The CEO Gender Gap

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This white paper may be accessed online at:

http://feigenadvisors.com/research-and-publications/research/
Executive Summary

The number of women CEOs at leading companies lags far behind the number of men, both in the United States and abroad. As the Feigen Advisors 2015 New CEO Report found, not a single woman was appointed as a new CEO at an S&P 250 company in 2015. The question of how and why this gender imbalance has persisted in the CEO role is highly complex and involves many interconnected elements, including both structural and personal factors. To develop a condensed but informative and panoramic understanding of the problem, this white paper considers a range of variables, including the underlying data on women CEOs and other corporate leaders, potential contributors to the imbalance, public perception on the relation between gender and business, and key reasons for increasing diversity at the CEO, board, and senior executive levels. It also briefly outlines the main themes of Sheryl Sandberg’s well-known book Lean In, as a case study on one high-profile senior executive’s experience reaching the C-suite of a major company. Finally, it provides some concluding recommendations for actions that companies and their boards can take now to address the CEO gender imbalance.

Key facts and conclusions from the research cited in this white paper are:

- 4 percent of the CEOs at S&P 500 companies are women, only slightly up from 3 percent in 2006;

- Key contributors to the CEO gender imbalance include a diminishing pipeline of women as careers progress toward the senior executive level;

- Although the public resoundingly holds men and women to be equally capable of being effective CEOs, there are notable differences in the way men and women perceive barriers to advancement for women;

- Despite years of significant investment in mentorship programs for women executives, a recent pattern of criticism now views mentorship programs to be far less effective than meaningful forms of sponsorship, where an influential senior leader actively advocates for his or her protégé’s career advancement;

- Finally, in addition to being a question of basic equity and fairness, research has begun to show a range of compelling business reasons for diversity of gender and ethnicity in corporate leadership, including increased profitability and greater understanding of, and responsiveness to, the markets served by one’s company.
Data and Statistics

At America’s leading companies, the number of women CEOs has been stagnant over the last decade. Since 2006, the percentage of women CEOs of S&P 500 companies has only increased from 3 percent to 4 percent. On average, only one new female CEO has been added to the S&P 500 every two years over the last decade. At that rate, it would take roughly 450 years to reach gender parity. The number of women CEOs among these companies even declined between 2014 and 2015, decreasing almost 20 percent from 25 to 21.¹ In the S&P 250 in 2015, there were no new women CEOs added. Some key additional patterns further illuminate the imbalance:

**Variation by Industry.** Among women in CEO roles last year, there is some variability by industry. The industry with the most female CEOs in 2015 was Information Technology, while industries with no female CEOs included Energy, Materials, and Telecoms.²

**CEO Career Track.** Women CEOs are more likely to be long-term insiders than male counterparts. According to a Harvard Business Review study of the 24 women CEOs at Fortune 500 companies at the end of 2014, 70 percent spent more than ten years at the companies they would run. The median length of time spent at a single company was 23 years for these women CEOs, versus a median length of 15 years for men in the sample—a difference of over 50 percent.³

**Median CEO Tenure.** In a report tracking data to 1999, S&P Capital IQ further found that women who do reach the CEO position have a median tenure that is one-third shorter than their male equivalents. The group of women serving as

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² ibid

CEOs at the end of 2015 had a median tenure of four years, while their male counterparts had a median tenure of six years.\textsuperscript{4}

**Compensation Gap.** This discrepancy in tenure has consequences for compensation as well, as CEO pay is determined in part by longevity. A study of CEO compensation in the banking sector, using a sample of 21 female CEOs and 568 male CEOs, is illustrative. In 2014, median total compensation for male CEOs among these banks and thrifts was $647,000, while median total compensation for female CEOs was $500,000. The same study found that, between 2007 and 2014, compensation increased for male CEOs in the sector by more than 60 percent, while it increased for female CEOs by only 33 percent. Similar pay gaps appear in the leadership pipeline of banks and thrifts as well. In a sample size of 531 CFOs in the sector, median compensation for women was less than that of men during every year since 2007.\textsuperscript{5}

Among S&P 250 companies in 2015, women represented 11 percent of all top earners, with 137 companies, or 55 percent, reporting no women among their lists.\textsuperscript{6} Average salaries for top earners across the index were 19 percent greater for men than for women ($885,000 vs $742,000). In addition, average total compensation among this group was 18 percent higher for men than for women ($8,180,000 vs $6,934,000). Only two companies (Hewlett-Packard Enterprise and Kimberly Clark) had a majority of women among their top five earners, and no company had more than three, while 248 out of 250 companies had three or more men in the top five earners.

**Contributors to CEO Gender Gap**

A number of potential contributors to the significant gender gap among CEOs at America’s leading corporations have been proposed. Contributors reflect both bottom-up and top-down factors. One frequently cited bottom-up contributor is a limited


\textsuperscript{6} “Top earners” are defined as the top five earning executives of each company as reported on its proxy.
pipeline of women executives at the CEO-candidate level. Mirroring the compensation data cited above, a 2015 report by CNNMoney found that the percentage of women in the top five leadership positions at S&P 500 companies was roughly 14 percent.\(^7\) Additional research by Catalyst, an organization committed to progress for women in business, shows the percentage of women represented in different tiers of S&P 500 companies systematically decreases toward the top. Women comprise 45 percent of the S&P 500 labor force, 36.8 percent of mid-level officials and managers, 25.1 percent of executive or senior-level officials and managers, and, as noted, only 4 percent of CEOs.\(^8\)

A frequently cited top-down contributor is the lack of women directors on corporate boards who might promote gender diversity as a leadership goal. Although there continues to be a significant gender gap at the board level as well—women represented 19.2 percent of board seats in S&P 500 companies by the beginning of 2016—progress is more evident than at the CEO level.\(^9\) 2020 Women on Boards, an organization that aims to increase the representation of women on US company boards to 20 percent by the end of the decade, has followed the 842 companies that have continuously appeared in the Fortune 1000 since 2011.\(^10\) Of that group, the percentage of women directors has increased from 14.6 percent in 2011 to 18.8 percent in 2015. When assessed by size of company, the research shows that women become more highly represented in proportion to the revenues of the company. Among Fortune 100 companies, 22.9 percent of board seats were held by women; among Fortune 500 companies, it was 20.1 percent; and among the companies between 500 and 1000 on the index, the number is 17 percent. The organization found a clear correlation between the companies dropping off the index and lack of gender diversity on their respective boards.

By sector, Consumer Defense, Financial Services, and Utilities all had greater than 20 percent female board representation in 2015. Energy was the weakest sector reported, with 11.5 percent. Related research by Russell Reynolds on Fortune 250 boards found that increasing numbers of women directors are coming from the corporate

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\(^9\) ibid

sector, rather than from more historically prevalent backgrounds in government, academia, and the nonprofit sector.\textsuperscript{11}

**Research on Public Perceptions**

While the historical record on gender diversity in CEO and other senior leadership roles indicates stagnation, a large study released by the Pew Research Center in 2015 found that 80 percent of Americans believe men and women are equally qualified to lead businesses.\textsuperscript{12} Within this generally overwhelming endorsement of CEO gender parity, there was nevertheless some variation by industry. Men are viewed as more qualified to lead companies in the computer software, large oil or gas, and professional sports sectors, for example. Women are viewed as more qualified to lead major hospitals, major retail chains, and large banks or financial institutions.

Despite broad public agreement that men and women are equally qualified, there is considerable disagreement between men and women about equity of treatment, and about the nature and causes of gender imbalance. Women are more likely, and on some measures much more likely, than men to say reasons for the gender gap are because of unequal forms of treatment, including that:

1. women are held to a higher standard than men (52 percent of women vs 33 percent of men)
2. many businesses are not ready to hire women for top executive positions (50 percent of women vs 35 percent of men)
3. family responsibilities do not leave time for running a major corporation (26 percent of women vs 20 percent of men)
4. women do not have access to the same kinds of connections as men (23 percent of women vs 17 percent of men), and


women are less likely to ask for promotions and raises (21 percent of women vs 14 percent of men)\textsuperscript{13}

The study also reported notable differences in the qualities men and women are seen to bring to business leadership. 31 percent of respondents viewed women as more ethical and honest, versus 3 percent for men. 30 percent of respondents viewed women leaders as more likely to provide fair pay and good benefits, versus 5 percent for men. 25 percent viewed women as providing better guidance or mentorship to young employees, versus 7 percent for men. In contrast, 18 percent viewed men as better at negotiating profitable deals, versus 7 percent for women. And 34 percent viewed men as more willing to take risks, versus 5 percent for women. Men and women were judged as equally effective spokespersons for their companies.\textsuperscript{14}

**Mentorship**

When addressing the need to enhance levels of diversity in their ranks, corporations and other organizations often develop and implement mentorship programs. The availability of strong mentors can provide a key form of support and guidance, allowing mentees to draw on the experience of those who may have faced similar challenges. Recently, however, criticism of mentorship programs has emerged from women who have seen little aggregate progress over the last decade advancing to the CEO or other leadership positions, despite significantly expanded mentorship opportunities and resources.

This reassessment of the mentorship model has produced a distinction between mentorship and sponsorship. Where the mentor often provides psychological support and advice, the sponsor is an influential senior leader capable of providing exposure, key projects, and access to promotions needed to demonstrate CEO- and executive-level skills. A 2010 study conducted by the Center for Work-Life Policy and supported by American Express, Deloitte, Intel, and Morgan Stanley ("The Sponsor Effect") defined a

\textsuperscript{13} ibid

\textsuperscript{14} ibid
sponsor as someone who “uses chips on [the protégé’s] behalf”, “advocates for [the protégé’s] next promotion”, and does at least two of the following:\(^{15}\):

- Expands the protégé’s perception of what he or she can do
- Makes connections to senior leaders
- Promotes the protégé’s visibility
- Connects the protégé to career opportunities
- Advises the protégé on his or her appearance
- Makes connections outside the protégé’s company
- Gives career advice

In contrast to the role of the mentor as providing a support system, the sponsor actively advocates for and promotes the interests of the protégé inside and outside the company. Echoing this idea, a 2010 article in the *Harvard Business Review* by Herminia Ibarra, Nancy M. Carter, and Christine Silva reported that “high-potential women are overmentored and undersponsored relative to their male peers—and….they are not advancing in their organizations.”\(^{16}\)

**Reasons to Increase Gender Diversity**

The reasons to pursue gender diversity are manifold, and are not limited to basic questions of fairness. Rather, a number of compelling business imperatives have been identified for increasing the number of women executives at leading corporations.

**Profitability.** A recent study by the Peterson Institute cites increased profitability of companies with significant numbers of women executives as one significant

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benefit. The Peterson report studied 22,000 publicly traded companies across 91 countries. While qualifying the results with the need for more research in this area, it found that, although there is no statistical performance difference between companies with a female or male CEO, increasing the percentage of women in top management positions from zero to 30 percent is correlated with a 15 percent increase in profitability. Similarly, a McKinsey report in 2015 found that companies in the top quartile for gender diversity outperformed peers in a sample group by 15 percent, and those in the top quartile for ethnic diversity outperformed by 35 percent.

**Talent Pool.** A second reason is the maximization of the talent pool from which major corporations draw for their leaders. The most recent data from the National Center for Education Statistics from 2012-2013 show that women earn 57 percent of the bachelor’s degrees, 60 percent of the master’s degrees, and 51 percent of the professional and doctoral degrees awarded in the United States. With only 4 percent of S&P 500 CEO seats held by women, there is an undeniable imbalance between the nation’s levels of educational preparation and attainment and occupancy of leadership roles.

**Better Reflection of Market.** A third reason is that women control the majority of purchasing power across a large number of goods and services. As one example, a McKinsey study from 2007 reported that women accounted for 70 percent of household purchases in Europe and influenced 60 percent of automobile purchases in Japan. The absence of women’s voices in the CEO, board, and senior executive roles can limit a company’s ability to understand and best serve its market.

**Enhanced Decision-making Capacity.** Finally, there is considerable research across a number of different educational, social, and business contexts arguing that decision-making outcomes are improved by diversity. Decision-makers in diverse groups are forced to address multiple perspectives, be responsive to numerous constituencies, confront new forms of complexity, and be creative in finding effective solutions.

**Case Study – Sheryl Sandberg’s Lean In**

One of the most influential and critically scrutinized recent discussions of gender disparities in the leadership of American corporations is Sheryl Sandberg’s 2013 book *Lean In*.\(^{21}\) Sandberg, previous Vice President at Google and current COO of Facebook, draws a series of lessons from her own experience about ways to redress the gender imbalance among corporate leaders. Sandberg makes a number of core observations and recommendations:

**Psychology.** Much of Sandberg’s book exposes a psychology of acquiring and holding power that she believes women do not fully embrace or demonstrate. Sandberg identifies self-doubt as among the key challenges for women seeking career advancement, writing: “This phenomenon of capable people being plagued by self-doubt has a name—the impostor syndrome. Both men and women are susceptible to the impostor syndrome, but women tend to experience it more intensely and be more limited by it.”\(^{22}\) Later, she adds: “[W]omen have to learn to keep their hands up, because when they lower them, even managers with the best intentions might not notice.”\(^{23}\)

**Career Track.** While Sandberg argues that many women are raised to believe that a successful career must be well planned, she prefers what she calls the “jungle gym” to the ladder metaphor. “There’s only one way to get to the top of a ladder, but there are many ways to get to the top of a jungle gym. The jungle gym model benefits everyone, but especially women who might be starting

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\(^{22}\) ibid, p.29.

\(^{23}\) ibid, p.36.
careers, switching careers, getting blocked by external barriers, or reentering the workforce after taking time off.”

As advice for those ultimately seeking CEO roles, however, Sandberg’s observations conflict with empirical evidence cited above, showing that women CEOs spend a longer time than their respective male counterparts at the companies they come to lead, advancing through a series of incremental steps.

**Mentorship.** Sandberg shares the more recent skepticism of many who study the role of mentorship in addressing the executive gender gap. She counsels women to perform in a way that attracts influential supporters, rather than to enlist mentors with the hope that success will follow. She writes: “We need to stop telling them, ‘Get a mentor and you will excel.’ Instead we need to tell them, ‘Excel and you will get a mentor.’”

**Personal and Domestic Life.** Sandberg emphasizes the critical importance of equal sharing of child care and domestic responsibilities between spouses as women assume increasing executive responsibility.

Sandberg’s discussion has also received criticism. Critics have argued, among other things, that Sandberg is or was in a uniquely comfortable financial position to negotiate the challenges of an executive career, making her unrepresentative of women seeking leadership roles. They also fault her discussion for remaining largely silent on the significant question of women in American corporations who are unmarried or without children but face similar obstacles. Finally, they note a number of observations that appear contradictory.

**Concluding Recommendations**

The research cited in this white paper illustrates the complexity of the gender imbalance among CEOs, which involves not only a set of structural causes and obstacles but also a myriad of individual career decisions and preferences. The complex organizational and

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24 ibid, p.53.
25 ibid, p.68.
psychological matrix that perpetuates gender disparities among corporate leadership warrants continued data-driven research into the nature, causes, and consequences of the problem.

Guided by this research, there are a number of measures that companies can take now to ensure that the problem does not continue into the next generation of leaders:

- First, companies should begin preparing their most promising candidates for elevation to the CEO role earlier than many do now. They should develop a pool of 5-10 highly qualified, well-rounded leaders from both genders, exposing each to a wide range of developmental challenges over the next decade. Those women who do not become CEOs will be well-positioned for other senior leadership roles in their companies.

- Second, all boards must actively monitor the advancement of qualified executives, focusing not only on performance and quality, but on diversity as well. Directors of companies with no women among their top five highest paid executives—more than half of the current S&P 250—should approach the issue with a sense of urgency, learning from peer companies with a more balanced leadership.

- Third, our leading companies should set a goal of having women hold at least 25 percent of the new CEO appointments over the next decade, which would reflect the current representation of women at the senior executive level. This is the pool from which future CEOs will be drawn. With an average CEO tenure of nine years, nearly all companies in the S&P 250 will appoint new CEOs over the next decade, making it a fully achievable goal.