SPOT THE FEMALE DIRECTOR
Only 58 per cent of Latin American companies have at least one woman in their boardroom

Reinforcing the need for diversity in Latin America's boardrooms

A look at the progress and dynamics at play in five countries

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In Latin America, 91.7 per cent of board seats are occupied by men – an improvement on the 94 per cent of board seats belonging to male directors in 2012.

While these statistics from Egon Zehnder's Global Board Diversity Tracker may appear disheartening or frustrating, there is reason to be hopeful about women's progress in the boardroom. Board composition does evolve: more than half of boards (58 per cent) in the five Latin America countries we studied (Argentina, Brazil, Chile, Colombia and Mexico) had at least one woman on their board, compared to only 43 per cent in 2012.

However, it is important not to be complacent about progress. When comparing the Latin America average of companies with a woman on the board (58 per cent) to the global average (85 per cent) in 2018, it's obvious Latin America has some catching up to do. Using findings from Egon Zehnder's 2018 Global Board Diversity Tracker, which analysed 1,610 companies globally with market caps above seven billion euros, combined with country-specific data and interviews with consultants in five Latin American countries, we uncovered several trends that are affecting women's paths to boardrooms and developed some actions we can take to speed up progress.

Diversity by the numbers

The Global Board Diversity Tracker found that while more women are being appointed to corporate boards, the level of progress varies greatly by region, with Australia, the United States, Canada and Western Europe leading the way. Latin America, though improving, still has a long way to go, with big differences among the countries.

Data from Mujeres en la Bolsa (Women in the Stock Exchange), an initiative to enhance the visibility of women in boards of corporations, including all traded companies in each country, showed Colombia and Argentina are leading the way in gender diversity with 18 and 15 per cent of listed company board seats held by women. For comparison, the global average of board seats held by women was 20.4 per cent, according to the Board Diversity Tracker.

Almost 50 per cent of listed companies in Colombia, Brazil, Chile and Mexico have no women on their boards (see Figure 1, below). By comparison, the global average from the Board Diversity Tracker of companies with no female board members was 15 per cent. We can also see that there are massive variations among countries. Mexico, Chile and Brazil still have some catching up to do in order to have a stronger female representation on boards (see Figure 2, opposite).

FIGURE 1: PERCENTAGE OF WOMEN ON PUBLIC COMPANY BOARDS

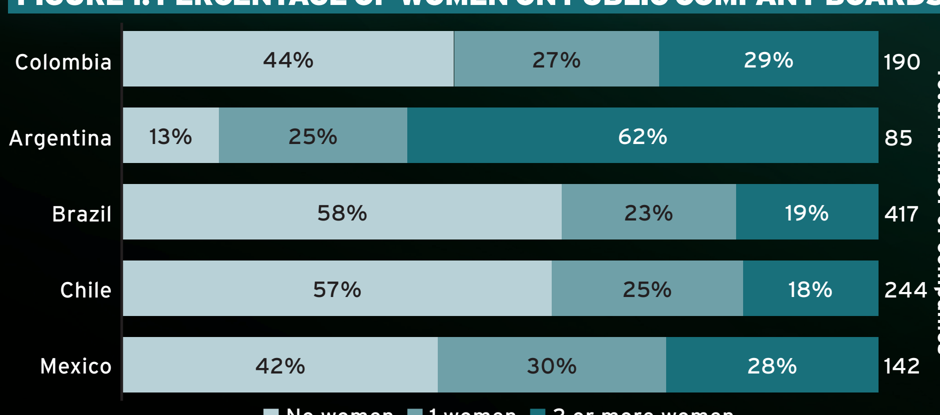

FIGURE 2: PERCENTAGE OF SEATS OCCUPIED BY WOMEN IN PUBLIC COMPANIES

Colombia	Argentina	Brazil	Chile	Mexico
18%	15%	11%	9%	7%

Economic and political concerns impact diversity

While progress in diversifying Latin American boards has historically been slow, hampering the progress is an overall sense of instability and shifting politics. Below is a brief overview of the landscape in each of the five countries.

Argentina

In Argentina, the economic crisis leaves little room for conversation about diversity. With the world's highest inflation rates amid a dramatic recession, many are waiting for the October elections, which could change corporate regulations and policies if the government shifts to the left.

"Diversity hasn't been as high on the agenda as it should be," explains Marcelo Grimoldi, head of Egon Zehnder's Buenos Aires office. "We are in survival mode now."

Despite the 'wait-and-see' mode that Argentina is in, there has been some gender equality progress made in the public sector, moving from the 1991 requirement of a 30 per cent women quota on legislative candidates, to a parity of gender on the candidate lists.

Brazil

Brazil is governed by a right-leaning leader (President Jair Bolsonaro), who has been criticised for his less inclusive behaviour towards women. He named only two women to his 22-person cabinet, although, in more positive news, there was a record number of women elected to congress – 77 women were elected as federal deputies, compared to 51 in the previous term. Even with a complex political backdrop, there are signs of hope for change in the boardroom.

"Diversity is appreciated more and more by companies now. They understand that new perspectives are business differentiators. Companies see the importance of female leadership and the number of female board searches has increased substantially," explains Ângela Pêgas, an Egon Zehnder consultant based in São Paulo. "However, we still have to move to having more than one female per board so that they feel more included and not only the diversity representative."

Colombia

While Colombia has been making steady progress towards gender diversity, it is still facing a difficult path ahead. The economy is struggling, unemployment is high and there is extreme polarisation between the left and right arms of political parties.

"We have a new president, but old tensions and uncertainty remain," explains Juliana Rodríguez, an Egon Zehnder consultant in the Bogotá office.

One of the reasons Colombia has been able to achieve the progress it has thus far is that the country introduced quotas years before others in the region, and diversity has been on the agenda for a longer period of time. "Culturally, there is a stronger acceptance and larger penetration of women in the boardroom," Rodríguez says.

Mexico

Mexico has its first leftist president in history, creating an environment for unpredictable policy making. This governmental shift led Fitch to downgrade Mexico's sovereign debt rating and Moody's to lower its outlook on Mexico to negative. However, it may have opened a door for more diversity, at least in the public sector, which has incorporated quotas. Currently, 49 per cent of the lower house and 51 per cent of the senate are women. "The corporate environment is slowly becoming more welcoming to women," says Carlos Vázquez, an Egon Zehnder consultant based in Mexico. "But we still have few women at the top."

Chile

The government is playing a positive role in Chile, where there is a push for companies to deliberately consider women for board positions. Since 2017, Chile has quotas for female political candidates for congress and incentives for the incorporation of women, which have fostered more participation in the political arena. In April, the government went so far as to create a list of 136 women who could be eligible for corporate boards, for which they asked search firms and other experts for input. However, the list did little to generate a noticeable change in corporate statistics, given the small overall turnover. After the annual round of shareholder meetings earlier this year, four more women joined the ranks of the 260 directors in the IPSA index. While this initiative may have stalled, the gender equality discussion remains very much alive.

Growth of independent board members

The particularly slow evolution of family-owned companies when it comes to adding independent directors has been another barrier for women. In Chile, most large companies are controlled by powerful male members of the family . Although the number of independent board members has increased, boards are still mainly composed of these family members and their male friends and colleagues. Companies are feeling the need to have corporate governance best practices in the boardroom, including diversity, but change has been slow to materialise because it is difficult to replace a friend with an independent or diverse board member. »

Brazil has made a push for more independent directors in the boardroom and is seeing some gains. To be part of the top governance levels at the Brazilian stock exchange, publicly traded companies must have independent directors, but this is beginning to trickle into family businesses as well.

"Family companies are less concerned about whether the independent director was a former CEO or CFO, which broadens the pipeline of candidates," Pêgas says.

But this openness to women in family-controlled companies does not resonate in all Latin American countries. In Argentina, family businesses do not seem to be motivated to appoint female family members to directors, though this might change, given that the country recently passed a law saying that after 10 years of board service a director would no longer be considered independent. In Mexico, family company board members still tend to be family and friends, but this is changing.

"New family generations are often motivated to appoint truly independent and professional directors," Vázquez says. "They look for women and for international diversity in those independent directors." However, he also noted that women sometimes hesitate to take on C-suite roles at family companies out of concern that the corporate culture may not be prepared for a female leader.

Evolving director criteria

As is true elsewhere, boards in Latin America tend to seek former CEOs, and sometimes CFOs, when they have a seat to fill. Unfortunately, the number of women in those positions is severely lacking. Our Global Board Diversity Tracker found that women make up just 3.7 per cent of CEO positions globally and only 1.9 per cent in Latin America. Women in CFO roles fare only slightly better, with women holding 12.2 per cent of CFO roles globally and 8.9 per cent in Latin America.

However, the desire for digital, consumer and stakeholder management expertise is opening the door to more diverse candidates. For example, at Hering – the leading clothing and textile manufacturer in Brazil – shareholders pushed for the board to be less homogenous and include directors with expertise outside of financial services. CEO Fabio Hering sought out more retail and digital experts and ended up with two women on a seven-member board.

Grimoldi notes the same trend in Argentina: "You can't get the digital experience without tapping into a younger generation. While this isn't necessarily gender specific, it can level the playing field for women," he says.

Greater awareness of biases

The #metoo and similar movements have helped to spur action in Latin America, not only to protect women, but also to raise awareness in society at large about the different treatment received by men and women. In Chile, people are feeling empowered like never before, and there have been massive feminist protests on the streets. In Colombia, a no-tolerance policy for abuse is gaining strong momentum.

"These movements are forcing regulators and society to take a closer look at women and examine their disadvantages," Rodríguez explains.

This is resonating in other Latin American countries as well. A distinct 'machista' culture embedded across Latin America has long been a barrier for women in achieving top leadership roles, but that culture is beginning to fade. One solution to overcoming this barrier is mentorship.

"I see men taking a stronger step toward sponsoring women. Men have mentored most women who have achieved a seat at the board. Their trust and guidance have been key in developing these women," says Carolina González-Alcántara, a former Egon Zehnder principal and current partner at EY.

Taking action

To continue to spur needed change in Latin American boardrooms, there are several recommendations and action steps that can be taken.

- **Shareholders should consider increasing the number of independent board members** and using this opportunity to add new competencies and diverse experiences to the table. This will enable the board to successfully face the challenges ahead, including digital transformation, customer-centricity, environmental and community relationships and cybersecurity, among others.
- **Companies should identify high-potential young women early in their careers** and mentor them, helping them through important milestones in their career journeys, particularly looking at the promotion processes and ensuring women have an even chance. Companies could also invest in executive development programmes for women. Rodríguez noted that she is seeing a demand for leadership development programmes to help mould their female talent into top positions. "They want to move women from the base of the hierarchy to the top," she says.
- **Women should not allow self-doubt to prevent them from taking on new and challenging roles.** González-Alcántara notes that women often view themselves through a hyper-critical lens. "Women look at job requirements and want to be able to check all the boxes," she says. "Men wouldn't even look at the requirements and would go after the position."

Change in the boardroom does not happen overnight. In Latin America, women – and men – must keep the conversation about the need for boardroom diversity alive. It must be an ongoing discussion on the board agenda and management must find ways to develop and support female and diverse talent through all levels of their careers. We must view our progress to date as both a milestone and a stepping stone on the path to truly diverse boardrooms.

MENTORING CAN BRIDGE THE GAP
Companies should be doing more to support young, high-performing women to progress