

Men Replacing Women as CEOs Marks Big Step Backward on Diversity

By Jeff Green and Jordyn Holman

August 3, 2017, 3:18 PM EDT *Updated on August 4, 2017, 9:28 AM EDT*

When Mondelez International Inc. said Wednesday that Chief Executive Officer Irene Rosenfeld was retiring, it was no surprise that the food company also announced that she would be succeeded by a man.

Since 2009, 19 female CEOs of Standard & Poor's 500 companies have stepped down. In only three of those cases was she replaced by another woman, according to data compiled by Bloomberg. Rosenfeld, 64, will retire in November and be succeeded by Dirk Van de Put, who currently leads McCain Foods.

"It underscores just how truly exceptional it is for a woman CEO to be succeeded by another woman," said Brande Stelling, senior vice president of advisory services at Catalyst, which tracks diversity in companies. "Since we had the first woman CEO in the Fortune 500 in 1972, there's only been 62 women CEOs in total, which is pretty staggering."

Investors are putting pressure on company boards to improve lackluster diversity records, particularly this year, when State Street Corp. and BlackRock Inc. voted against hundreds of directors at companies seen as lagging on gender parity and other measures. McKinsey & Co. and other consultants are providing a growing body of research that indicates that companies that shift away from a monolithic white male leadership outperform those that haven't changed their complexion. Still, most measures of diversity have been largely unchanged for a decade.

The direction a company takes on diversity comes from its board room, where white men have dominated since the last century. **When choosing a new CEO, board members tend to rely more often on people they know than on executives selected by recruiters who screen candidates from a wider field, said Trina Gordon, CEO of executive-search firm Boyden.** About 80 percent of S&P 500 directors are men.

"Boards are still not very diverse, and if you don't have diversity at the governance level, there's not a lot of changes that are going to happen," Gordon said.

Women, who make up about half of the U.S. work force, aren't forecast to gain parity in the board room until 2032, according to a June estimate from executive recruiter Heidrick & Struggles.

Debra Crew's promotion to succeed Susan Cameron as CEO at Reynolds American Inc. earlier this year was the first female-to-female handover in the S&P 500 in five years, according to data from recruiter Spencer Stuart. The distinction was short-lived because even before she took the job, British American Tobacco Plc said it would buy Reynolds. Now Crew reports to BAT CEO Nicandro Durante.

Avon Succession

Prior to that transition, the last time a female CEO was replaced by another woman was in 2012, when Sheri McCoy succeeded Andrea Jung at Avon Products Inc. McCoy announced her resignation Thursday from Avon, which is no longer in the S&P 500. A successor hasn't been named.

The third example in recent years was Xerox Corp. CEO Ursula Burns, who replaced Anne Mulcahy in 2009. Burns retired this year and was replaced by Jeff Jacobson, her former chief operating officer.

When female CEOs step down, it's typically a man waiting in the wings. Among the 27 S&P 500 companies run by women, most chief operating officers or presidents are men. At PepsiCo Inc., Indra Nooyi appointed Ramon Laguarta as chief operating officer last month, setting him up as her possible successor.

A big issue is that companies often prefer to make a safe choice for leadership, selecting an executive with a track record for running a company or a large unit, and those executives are still overwhelmingly male, said Gordon.

"The statistics are daunting," she said. "There is a perpetuation of the status quo."

Different Standards

Female chief executives are judged differently than men, another hurdle women face on the path to the C-suite, said Barbara Annis, founding partner of Gender Intelligence, a company that focuses on improving workplace gender relations. Research shows that women are judged on performance, while men are given opportunities based on their potential, she said. And when a woman is at the helm and a company performs poorly, frequently her gender is viewed as the reason.

"We attribute results to one's gender when it comes to a woman, and we don't do that with men," Annis said. "So often when that happens, we end up picking a man as the successor."

The different expectations also extend to how activists approach female CEOs, according to a 2016 report from a researcher at Arizona State University. For every 10 shareholder proposals at a company led by a man, there were 15 for a company with a female CEO.

Those women had a 27 percent chance of being targeted by activists, while the risk to men was almost zero, according to the study, which examined shareholder proposals at Fortune 100 companies from 2003 to 2013.

Even as the number of women running the biggest companies falls to 25 from 27 this year -- thanks to the departure of Crew and Rosenfeld -- it remains a relatively new phenomenon to have so many at one time, Stellings from Catalyst said. Between 1972 and 2000, there were never more than four female CEOs serving at one time, she said.

"You could easily fit all of them, in the history of our time, into one room," Stellings said.

Link: <https://www.bloomberg.com/news/articles/2017-08-03/men-replacing-women-as-ceos-marks-big-step-backward-on-diversity>