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Transforming the C-suite:

Developing and Advancing Women Leaders

In collaboration with



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Foreword

Throughout history, successful companies, thriving economies and prosperous communities have been characterized by their openness to diverse ideas and their commitment to inclusion.

Yet despite progress in many areas, the evidence shows that there is much more work to be done, particularly in achieving true gender parity in all levels of business. While it is widely accepted today that the full inclusion of women executives improves a company's financial performance, and a majority of organizations have a formal senior leadership inclusion initiative in place, the data shows that the number of women in these positions is still significantly low.

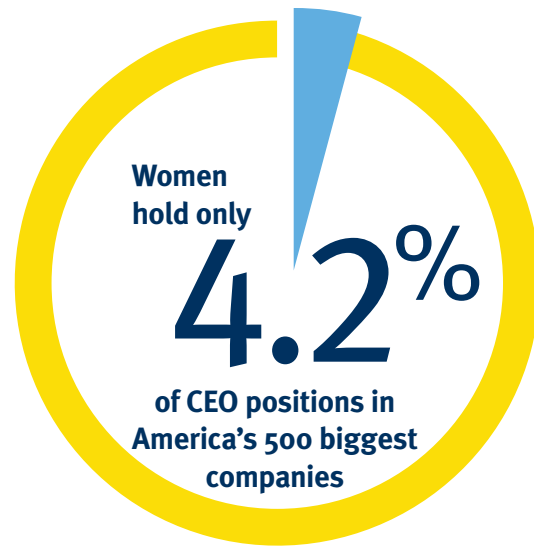
FORTUNE Knowledge Group, with sponsorship from Royal Bank of Canada, developed this study to reinforce the importance of female advancement by identifying the barriers in achieving gender parity and uncovering solutions to accomplish this goal.

The analysis in this study unearthed correlations between the profitability and revenue growth of companies that have achieved higher levels of gender diversity in senior positions. The findings in this paper outline six recommended practices to help address the low level of gender parity in major corporations.

In addition, FORTUNE has developed a new Honor Roll to identify 20 companies from the FORTUNE 500 that are leading the pack in achieving gender diversity. I would like to congratulate these companies in their efforts and success in this important endeavor.

At RBC, we're proud of the progress we've made in creating a diverse and inclusive culture, but equally recognize that we have more work to do. We know that fully realizing the talents of the many, not the few, is the route to true business success and sustainable growth.

Dave McKay
President and CEO, RBC



There are two things no one questions about the idea of having more women leaders in the workplace:

1 that it improves a company's financial performance, and

2 that most global businesses have had some kind of formal gender diversity initiative in place for several years now.

Why is it, then, that so few women hold the top jobs in major companies?

The 2016 Fortune 500 list includes just 21 companies with women at the helm—in fact, fewer than the 24 recorded the previous year and in 2014. That means women hold only 4.2% of CEO positions in America's 500 biggest companies. Similarly, research from Catalyst, a non-profit organization that conducts research on inclusive leadership, shows that women currently hold 23 (4.6%) of CEO positions at S&P 500 companies. And a study by Grant Thornton reveals that globally, women hold an average of just 21% of senior management roles and only 9% of CEO jobs.

This reality contradicts years of research showing that gender diversity in management (and specifically, having women in leadership roles) enhances corporate financial performance.

For example, a 2015 McKinsey & Company report, *Diversity Matters*, part of a long-running series on the topic, concludes that companies in the top quartile for gender diversity are 15% more likely to have financial returns above their respective national industry medians. And Catalyst reports that companies with the most women board directors outperform those with the least on return on sales by 16% and on return on invested capital by 26%.

"There are many reasons for the lack of women at the top, and these range from gender bias and discrimination to whether organizational cultures are rigid or flexible," says Marianne Cooper, a Stanford University sociologist who was the lead researcher for the book *Lean in: Women, Work, and the Will to Lead* by Facebook COO Sheryl Sandberg. "With social problems, there's never one real smoking gun. If there were, we would be solving them faster than we are."

To get perspectives on what businesses are actually doing to improve gender diversity among senior leaders – and why their efforts largely fall short – FORTUNE Knowledge Group, in collaboration with Royal Bank of Canada (RBC), launched a survey of 1,000 senior executives (at the level of Vice President and above) from around the world.

The survey was conducted in the fall of 2016.

About the survey

Our survey findings support the conclusions of several published studies showing that organizations with high proportions of senior female leaders also tend to have stronger financial performance.

A separate analysis of Fortune 500 companies based on SEC filings found a median female C-level participation of 20% or more. This is about the same as the companies we surveyed that have 5,000 or more employees. The Fortune 500 analysis also found statistically significant correlations between companies' gender diversity index and both profitability and revenue growth.

We also interviewed several senior female executives, asking them to describe what they saw as the challenges to women's advancement and what they themselves experienced on their way to attaining high-level management positions. This report discusses our key findings.

Gender diversity among Fortune 500 firms

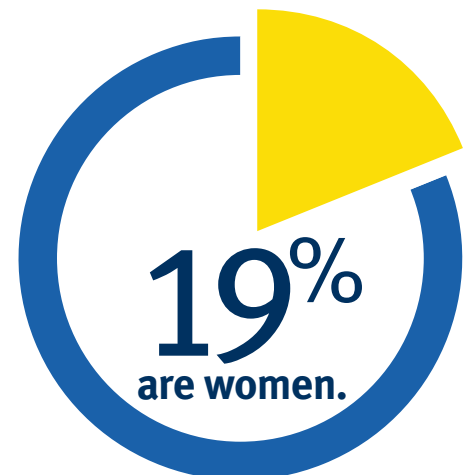
Gender diversity among senior leaders is an ongoing challenge for business enterprises of all sizes.

To progress in the development of senior female executives, FORTUNE Knowledge Group (FKG), developed a composite index of gender diversity for the Fortune 500 companies.

The gender diversity index

FKG analysts compiled data on the gender of senior executives and members of Boards of Directors using SEC filings, annual reports and other sources. Overall, 7,585 senior management positions in Fortune 500 companies were identified, of which 19% are women. The results were normalized and combined into a composite index, giving equal weight to three components: senior management, board members, and "pipeline" positions.

7,585
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Top 20 Companies on the FORTUNE Knowledge Group Gender Diversity Index

Index Rank	Company	F500 Rank	Index	Sector
1	Ingredion	456	1.000	Food Beverage and Tobacco
2	Avon Products	370	0.999	Household and Personal Products
3	PepsiCo	44	0.996	Food Beverage and Tobacco
4	Xerox	150	0.994	Technology
5	Sempra Energy	279	0.993	Energy
6	Lockheed Martin	60	0.989	Aerospace and Defense
7	General Motors	8	0.988	Motor Vehicles and Parts
8	International Business Machines	31	0.986	Technology
9	CH2M Hill	478	0.984	Engineering and Construction
10	Frontier Communications	461	0.964	Telecommunications
11	Mondelez International	94	0.962	Food Beverage and Tobacco
12	General Dynamics	88	0.961	Aerospace and Defense
13	Duke Energy	115	0.960	Energy
14	Veritiv	323	0.953	Wholesale
15	Graybar Electric	423	0.953	Wholesale
16	CST Brands	299	0.941	Retail
17	Kohl's	145	0.935	Retail
18	Best Buy	71	0.935	Retail
19	Voya Financial	252	0.935	Financial Services
20	Marriott International	195	0.924	Hotels, Restaurants, and Leisure

Gender diversity by industry

Further analysis of the underlying data found that diversity in senior positions varies substantially across industries. The top industries are household and personal products, hotels, restaurants and leisure, and apparel. The median gender diversity index for companies in each of the 21 industries represented in the Fortune 500 are presented in the table below. The median index ranges from 0.66 for the most diverse industry to 0.22 for the least diverse. The use of medians gives emphasis to companies that are making progress with gender diversity but are not necessarily top performers. For example, the apparel sector ranks third even though there are no apparel companies in the top 20 list.

FORTUNE Knowledge Group Gender Diversity Index by Sector

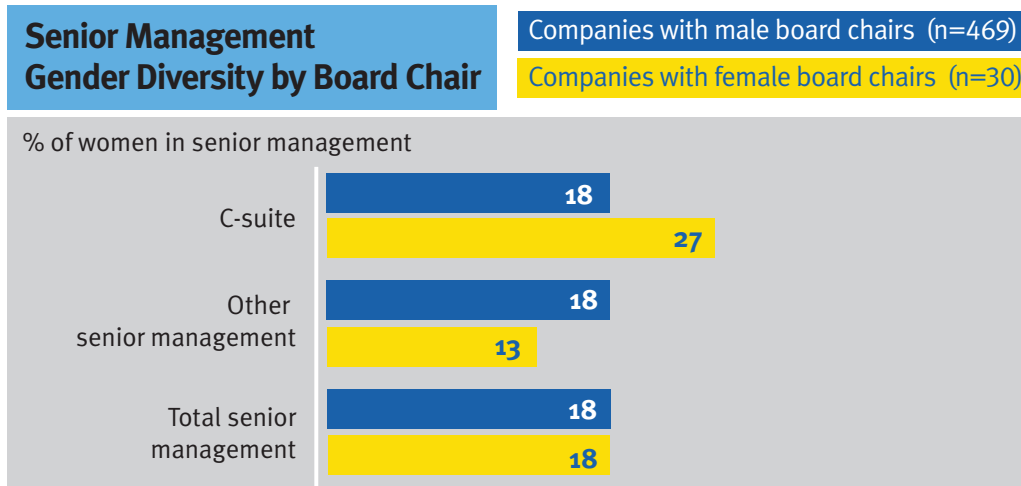
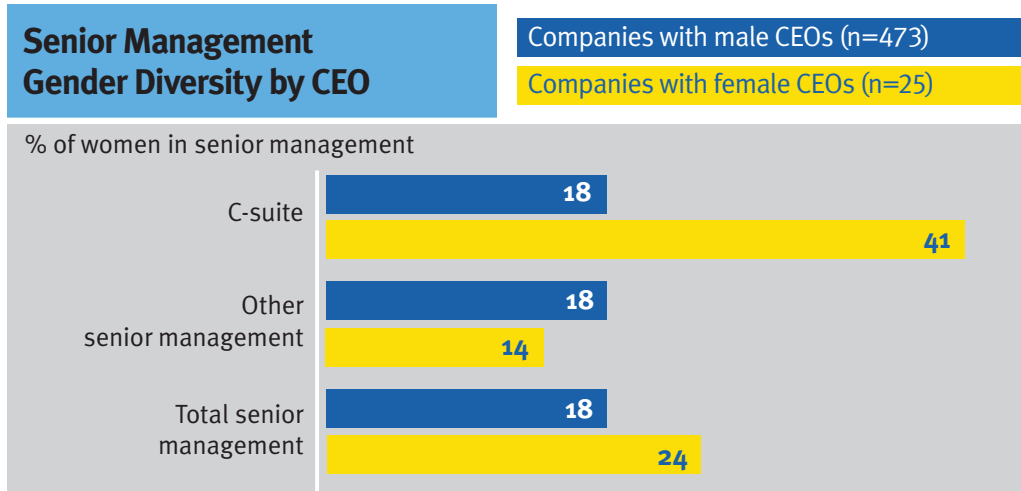
Rank	Sector	# Firms	Median Index
1	Household and Personal Products	12	0.660
2	Hotels, Restaurants and Leisure	10	0.559
3	Apparel	5	0.536
4	Food, Beverage and Tobacco	25	0.525
5	Insurance	42	0.524
6	Retail	54	0.518
7	Business Services	20	0.513
8	Healthcare	44	0.464
9	Financial Services	39	0.456
10	Energy	61	0.454
11	Telecommunications	10	0.431
12	Technology	41	0.422
13	Aerospace and Defense	11	0.420
14	Media	10	0.414
15	Industrials	15	0.412
16	Transportation	18	0.396
17	Chemicals	13	0.376
18	Materials	19	0.316
18	Wholesale	26	0.309
20	Motor Vehicles and Parts	13	0.228
21	Engineering and Construction	12	0.217
Total		500	

The impact of women at the top

Companies with female CEOs or board chairs have more women in C-suite positions. But promotion to the C-suite tends to deplete the pipeline of women candidates at other levels of senior management (see charts below).

“I think society has, for centuries, trained us to think in certain ways about women and girls. It will take a long time, and it will take a persistent effort, to overcome those innate biases.”

– Anne Richards, CEO, M&G Investments



Policies don't necessarily translate into action.

Nearly 70% of our respondents say their organization pursues an explicit women's talent strategy, with strong support across the board and high-profile efforts to support an inclusive, high-performance culture. But surprisingly few executives indicate that their company has translated these policies into practical actions. Only about half say their firms employ transparent, gender-neutral hiring criteria, have transparent processes for identifying high-potential candidates, offer maternity leave beyond legal minimums (paternity leave ranks lower still), or track gender diversity at key career milestones.

"There is a main reason why gender diversity initiatives either fail or come up short, and that's because they tend to be really limited in scope," says Stanford University's Cooper. "They are failing to address gender and equity in a comprehensive manner, because there are so many different factors at play."

Most professionals view family responsibilities as a career obstacle. Therefore, measures such as flex time and parental leave are likely to yield good results in developing female leaders. Yet fewer than half of our respondents say their firms equally encourage men and women to use parental leave. Only about one-third offer measures like childcare subsidies, and even fewer furnish on-premises childcare. Many firms also have a "face-time" culture that discourages flexible work arrangements.

The reason for this may lie in deep-rooted corporate cultures, says Deborah Gillis, president and CEO of Catalyst. "Both legislative protection for women's rights and workplace policies – like flex hours, paternity leave, and on-site childcare, are necessary but not sufficient for success – and that brings us back to organizational culture. It is one thing for an organization to have a flexible work policy; it's another thing if that organizational culture discourages both women and men from taking advantage of those policies."

Good intentions don't accomplish much.

Our survey shows that human capital management isn't a top priority. It ranks below objectives like customer relationship management and financial management. And even within leadership development strategy, cultivating senior women leaders is the top priority at only slightly more than a fourth of firms represented in our survey.



The problem starts at the beginning.

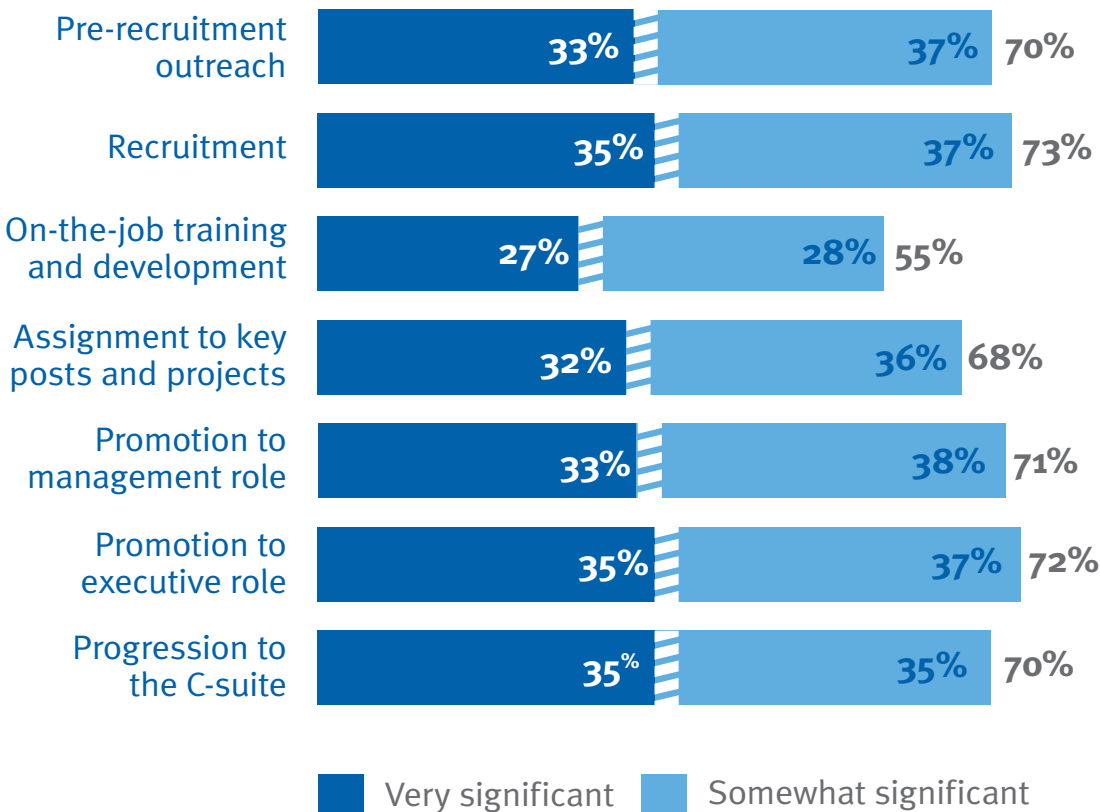
A McKinsey & Company/LeanIn.Org study, *Women in the Workplace 2016*, reports that women are less likely to be promoted to manager – and therefore less likely to be on the path to leadership. Our survey finds widespread recognition of the scope and magnitude of the obstacles women face at each stage of their careers. Nearly three in four respondents say that female applicants face “somewhat significant” or “very significant” obstacles—even during the

pre-recruitment and recruitment stages. Moreover, female respondents are more likely than their male counterparts to say that women face “very significant” challenges at every subsequent stage of their careers. The only career stage seen as significantly less challenging by both groups is on-the-job training and development.

“We’re not really ensuring that women’s careers allow them to move into those important roles early enough, so they’re not getting the experience and opportunity and visibility that they need to help them advance,” says Gillis.

Please rate the significance of the obstacles that women face at each stage of their careers with your organization.

% of respondents



Six ways to improve gender diversity in your organization

Key steps to take right now

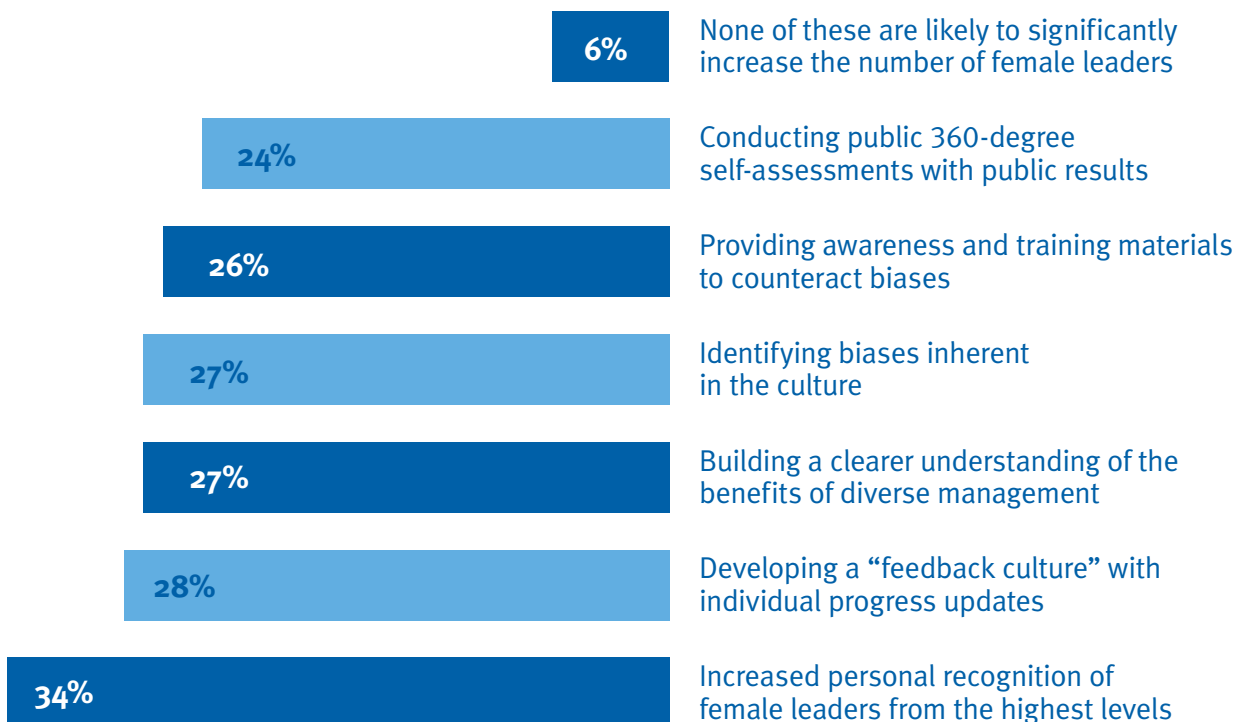
- 1.** Take a hard look at your firm's financial performance. There is a positive correlation between a firm's profitability and revenue growth and the number of women in senior leadership roles.
- 2.** Understand the power of stereotypes and bias. Pay attention to hidden bias and the challenges women face throughout their careers.
- 3.** Be prepared to make a significant cultural shift. Foster an inclusive culture that encourages diversity.
- 4.** Change your personal mindset. Learn to think differently about work-life balance, leadership traits, and performance tracking.
- 5.** Consider the impact of individual lifestyle choices. Understand that personal circumstances and choices may determine career advancement.
- 6.** Figure out what works – and what doesn't. Just having a women's talent strategy isn't enough – explore the nuances.

What are some practical actions companies can take? They run the gamut from increased recognition from the top to more transparent hiring criteria to explicit (and incentivized) targets.

Increased personal recognition of female leaders from the highest levels of the organization stands out as the most important change to the organization's culture. Other top changes include identifying inherent cultural biases, developing a "feedback culture" and building a clearer understanding of the benefits of diverse management.

Which of the following potential changes to your organization's culture offer the greatest opportunities to increase the number of female leaders?

% of respondents



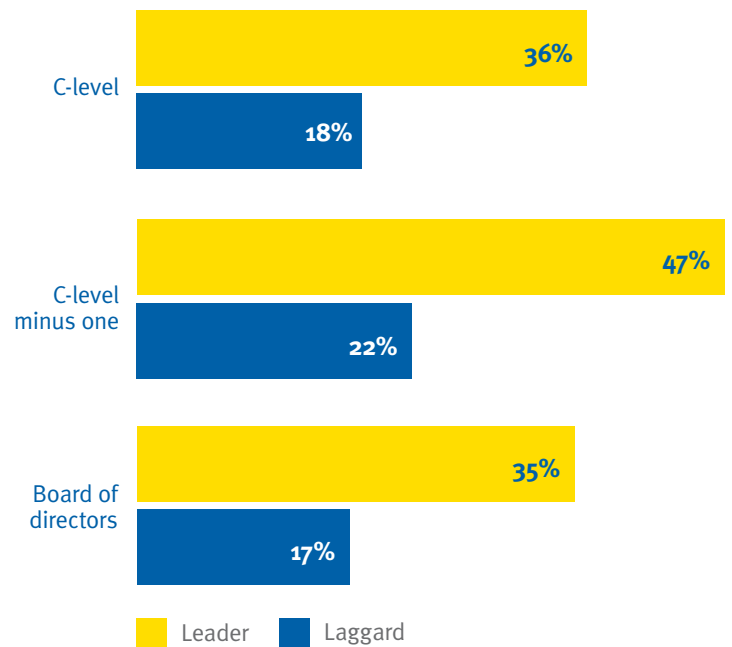
In terms of recruitment, transparent and gender-neutral criteria are regarded as the most important measure. Several other actions are considered nearly as promising. Among these are streamlined applications for promising prospects, job auditions and trial hiring, as well as fostering outreach to promote opportunities for women. The top six strategies are as follows:

1 Take a hard look at your firm’s financial performance.

We asked executives to rate their own firm’s profitability and revenue growth relative to competitors to assess the connection between female leadership and performance. “Leaders” were defined as the top 25% in both indicators, resulting in a group of 180 leaders from the survey sample of 1,000 respondents. We discovered that leaders are more likely than other firms (“laggards”) to recognize the need for more effective leadership development. In addition to attributing far greater importance to human capital development generally—78% of leaders say it is “very important” compared to only 39% of laggards—leaders are also more than twice as likely to say that fostering female leadership is their top leadership development priority (58% vs 20%). And these priorities are yielding dividends: they more often have a high percentage of women in key leadership positions, particularly among the board of directors and C-level minus one.

What is the approximate percentage of women in senior leadership positions in your organization?

% of respondent organizations with over 40% female leadership at each level



Note: Survey respondents were asked to rate their own firm’s profitability and revenue growth relative to competitors to assess the connection between female leadership and performance. “Leaders” were defined as the top 25% in both indicators, resulting in a group of 180 leaders from the survey sample of 1,000 respondents. Leaders are more likely than other firms (“laggards”) to recognize the need for more effective leadership development.



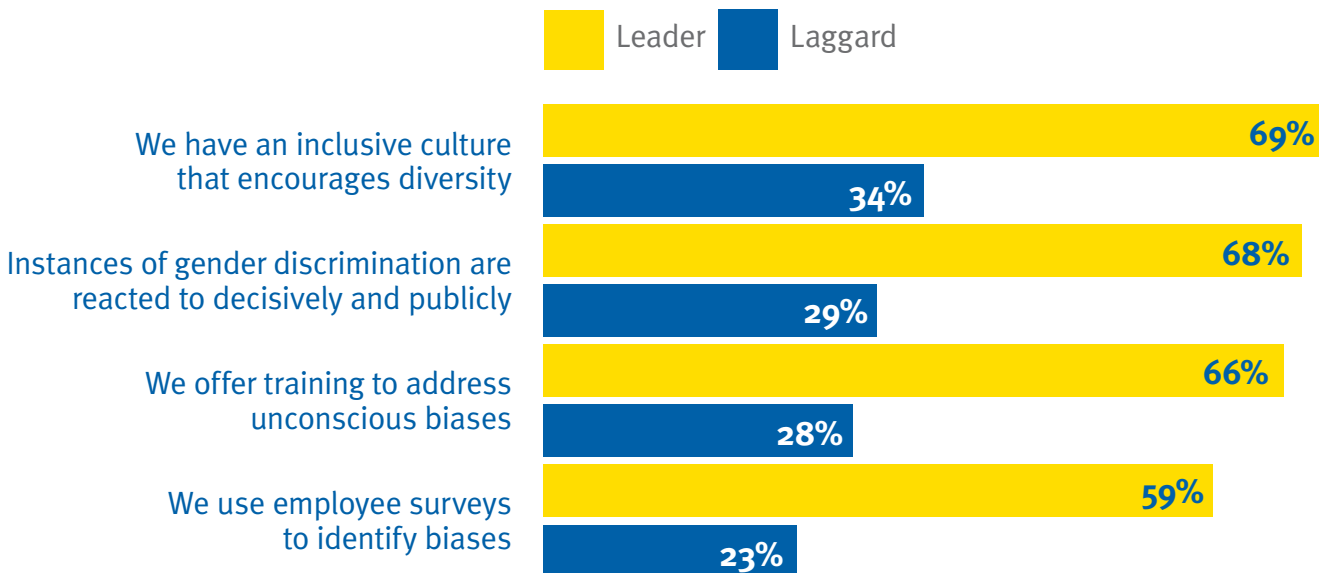
2 Understand the power of stereotypes and bias.

Gone are the days when women were sent to fetch coffee at meetings, but “we’ve moved from overt discrimination to some hidden barriers,” says Anne Richards, CEO at M&G Investments. “I think society has, for centuries, trained us to think in certain ways about women and girls. It will take a long time, and it will take a persistent effort, to overcome those innate biases. Gender pay gap is one example, obviously, but there’s been some research that shows that women are less likely to get promoted or to take longer to get promoted at each step in a management hierarchy. That means they progress to the top more slowly.”

Leading companies stand out, in part, because they pay greater attention to hidden bias and the challenges that women face throughout their careers. Leaders are apt to include significantly more gender-related factors in their leadership development performance assessments. They pay greater attention to diversity tracking at key milestones and encourage compliance through incentives. And perhaps most important, leaders are not afraid to employ sticks as well as carrots, being much more likely to publicly disclose their gender diversity performance to better hold themselves accountable.

Do you agree or disagree with the following statements about your organization’s culture?

% of respondents who strongly agree



Note: Survey respondents were asked to rate their own firm’s profitability and revenue growth relative to competitors to assess the connection between female leadership and performance. “Leaders” were defined as the top 25% in both indicators, resulting in a group of 180 leaders from the survey sample of 1,000 respondents. Leaders are more likely than other firms (“laggards”) to recognize the need for more effective leadership development.

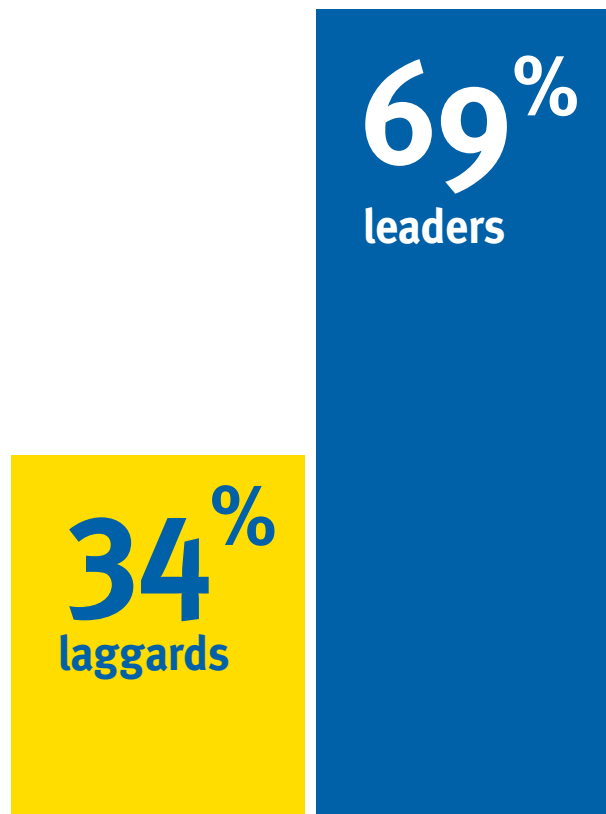
3 Be prepared to make a significant cultural shift.

Not surprisingly, these assertive strategies have a profound effect on the organizational culture. Leaders are more than twice as likely as laggards to say that theirs is an inclusive culture that encourages diversity (69% vs 34%), with a focus on rooting out and correcting biases and a zero-tolerance policy for all forms of gender discrimination. “I think you need to make a big cultural shift,” says Monica Mandelli, Managing Director at Kohlberg Kravis Roberts & Co (KKR). She reminisces about the time she was starting out in her career and flying in business class: “People in first class thought I was a stewardess. Because I was there with a navy suit, they would say, ‘Signorina, can you hang up my coat?’”

Mandelli adds, “You need to have more women like me or others that say, ‘We did it, so you can do it too.’ That, to me, is probably the most important thing to do. The second big thing is that you need to involve the men, because if we think we’re going to go it alone, it’s not going to happen.”

“To be successful, organizational change initiatives need to empower women - a lot of them tend to just focus on that - but they also need to address cultural and structural impediments to women’s advancement. That would require a holistic approach.”

– Marianne Cooper, sociologist, Stanford University



Leaders are more than twice as likely as laggards to say that theirs is an inclusive culture that encourages diversity

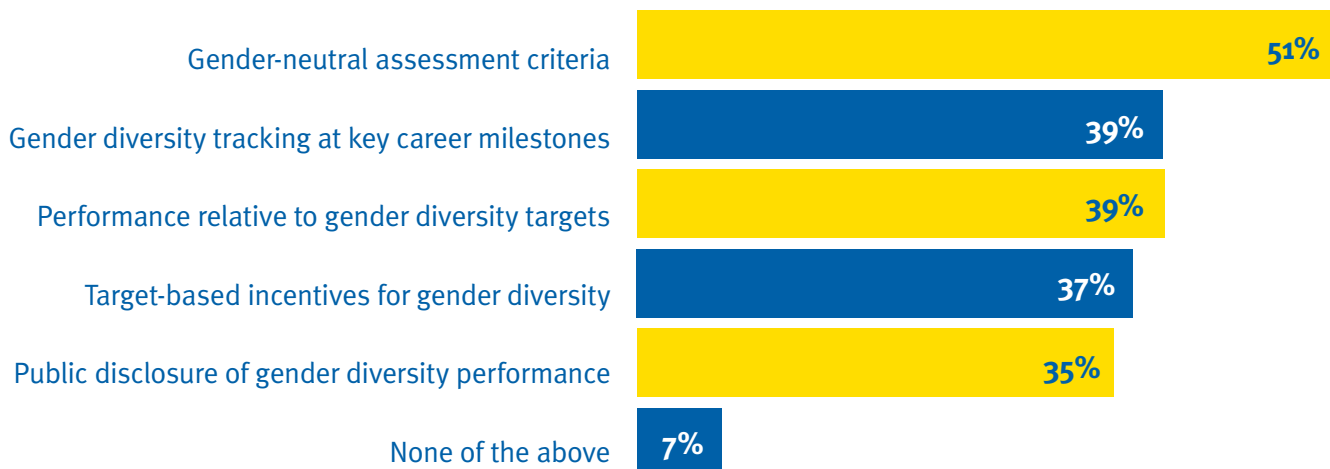
4 Change your personal mindset.

Executives generally recognize that changes in mindset are among the improvements that need to be made, especially concerning work-life balance and fostering leadership traits in qualified female candidates. But they also recognize the need to track performance. Gender participation targets are seen as valuable in several areas, including recruitment, access to development and promotion systems. Tracking outcomes at key career milestones is also regarded as key. About a third of executives point to incentives based on these targets as one of the most promising strategies, up there in terms of importance with gender-neutral assessment criteria.



Which of the following gender-related factors are included in your organization's performance assessments of its leadership development program?

% of respondents



5 Consider the impact of individual lifestyle choices.

Bluntly put, there's only so much an organization can do to attract and retain women leaders. Beyond a certain point, people's personalities and lifestyle choices may influence their career advancement.

For example, the world of finance is perceived as aggressive and uncompromising. This may tend to put off women candidates. In highly demanding industries such as this, and depending on personal circumstances, the role of a spouse may be an old-fashioned one: one partner stays home.



Another lifestyle choice is the willingness or ability to accept transfers to different geographical locations. Top management may not offer a transfer to a woman because they believe she won't accept a lifestyle disruption. The point is not whether this is true, but that female executives be given the opportunity to accept the transfer or turn it down.

“I’m optimistic for women because if you look at the world going forward, technology has enabled jobs to be much more portable. That means we now have a much greater competition for talent. Talent will reach out beyond geography.”

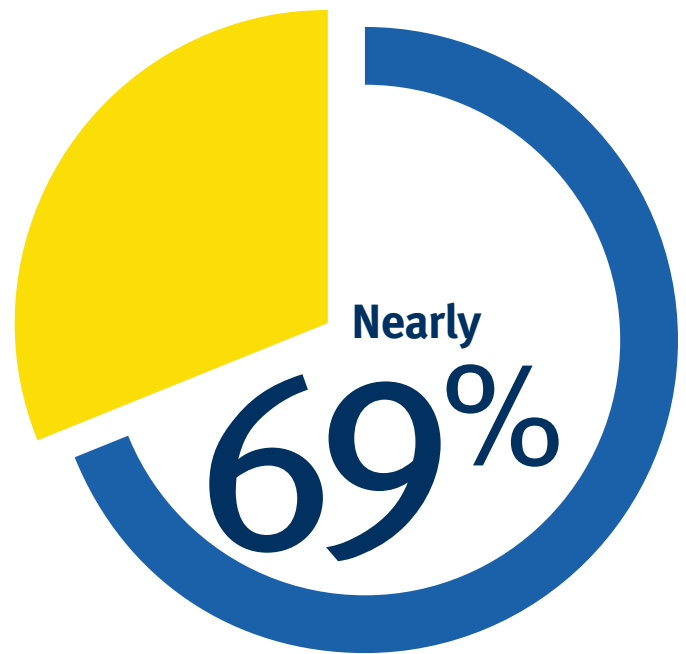
– Jennifer Johnson,
Co-President, COO, Franklin Resources Inc.

6 Figure out what works – and what doesn't.

Based on our survey results, far more leading companies have established an explicit women's talent strategy with strong support from the top. And senior leadership gets involved in more than just policymaking: executives make a practice of promoting success stories. They also make a common practice of sponsoring and mentoring high-potential women in the organization. But even here, nuances make all the difference. "It's critical to understand the difference between sponsorship and mentoring," says Gillis of Catalyst. "We understood that that was important, but there's a very subtle, important distinction between a sponsor and a mentor – and we've only recently focused on that. The advice and support, and reflecting on one's experience and sharing that with someone in a classic mentorship relationship, is really, really valuable. I would not underestimate it, but the advocacy and the endorsement of sponsorship, the talking about you, is really critical."

"You need to have more women like me or others that say, 'We did it, so you can do it too.' That, to me, is probably the most important thing to do. The second big thing is that you need to involve the men, because if we think we're going to go it alone, it's not going to happen."

– **Monica Mandelli, Managing Director, Kohlberg Kravis Roberts & Co. (KKR)**



of organizations discourage flexible work arrangements.

Conclusion: next steps

There is no magic formula to achieve gender diversity, much less systematically provide opportunities for women to take on senior leadership roles. Ambitious organization-wide diversity programs have had limited success, largely because they are not tailored to particular circumstances and lack serious support and commitment from top management. Companies may want to consider the following actions as they move forward with their women's leadership programs:

Follow the leaders.

Our gender diversity index (pages 4-7) shows that inclusiveness is not confined to any specific industry or company size. Rather, companies that have had the most success with their female talent development initiatives tend to have certain characteristics in common: an open and inclusive mindset, flexibility, and a willingness to accept and support change at all levels of the organization. The leaders in our index exhibit these attributes.

Focus on moving forward.

The steps toward gender diversity suggested in this report are a good start, but it's important for organizations to strive to go beyond them. Looking ahead and staying focused on new ideas and new ways to close the gender gap are vital to speeding up women's professional advancement. Companies are much more likely to achieve success if they adopt the principle of "continuous innovation": constantly improving, thinking creatively, and implementing fresh initiatives to achieve gender diversity at all levels of management.

Establish accountability.

Ultimately, senior leaders are rewarded not for good intentions but for results. If key leaders are given specific financial or other targets, and rewards if they meet those targets, they are much more likely to make active efforts to develop and advance women leaders – and to meet corporate goals for financial performance.

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About FORTUNE Knowledge Group

FORTUNE Knowledge Group, a subsidiary of Time Inc., a leading global media company, develops unique editorial content for senior executives. FKG works with global brands to create groundbreaking thought leadership that predicts and shapes the future of business. FKG also drives creative and distribution initiatives intended to deliver thought-provoking industry insights to corporate leaders seeking fresh, useful business ideas.

About RBC

Royal Bank of Canada is Canada's largest bank, and one of the largest banks in the world, based on market capitalization. We are a leading diversified financial services company, and provide personal and commercial banking, wealth management, insurance, investor services and capital markets products and services around the globe. We have over 80,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 35 other countries. For more information, please visit <http://www.rbc.com/>.

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