

# Promoting Women's Economic Empowerment: The Learning Journey of Heidrick & Struggles

## MAIN LESSONS

- Support from the top is critical to advance gender-related initiatives.
- Research and data help embed the business case.
- Women need to help each other if the boardroom door is to open wider.



“We will not rest until the boards of directors we serve have the look and composition of the society in which we all live. This makes sense for business.”

– *Kevin Kelly,*  
*CEO*

## HEIDRICK & STRUGGLES

Women in the global workforce have increased their numbers significantly in recent decades, yet senior corporate officers and board members remain overwhelmingly male. This is true despite a professed effort by many international companies to increase the number of women at the highest levels, and despite increasing evidence suggesting that more diverse boards and management teams can be more effective. Heidrick & Struggles, a premier executive search and leadership consulting firm, is working with corporate clients and women to address this situation. It is an exciting challenge for the firm and an important business imperative.

## WIN-WIN SITUATION FOR BUSINESS AND FOR WOMEN

- A global executive search and leadership advisory firm working with international companies to recruit talented board members and corporate officers, committed to including at least one woman on every board search assignment.
- Building and promoting international networks of board-ready, professional women to expand the candidate pool.
- Promoting best practices in corporate governance and management, including greater cultural and gender diversity.
- Publishing research on board-level trends and viewpoints to help strengthen the business case for diversity.

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## The Business Case: Widening the Pipeline to Meet Client Needs

For nearly 60 years, Chicago-headquartered Heidrick & Struggles has been searching, recruiting, and helping place new board members and corporate officers in multinational corporations. The job requires deep understanding of business needs and trends. It also requires best practice expertise in strategic management and leadership issues faced by all companies in the international marketplace. In the last decade, this has meant increasing attention to cultural and gender diversity when building high-performance leadership teams.

Working directly with company chairpersons, CEOs, and board nominating committees, Heidrick & Struggles has witnessed – and helped shape – this gradual evolution. As witnesses, the firm's partners have seen increasing demand for female board candidates, particularly in the last few years, as companies awake to the idea that boards should better reflect the markets and customers they serve. As an influencer, the firm has helped women by educating corporate clients on the value of bringing diverse perspectives to a board and by making an extra effort to identify qualified female candidates.

The task is not as easy. While demand for a diversity of candidates is getting stronger in many countries, the pipeline of “board-ready” women is not as well developed as it could be relative to the proportion of educated women in the workforce. About half of the workforce in OECD countries is now female, including a large percentage of middle managers. In developing countries, the number of educated and professional women is also increasing. Yet, women's presence in boardrooms everywhere has been increasing only very slowly, or even stagnating.

In North America, women represent just over 15 percent of directors at Fortune 500 companies, although nearly 85 percent of

these boards now have at least one woman. In Europe's top 300 companies, less than 10 percent of board seats are held by women. The variation across countries is huge, however, ranging from about 40 percent in Norway because of a government mandate to under two percent in Portugal. In Asia, where some firms are willing to pay Heidrick & Struggles a premium to find good female talent, the percentage of women directors ranges from a high of 16 percent in Singapore and Australia, to five percent in India, to minimal representation in Korea and Japan. In both Europe and Asia, there are still many boards with no women at all.

Heidrick & Struggles has had to delve deep into issues of corporate culture to understand and meet this challenge. Alicia Yi, managing partner at Heidrick & Struggles' Singapore office, says, “A lot of international companies are now taking gender issues quite seriously. They are setting employee targets, tracking,

and looking to improve.” These companies want to attract and retain the best talent possible from the widest talent pool. They are aware that women represent half of the market and are often responsible for more than half of consumer spending decisions. And when it comes to top management, they are increasingly aware that homogenous leadership teams can be less well equipped to do business in an increasingly complex business environment.

At the same time, Alicia explains, many companies are puzzled that they are not able to retain senior executive women. Women and many minority groups have not been following career paths that easily channel them toward board positions – at least not in great numbers. They are less likely to be operational line managers with profit and loss responsibility. They are also less likely to have experience with their companies' executive committees, even at the functional or regional committee level, whether in full-time roles or strategic projects. This means less visibility for women managers, with a concomitant impact on women's networking, role models, and access to key decision-makers.

### THE BUSINESS CASE: DIVERSITY AND PERFORMANCE

Companies with more women in senior ranks and as directors show stronger financial results compared to those with fewer women, according to findings in the U.S. and Europe. While the studies do not point to causal relations, the results are significant:

- 53% higher return on equity, 42% higher return on sales, and 66% higher return on invested capital (*Joy, et al, 2007*)
- Outperforming their sector in terms of return on equity, operating result and stock price growth (*McKinsey & Co., 2007*)
- 40% higher average return on equity (*Singh and Vitticombe, 2005*)
- More than one-third higher return on equity and total return to shareholders (*Catalyst, Inc. 2004*)
- Firms with the best record of promoting women found to be 18% to 69% more profitable than the median (*Adler, 2001*)
- 18% higher stock price and more than double the earnings per share three years after an IPO (*Welbourne, 1999*)

## Global Impact: One Woman at a Time

Heidrick & Struggles is addressing the problem both tactically and strategically. To meet immediate demand in its board search practice, the firm is casting a wider net for good female candidates. In North America, Europe, and Asia, the firm is building diversity talent banks by systematically identifying and assessing the top five percent of executives in the countries where it does business. They especially seek out highly successful women executives who should be on boards but for some reason are not. When corporate clients request a board search, Heidrick & Struggles is able to tap into this set of qualified candidates and present them alongside others found from more traditional sources and networks.

Heidrick & Struggles' work has paid off for women. The firm's record in placing women is already higher than the global average currently on corporate boards. In 2008, 20 percent of the firm's board placements were women, up from 16 percent in 2004.

Confident with this progress, Heidrick & Struggles' CEO, Kevin Kelly, pledged at the 2009 meeting of the World Bank Group's Global Private Sector Leaders Forum in Davos, Switzerland, to include at least one woman on each slate of candidates that it presents for potential boardroom duty. According to Kevin, "While this is a good first step and a commitment we believe the market will permit us to achieve today, we will not rest until the boards of directors we serve have the look and composition of the society in which we all live."

To help make this happen, Heidrick & Struggles is undertaking strategic initiatives to prepare the next generation of female board members. A team of three female partners representing different regions is leading

### IN HER OWN WORDS: JOANNA SZYMANSKA-BULSKA

A medical doctor by education, Joanna had been working in the Polish medical industry for nearly a decade when she was approached by a Heidrick and Struggles recruiter looking to fill a board seat at Phoenix Pharma PL. "I was recommended by someone in the sector, and I was the only woman among seven candidates," she explains. "But I was the best candidate." The company agreed, and she got the job in 1999. She had not been aware of this job opportunity, and the recommendation by Heidrick and Struggles opened new doors.

Joanna quickly made an impact and was promoted to chair the board within a year. She remained the only female board member throughout her seven-year long tenure at the company. "My experience there was very good. But it's a matter of my personality, not gender," she says.

When she received an offer to serve as adviser for the Polish Minister of Health, Joanna quickly accepted, eager for a chance to add public sector experience to her resume. She is today back in the business arena, working as a member of the management board and as the foreign markets director for Bioton, another pharmaceutical company.

the effort. It includes research to establish the overall business case for diversity, including gender diversity; partnering with business associations to promote discussion and encourage women's networking; and developing a global diversity practice to help clients look at the wider issue of attracting and retaining high-level minority and female executives within corporate ranks.

Alicia says that Kevin and other members of the leadership team are keenly interested in how these different pockets of gender-related activities tie together and might evolve. Heidrick & Struggles' board of directors – which includes two women – has asked for a strategy in this regard.

In addition to research, Heidrick & Struggles' female partners organize and participate in business groups focused on the advancement of women. Dr. Elisabeth Marx, a London-based partner, for example, takes part in the World Economic Forum's Global Agenda Council on the Gender Gap where she can promote high-level discussion on board talent strategy. The firm's own 'Women of Influence' events allow senior women in different regions to broaden their contacts. Meanwhile,

Women Corporate Directors, an international membership organization that includes female CEOs, COOs, and other corporate-level executives, has also greatly benefited from the firm's support. Heidrick & Struggles has helped Women Corporate Directors open new chapters in London, Delhi, Mumbai, Beijing, Hong Kong and Sao Paolo. Each chapter helps educate members on the latest board responsibility issues, while allowing them to network to find new board appointments or new talent for their own companies.

Heidrick & Struggles' emerging global diversity practice should also help improve women's long-term board prospects. Partner Matrice Ellis-Kirk in Chicago is leading this new area. Under her guidance, the firm is offering its expertise to client companies seeking, for example, to improve the retention of senior minority and female employees. This is a natural outgrowth from consulting on other leadership issues, such as a corporation's internal succession planning. Heidrick & Struggles is able to help by making objective assessments of a client's talent base, making sure that strong women and minority staff members are spotted early on, even when they are not in key operational roles.

## Lessons Learned

Three key lessons from the Heidrick & Struggles experience are that support from the top is critical when it comes to advancing gender-related initiatives, research and data are important to embed the business case, and women need to help each other if the boardroom door is to open wider. When the women partners leading the firm's efforts are asked whether this could have happened without their personal interest and extra attention, they acknowledge that it does still rest in large measure on them and their female colleagues. But with the full and active support of the CEO, they are operating in an environment that is encouraging them to push the envelope.

Alicia says the firm's leadership and approximately 80 percent male partners "don't doubt the value of what we are doing but they are a little bit uncertain about what we can do to change things." It is a matter, she says, of doing things that are meaningful and won't take women back a step. As she puts it, "We don't want to be promoting women just for the sake of promoting women."

Hence, research, partnerships, information sharing, and education are critical. If a major barrier to women entering the boardroom is corporate culture and gender stereotyping, then arguments for gender balance need to be put into the language of that culture and disseminated as widely as possible. Many companies do respond when they understand the opportunity cost of under-valuing women's skills. The more people and organizations make these arguments, the better.

Heidrick & Struggles does not have a budget line specifically dedicated to gender issues and so the overall level of effort is hard to quantify. Alicia says that she, Matrice Ellis-Kirk, and Elisabeth Marx have monthly calls to coordinate their activities. They and other female partners also spend quite a bit of time attending events and keeping the women's network going. In Asia, the firm is putting

together a website to share best practices on gender diversity and to collect all their intellectual capital in one place. In Europe, the firm has been developing gender-related materials. Meanwhile, Ellis-Kirk is working with Heidrick & Struggles' own board and legal department in the U.S. on how to describe and position the firm's new diversity practice.

According to Alicia, finding the time to keep advancing is the biggest challenge. While the gender work is important to the business, it competes with many other issues and priorities. As more women are placed and the global knowledge base on diversity gets stronger, however, the female pipeline and network will grow more easily on its own. She adds with a laugh, "We also are trying to find ways to get men involved so this is not seen as just a women's issue, but obviously the women are most inclined."

Cross-pollination across different countries and regions is also important. Multinational companies often have targets and ideals that they apply across the world when it comes to talent management. Companies also watch their competitors. If some are attracting a greater share of talented women because of more open practices, including the existence of female role models on the board, then others will take note. Likewise, if local businesses in some countries are less interested in diversity, eventually they will become aware that best practice multinationals are operating in a different way – and with good reason.

Finally, for companies wishing to explore and capitalize on gender opportunities, an important lesson from the Heidrick & Struggles experience is to take a comprehensive, long-term approach. Heidrick & Struggles had to first uncover why board-ready women have been harder to find and then do something about it. Other companies – in consumer products, for example – might discover that poorly selling products are actually preferred by women consumers, but are not purchased by them for reasons unrelated to preference. The reasons could be women's lack of transportation, or a



lack of access to banks where they can safely save their money to buy just such a product. In other words, it takes time, open inquiry, and effort to initiate and benefit from change.

As far as corporate boards are concerned, Elisabeth is hopeful. "I am actually extremely optimistic," she says, "because I think the current economic crisis will accelerate the whole issue of diversity on boards in the broader sense. It is putting the spotlight on board composition – and when we're looking at how the most effective boards are comprised, there is no doubt in my mind that it will be those boards who are more international and with more functional, sector, and gender diversity." New research is certainly supporting that view.

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### ABOUT THE GLOBAL PRIVATE SECTOR LEADERS FORUM

The Forum is an initiative of the World Bank Group Gender Action Plan to engage private sector leaders in promoting women's economic empowerment. It is one of World Bank President Robert B. Zoellick's six commitments on gender equality. Its members are committed to creating opportunities for women in core business, corporate social responsibility or diversity and inclusion initiatives.

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