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## Corporate Leadership: Gender Gap Continues at The Top

by Joan Caruso



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There were several new female faces at the top of corporate America by the end of 2006, notably CEOs Indra Nooyi at PepsiCo, Irene Rosenfeld at Kraft, and Patricia Woertz at Archer-Daniels-Midland. But some recent surveys and studies of note make it clear that women have made little real progress overall in breaking into the C-suites at the country's largest companies.

### Top Management

Catalyst ([www.catalyst.org](http://www.catalyst.org)), the leading nonprofit research and advisory organization focused on promoting the advancement of women at work, have surveyed women's gains in FORTUNE 500® leadership since 1995. Among the findings of the tenth anniversary survey, which looks at 2005 against 2002, were the following:

- The total number of women in board-elected/appointed corporate-officer positions increased only 0.7 percentage points, to 16.4 percent — the lowest gain rate in a decade on an annualized basis.
- On average, FORTUNE 500 companies had 21.8 corporate officers, 3.6 of which were women; less than 2 percent had female CEOs and more than half had fewer than three female corporate officers.
- Women occupied only 9.4 percent of "clout" titles (higher than VP), up 1.5 percentage points, and were twice as likely as men to hold staff vs. line positions, making it harder to get the kind of experience needed to reach the top levels in most organizations.
- Women held only 6.4 percent of top-earner positions, up 1.2 percentage points; 75 percent of the FORTUNE 500 reported no women as top earners.
- Women of color held under 2 percent of corporate-officer positions and represented only 1 percent of top earners.

### The Board Level

Patricia Dunn's exodus from the Hewlett-Packard board brought new attention in 2006 to the dearth of women on corporate boards. So did the Catalyst ten-year milestone study of women on FORTUNE 500 boards, which showed that in 2005

- Women held 14.7 percent of all seats (3.4 percent for women of color), up from 13.6 percent in 2003 and 9.6 percent in 1995 but still only an average annual gain of one-half of one percentage point.
- On average, FORTUNE 500 companies had 21.8 corporate officers, 3.6 of which were women; less than 2 percent had female CEOs; more than half had fewer than three female corporate officers.

- Women are significantly underrepresented as chairs of the most powerful committees.
- One in nine of the FORTUNE 500 has no women on its board.

### The Pipeline

Another study — "The Pipeline to the Top," published in the November issue of the *Academy of Management Perspectives* — found an acute shortage of female talent in the leadership pipeline of the FORTUNE 1000. According to the six-year study, women are underrepresented in operational and finance jobs, holding their own in strategy and IT, and overrepresented in legal and accounting positions. It predicts that women will account for just over 6 percent of FORTUNE 1000 CEOs by 2016 — 40 years after they first entered corporate management in significant numbers.

The pipeline study also found that women in senior management tend to be younger and have held their posts less time than their male peers, suggesting aggressive recruitment and promotion practices — something the authors recommend more companies should adopt.

### Wake-Up Call

I think these studies should serve as a wake-up call. At the current rate, it could take women 40 and 70 years, respectively, to achieve parity with men in executive suites and boardrooms. But there is a compelling business case for advancing women now and for promoting diversity in general as part of an overall talent-management strategy. According to Catalyst's findings

- FORTUNE 500 companies with the highest percentages of female corporate officers yielded, on average, higher returns on equity and total return to shareholders (35 and 34 percent) than those with the lowest percentage.
- There tend to be more female corporate officers in industries where women constitute 49+ percent of the workforce. That may be in part because it's easier to retain women in lower ranks when there are women in top management. It's what FORTUNE calls "the chain-reaction effect. High-level female executives can inspire women throughout the organization and draw new talent."

For companies looking to compete on a global playing field, diversity of top management is a strategic imperative. The most successful companies will be those that tap **ALL** sources of talent, regardless of gender or race. This is especially true when demographic trends—an aging global population — are changing the size and nature of the talent pool, increasing competition for the best-qualified candidates.

*For information about how The Ayers Group can help you with talent management and other organizational effectiveness needs, please contact Joan Caruso, Managing Director of OEC, at 212-889-7788 or [joan.caruso@ayers.com](mailto:joan.caruso@ayers.com).*

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