ARE WOMEN FORGING A NEW PATH TO CEO?

BY: AIMEE LONG & JENNIFER CHRISTENSEN

Katherine runs a $1.5 billion division of an East Coast global healthcare company. While she regularly presents to the board and attends their meetings, she is not a board director, and does not sit on any outside boards. Yet, she is inundated with LinkedIn mail, phone calls, and direct email from former colleagues and recruiters trying to place her on one. The new challenges and exposure are appealing, the board work sounds more strategic than in her corporate role, and the annual compensation packages are an attractive side benefit. After exploring a few options, Katherine finds a board that feels like a good fit, gets the approval of her employer, and is appointed as an independent director of a thriving consumer goods company.

A year later, the experience is rewarding on every level and the recruiter outreach has only intensified. Katherine does not have the capacity for her demanding job and multiple board roles (nor would her employer allow it). At age 48 she decides to leave her full-time role to pursue multiple interesting director positions at companies where she adds value and have more balance and flexibility with her two children who are still at home. She is quickly recruited onto two additional boards.

Investor pressure and recent legislation passed in California and pending in other states has increased both the need for and number of female directors like Katherine in U.S. companies. By some accounts, if every state were to follow California's lead, U.S. companies in the Russell 500 would need to fill over 3,700 board seats with women in the next few years. Traditionally, companies source directors from the CEO, CFO, and other top executive ranks. However, the pipeline of women in these top positions is not that deep. Across the S&P 1500, only about 10% of the top executives are women. In the S&P 500, there are currently only 28 female CEOs – and only eight of those are not currently on an outside board. In the S&P 500, only about 13% of the CFOs are women – most of whom are already on an outside board. Companies looking for new female directors are in competition for a relatively small pool of candidates, creating a supply and demand imbalance. In order to meet the growing demand, each woman currently in a top executive role could serve on three or more boards.

JWC Partners has recruited several women like Katherine who successfully made this shift from active executive to independent director slowly over the course of their early 50s. For example, Caroline was 45 and a P&L leader at a major industrial company when she first became an independent director of a manufacturing company. She changed jobs to lead a larger division at another industrial company at age 50. She left that company at age 55 and she was equally open to two mutually exclusive career options: CEO or independent board member at multiple companies. Ultimately, she was quickly recruited to two additional board roles at industrial companies. At 58, Caroline sits on three large public company boards and acts as an advisor to several other entities. She would be a strong CEO for the right company and, given her age, still has time to do so.

In addition to the growing demand for female directors, there is a parallel, if less regulated, demand for female CEOs. Women like Caroline and Katherine have asked us: if they turn to full-time board work now, will they still be considered for CEO roles later? Conventional wisdom suggests that all board members regardless of gender and age become less effective the farther removed they are from active executive status – most suggest this is about five years out. Caroline is three years into her independent board role career. If she chooses to continue on this path for three more years, will one of her boards consider her for CEO?

In JWC Partners' work recruiting corporate CEOs and assisting companies with CEO succession planning, we recognize that despite the progress that has been made in getting more women into the boardroom, it is becoming harder to create gender-balanced CEO recruitment slates. As more women make the choice to sit on multiple corporate boards, the traditional top pool of female CEO candidates could actually shrink. Therefore, when succession planning, we think it would benefit companies to look more closely at boardrooms. The boardroom has always been an option but remains a relatively untapped resource. As of November 1st, S&P 500 companies have appointed 54 new CEOs this year and only five of them came from their company's board. One stepped into an interim CEO role and none are women.

Former top executives like Katherine and Caroline who now sit on multiple corporate boards are getting valuable new exposure and experience that they may not have otherwise gained in their corporate roles. They are involved with strategic direction, CEO oversight, and governance from multiple vantage points across multiple companies. Key CEO skills can grow quickly in this scenario, including strategy, boardroom interactions, risk exposure, and investor knowledge – potentially at a much faster rate than these skills would have developed in a traditional top executive role. We believe these women should be on CEO search lists, and ultimately, back in the C-suite.

The Katherines and Carolines in the boardroom are trailblazers who, if we let them, will forge a new path to CEO. We are watching closely – and are eager to see how companies respond.

Jennifer Christensen founded JWC Partners in 2010 and has more than 30 years of business experience across a broad range of client service and management roles. She began her executive search career after nearly 15 years at McKinsey & Company. Prior to that, Jennifer served as VP of Marketing & Sales for Creativity for Kids and as a P&L business unit manager at Progressive Insurance. **Aimee Long** joined JWC Partners in 2018 after 20 years of business experience advising executives and boards across several functional areas, including finance, legal, marketing, strategy, and human resources. She began her career as a corporate lawyer in Los Angeles at Sidley Austin with a focus on health care transactions and later shifted to mergers and acquisitions and finance work in Silicon Valley.