

Building gender diversity on boards

McKinsey senior partner Celia Huber explains how companies can build and benefit from gender diversity on boards.



In this episode of our Inside the Strategy Room podcast, McKinsey's Sean Brown interviews senior partner Celia Huber on her groundbreaking work on board diversity.

Podcast transcript

Sean Brown: From McKinsey's Strategy and Corporate Finance Practice, I'm Sean Brown, and welcome to Inside the Strategy Room. Today we're talking with Celia Huber, a senior partner in McKinsey's Silicon Valley office and a leader in our Strategy and Corporate Finance Practice. In the past several years, Celia has led groundbreaking work on the issue of gender diversity on boards and how companies can accelerate their diversity efforts and benefit from them. Celia, welcome. Let's start with a bit of background on why you launched this research, and some of your findings.

Celia Huber: Thanks, Sean. It's great to be here. In thinking about research and diversity on boards, we saw a lot of articles about how the number just isn't moving. In the US, the overall number for publicly traded companies is still a little bit below or around 20 percent, given the particular year, and we have recently seen articles about FTSE [Financial Times Stock Exchange]-traded companies in the UK. We wanted to turn that around a little bit and instead of saying, "We're not making any progress," really look at the companies that have made progress.

What we did was rank the S&P 500 by gender diversity on their boards, and then looked at the top 50 companies. Those top 50 companies have over 33 percent women representation on average on their boards, and the highest is over 50 percent. So, we're thinking through what those companies that have been successful have done to make a difference, as opposed to dwelling on the numbers and the overall trend.

Sean Brown: What's your perspective on how long it took some of those leading companies to get there? Was it a multiyear effort to build up their boards?

Celia Huber: It is a multiyear effort even sometimes to have one woman join the board. The reason is one of the best practices we found was about building a pipeline. It's just not, "I have a board opening, I'm going to go look for a diverse candidate that fits all my needs." For companies that do this well, the chairman, other board members, and the CEO keep a constant list and are networking for potential board members, and that's how they think about it. One of them told me it takes roughly two years to cultivate a female board member, and thinking about it that way changes the dynamic. I don't just hire a search firm and say, "Hey, find someone right away."

Sean Brown: What about how they're cultivating and identifying these potential board candidates? Is it through their own networks? What are some of the ways that a woman who's interested in getting involved in boards could plug into that?

Celia Huber: First of all, it is about networks, but the companies that have been successful have said it's not about the traditional networks we've been using. I really want to expand my network. If I already have women board members, they can sometimes help me expand my network. When I go to conferences, I look at the speakers and say, "Those might be interesting board members." And I explicitly ask people, "Who's one of the best women CFOs you know?" Then I start to network toward those people. The other thing that is important is really changing the criteria. We talked about networking; the thing that goes hand in hand with networking is expanding the criteria of who you're looking for.

Sean Brown: Which expands the universe.

Celia Huber: Which expands the universe. So traditionally, the companies in the S&P 500 that are publicly traded look for CEOs—former CEOs, retired CEOs—to join their board. Sometimes they’re business-unit heads at a big company. Of course, you and I both know there are not a lot of women CEOs, so that pool is naturally very limited. To think through the next level down, what is the skill set that I really want to bring? How does that skill set relate to experiences that women would have out there, and then what does that pool look like? The companies that do this well have released some of the ingoing criteria that they used to use and are now thinking a bit more expansively.

Sean Brown: Are those same leading companies doing anything to help develop their next generation of women leaders to become board members?

Celia Huber: Yes. I’m glad you asked about development, because the companies that do this really well have a mind-set, not just about their board members but also about cultivating their own senior women leaders and encouraging them to start on small boards. Nonprofit boards. Get some of that experience so that they can start to see what it’s like. It helps their development within their current job, but it also positions them well for their own CEO to recommend them to another company as a potential board member.

Sean Brown: Were you seeing any industry trends? Are there any particular industries that did a better job of this?

Celia Huber: This part was really interesting to me. I had assumed what we would find is certain sectors have more women on the boards, and there are spikes that way. That was not true. Even in retail, which one would argue has the most women at entry level and women as customers, it was a variety of percentages of gender diversity on the boards. Even in retail, it was the CEO and chairman who explicitly

had to put women on the board and make that a goal to make this really happen. At the same time, we talked to some engineering companies and software companies that have also done the same thing, and arguably in areas where it is more difficult to find women. But because they think about expanding their criteria and networking, they were able to tap into some of the same pool of women that might, say, be a retail board member.

Sean Brown: Let’s build on the earlier point about how these CEOs and chairs are not only helping build a larger network of potential female board candidates but also looking at their organizations and helping bring up women within their executive ranks. Are there any other things you’d want to comment on as far as the trickle down there, if you will?

Celia Huber: The CEOs and boards that were in the top 50 companies on gender diversity have a very holistic mind-set of thinking through women’s development and gender diversity all through the pipeline. What’s more important is those companies also think through inclusion in general, and the pipeline of more junior women look up and say, “Oh, this is really important. My CEO is walking the talk by changing the board dynamics.” And so there has been a nice trickle down of a commitment into the rest of the company. It’s not just about the board. It’s actually about the whole culture, starting at the board level.

Sean Brown: Can you share with us some of the reactions that clients and other executives have had to the report and any dynamics that have changed over the last year?

Celia Huber: There have been a couple of reactions. First, the overall number has not moved. So, it is as relevant today as it was when we did the research and wrote the article. One of the things that was really enlightening was the CEO of Genpact talked about how he expanded the board and added seats

in order to change the gender makeup of the board rather than waiting for it to happen. A number of companies that have looked at that said that was a good idea. That wasn't necessarily in their purview of what they were thinking about changing in order to change gender diversity, but adding a board seat if you know someone's rolling off soon, but not quite yet, might be another way to go after it.

Sean Brown: What are some of the first steps that a CEO or a chair needs to take to make this a priority?

Celia Huber: If you want to start down this journey of making these changes, the first thing to do is to really have the commitment and mind-set to do it. That's not just the CEO and the board chair—rather, the whole board should think that it's important. Because you need to harness the whole board to build that pipeline I was talking about. So that's the first step.

I think the second step is really around the pipeline and understanding what skill sets would be helpful to your board. If I need a digital marketer, start to make that list, and at the same time make a list of women that you've met that could be potential candidates—and then get to know them.

As you think about moving down this journey, you need to think about how all the members of the board fit together. The CEO of Estée Lauder had a very nice analogy that, in his mind, it's like a symphony. I need to think about all the players. I need a percussion section, I need a flautist, and how do I put all those elements together and, as board chair, be the conductor along with the CEO to make that happen.

Historically, that pattern recognition—of being in the club and fitting—tended to happen by looking at mostly male networks and ending up with mostly men who could fit in that board, would be collaborative and collegial with each other, and knew

each other. Going forward, as he thinks about it, it's really about looking harder for the right fit. But the fit is still important. Not just in skills but in how they're going to meld with the rest of the board. And that's one of the reasons why building a pipeline can take longer. You want the candidate to know the board and the board to know the candidate so that both she and the board are ultimately successful when she decides to take a position.

Sean Brown: In the US, oftentimes the CEO is also the board chair. In the examples of the companies that have done really well, 50 percent and up, was the CEO also the chair? Was there any relationship between the driver here? Was the typical driver the CEO, the board chair, the lead director?

Celia Huber: Sean, we didn't look at that explicitly. I will tell you in the interviews I did there was typically a split role between the CEO and the chairman. If you look at the way governance is heading, particularly for those larger S&P 500 companies, that tends to be the trend. I wouldn't go as far as to say that that is a determinant of which boards were finding more gender diversity, because I will tell you in every instance, it was a shared vision from the CEO and the chairman, and in fact, the CEO was as much a driver if not more than the chairman.

Sean Brown: You talked about some of the common excuses in the article. One of the challenges in the article was there aren't enough women in my industry. Would you want to talk a little bit about how they're bringing women into the boards from other industries?

Celia Huber: A lot of companies tell us, in my industry or for certain technical skills, I cannot find anyone. And, in fact, if you do the combination of my industry, the technical skill I'm looking for, and they have to have X many years' experience or they have to be a former CEO, it's a null set. We've seen that people who are successful are relaxing that.

One large S&P company looked for e-commerce and technical skills, and instead of looking at other large companies, looked at the start-up world, found a great CEO and founder of her own company, and brought her on the board. That changed the average age of the board members, but it also changed the gender diversity and really brought a new perspective to bear. I think the boards that are successful are looking at innovative and creative ways of expanding their pipeline that way.

Sean Brown: So, in some ways you're killing two birds with one stone. You're getting someone who is more, say, digitally savvy, and you're also diversifying the board from a gender perspective.

Celia Huber: That's right.

Sean Brown: That's great. Having led this research and now looked at the impact over the last few years, how do you feel about it? Where do you think it's going?

Celia Huber: Sean, I was really inspired after doing this research. In conducting the interviews with a smattering of the top 50 companies, what I found

was a set of executives and chairmen that are really dedicated and putting a lot of action and effort behind changing gender diversity on their boards. And I think that's a very different story than what you see in the headlines about no movement. As well as there were practical things that came out of this that could be done. So, I'm feeling very optimistic.

Sean Brown: Is the list of the top 25 companies available in your article?

Celia Huber: It is available in the article. If you look us up on McKinsey.com, you can find all the details there.

Sean Brown: Wonderful. Thank you so much, Celia. It was a pleasure.

Sean Brown is McKinsey's global director of communications for strategy and corporate finance and is based in McKinsey's Boston office; **Celia Huber** is a senior partner in the Silicon Valley office.

Designed by Global Editorial Services.
Copyright © 2018 McKinsey & Company.
All rights reserved.