Female peer mentoring of women students in science, technology, engineering and mathematics (STEM) during early college was found to increase women's positive academic experiences and retention, even past college years and onto the career ladder.

Generalizing these findings to the business world, women with leadership ambitions should look out for suitable mentors early on. Of course, these can – and often are – men, but as in

the example of STEM students, female executives may benefit from the female mentorship that protects “women's belonging and confidence” in a traditionally male-dominated sphere. Women in the upper echelons of business can also do their bit to embrace female talent at board level and in the C-suite by actively offering their mentoring services to high-potential candidates earlier in their careers.

Ambitious, motivated women may find networking useful in the search for appropriate mentors of either gender. KPMG's Board Leadership Circle – a closed group within the Board Leadership Center – brings together selected high-caliber board members to discuss future board issues or challenges as they arise. Participation in networks like this raise the profile of talented future leaders and even directly improve career prospects by helping women tap into the experience of others and discover career opportunities.

PROMISING OUTLOOK

Securing a pipeline of female managers is a valuable strategy in itself. Forward-looking firms should capitalize on emerging career patterns for female CEOs by embedding female board membership in their succession plans now.

It will be interesting to see whether the number of female CEOs increases over the coming years at companies required to maintain female board membership quotas. Germany, for instance, with a mandatory female participation of 30% at board level currently has one of the lowest percentage of female CEOs at DAX and MDAX firms – just 1.2%. If board participation is the female route to CEO, we can look forward to a more diverse CEO ascension pool and more female voices at the very top of top management in coming years.





At the same time, it's important to note that the Harvard Business Review findings are just a snapshot of the current trend. While women – and men – may be encouraged by the figures supporting alternative paths to the CEO chair, talented business leaders will find their own route to the top. Whether that's board to C-suite or C-suite to board is far less important than the fact that the right talent and experience is available to lead corporate success. In the workplace of the future, we can also hope that quotas will cease to be relevant as companies realize the short and long-term business benefits of actively seeking out female talent at management and board level. It means women with their sights set on the CEO seat will find it easier to secure relevant experience and enjoy a rich and varied executive career. Gender equality means business.

CONTACT



HÉLÈNE BÉGUIN

Partner, Member of the Board of Directors
KPMG Switzerland

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