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SHAKING UP THE OLD BOYS CLUB

Helena Morrissey, the pioneering CEO of Newton Investment Management, is pushing British chairmen to recruit more female directors—just as quotas spread throughout Europe.

By STEPHANIE BAKER

Photographs by TOM WAGNER



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elena Morrissey remembers her worst moment as a woman in the City, London's financial district. It was almost 20 years ago, when she was the only female on a team with 16 male bond fund traders at Schroders Investment Management. Her young family's breadwinner, she'd just returned from her first maternity leave and her boss passed her over for a promotion, saying he doubted her job commitment. "I wanted to know if I'd done something wrong or I wasn't ready," says Morrissey, sipping water in a conference room overlooking the London Eye. "The answer came back, 'Well, you've just had your first child,

and we're not sure whether you can make it through.' The sense was that I was on a different path."

Morrissey wound up proving him wrong. She quit, joined Newton Investment Management and, seven years later, became chief executive officer at age 35 when Mellon Financial Corp. took over. Now 45, Morrissey remains one of the City's few female CEOs. She oversees 47.2 billion pounds (\$75.4 billion) and almost 400 employees after boosting Newton's business in the U.K. and expanding in the U.S. As to her previous manager's contention that child rearing might sap

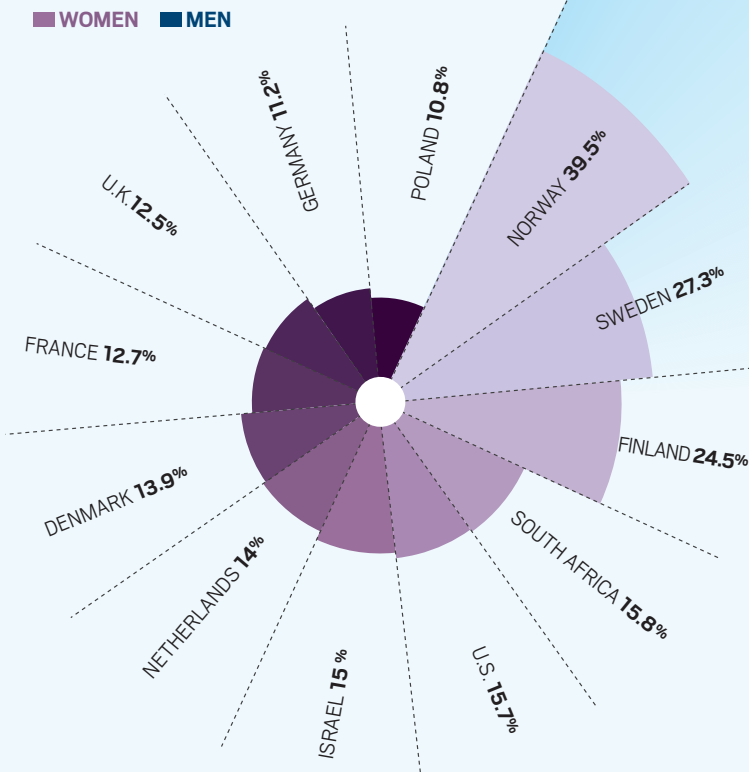


Lloyds Chairman **WIN BISCHOFF** says he asks for female-only lists to fill board seats.

GENDER GAP

Women directors are a minority even in countries with the most female-friendly boards.

TOP COUNTRIES RANKED BY PERCENTAGE OF WOMEN ON CORPORATE BOARDS



As of May 11, 2011. Source: Catalyst

her work commitment, Morrissey has gone on to have eight more children, for a total of nine. They range from age 2 to 19, and seven of them still live at home. Schroders declined to comment.

For years, Morrissey has quietly supported the drive to increase female managers in the workplace. These days, she's making more noise, and many of Britain's top bosses are listening. She says she got tired of hearing about diversity and never seeing progress—with women in Britain's top

jobs stuck at about 10 percent. She decided to focus on the boardroom, where women can shape corporate decision making, help companies boost profits and show other women they can compete at the highest levels too. In November, she formed the 30 Percent Club to press companies to employ that many female directors, up from 12 percent in 2010. She has persuaded more than 20 chairmen, about half from the FTSE 100, including Win Bischoff at Lloyds Banking Group Plc and Douglas

Flint at HSBC Holdings Plc, to reach for that target.

Her timing is good. Countries across Europe are adopting quotas to put women in directors' seats. Norway started the push in 2002 and has reached its 40 percent mandate. Spain set a 40 percent goal in 2007 with a target year of 2015. France in January required 40 percent female boards by 2016. Italian legislators are drafting a law with a 30 percent female requirement at listed and state-run companies. Quotas may be coming in Germany, too, unless companies tap more women, Justice Minister Sabine Leutheusser-Schnarrenberger said in February.

"A year ago, when I started talking about women on boards, people would either be dismissive or say, 'Oh, we'll get there anyway,'" Morrissey says. "Now there's a whole groundswell of focus around it."

Former U.K. Trade Minister Mervyn Davies is spearheading the campaign on Morrissey's turf. He led a government-sponsored review released in February that concluded that women should make up 25 percent of FTSE 100 boards by 2015. Davies, a former chairman of Standard Chartered Plc, said he'll back legislation for quotas if things don't change in two years. "It's not just about gender equality," he said. "It's about improving the performance and productivity of companies."

Morrissey's 30 percent goal may stave off quotas. To make sure companies don't find excuses to dawdle, Morrissey has been meeting with search firms and working with the Professional Boards Forum to develop a trove of qualified women and match the candidates with chairmen. "I personally am passionately against quotas," she says. "They



JUDGE says companies must fast-track talented women early in their careers.

'IF YOU DON'T GIVE A WOMAN A CHANCE TO BE AN EXECUTIVE, SHE'LL NEVER GET A BOARD SEAT,' BARBARA JUDGE SAYS.

undermine women with the sense that you can't get there on merit."

Some veteran women executives say the board battle is misplaced. The real issue isn't the dearth of female

directors; it's the lack of women with the experience it takes to join a board, says Barbara Judge, a dual U.K.-U.S. citizen. Judge, 64, is chairman of the U.K. government's Pension Protection Fund and

sits on four other boards, including that of Norway's Statoil ASA. She was the youngest commissioner ever appointed to the U.S. Securities and Exchange Commission and became the first female director of a British merchant bank when she joined Samuel Montagu & Co. in Hong Kong in 1983. "If you don't give a woman a chance to be an executive, she'll never get a board seat," Judge says. "It's a perfect Catch-22."

Morrissey says boards

can be a starting point for lifting women into senior management. The financial meltdown further convinced her that women have a role as directors. Lehman Brothers Holdings Inc., which filed the world's biggest bankruptcy, had one female director, as did the 18-member board of Royal Bank of Scotland Group Plc, which took a U.K. government bailout in 2008. Investors criticized both boards for failing to challenge management. "The financial crisis has called into question a lot of the status quo, including how decisions are made, composition of company management teams, and boards," she says.

Norway started the female-director push in 2002 and, at 39.5 percent, has effectively reached its 40 percent mandate. "Norway put the issue of women on boards on the global agenda," says Elin Hurvenes, who founded the Professional Boards Forum in 2003 to help Norwegian companies find qualified women.

AFTER NORWAY SET THE TONE, countries began competing to increase women directors, says Susan Vinnicombe, a professor at London's Cranfield School of Management and a member of Davies's steering board. "The number of women on corporate boards has become a measure for how well women are doing in society," she says.

Western Europe, where women on average hold about 13 percent of board seats, may soon outpace the U.S., Vinnicombe says. American boards are about 15 percent female, and quotas

WOMEN ON BOARD

Several U.K. companies are already exceeding Morrissey's 30 percent target.

FTSE 100 COMPANIES, 2010
RANKED BY PERCENTAGE OF DIRECTORS WHO ARE WOMEN

1	Burberry Group	37.5%
2	Diageo	36.4
3	Alliance Trust*	33.3
4	British Airways	30.0
	Pearson	30.0
6	AstraZeneca	27.3
	Marks & Spencer	27.3
	Standard Life	27.3
	J Sainsbury	27.3

*Dropped from the FTSE 100 in March 2011. Source: Cranfield School of Management's Female FTSE Board Report 2010

aren't on the agenda. "It's kind of like Malcolm Gladwell's *The Tipping Point*," she says, explaining the theory that an idea reaches critical mass and then goes viral. "Norway really captured people's attention, so instead of people thinking it was outrageous, it became accepted."

MORRISSEY SAYS A 2009 Goldman Sachs Group Inc. luncheon about diversity in London sparked her idea to set up the 30 Percent Club. Everyone was lamenting how women seemed stuck at 10 percent of senior levels even as companies said they were promoting diversity. Morrissey contacted Mary Goudie, a member of the House of Lords who'd also attended the lunch, to suggest their own gathering in April 2010. Worried it would end as another talking shop, Morrissey sent an e-mail beforehand suggesting the setting of a concrete goal for board representation as a start for building gender balance throughout management. She approached Roger Carr, chairman of U.K. energy supplier Centrica Plc, and tapped Diana Brightmore-Armour, head of corporate banking at Lloyds, to speak with Bischoff. With two FTSE 100 bigwigs behind her, she persuaded others to join the campaign.

Morrissey, with her flowery dresses, chunky jewelry and quick laugh, doesn't come across as a feminist firebrand. She says a woman can work reasonable hours and succeed. Active fund management, which revolves around times when markets are open, is great for anyone who needs to be judged by results, not hours spent at a desk, she says. She admires Goudie, who led the campaign to ratify the United Nations Treaty on Human Trafficking. French Finance Minister Christine Lagarde is another inspiration, although Morrissey says she's disappointed that Lagarde backed quotas in France.

Impossibly thin after years of child-bearing, Morrissey is equally happy to talk about how she organizes her kids' activities with spreadsheets and whiteboards while she jets to New York to

win clients for Newton. "It's like a military operation," she says.

Even she says she was surprised that a few board chairmen told her they were irked that she hadn't invited them to join the 30 Percent campaign. So, in April, she sent a letter to each FTSE 100 chairman asking him to sign on.

Bischoff, who was chairman at Citigroup Inc. for just more than a year when the U.S. government bailed out the bank, says every corporate chairman in Britain is talking about female directors. Citi had two women on its 15-member board in 2008. These days at Lloyds, Bischoff says he'll pick a male director only if he can't find a qualified woman. "I say, here's what we're looking for and now get me a female list only," he says.

**U.S. FIRMS WITH THREE
OR MORE FEMALE
DIRECTORS
PRODUCED AN AVERAGE
45%
HIGHER RETURN ON
EQUITY AND SALES.**

Morrissey, who excelled in math and physics in high school, can cite compelling statistics. U.S. firms with three or more female directors produced an average 45 percent higher return on equity and sales than did those with the average board from 2001 to 2004, according to a 2007 study by Catalyst, which promotes women in business. McKinsey & Co. found that companies with the greatest share of women on executive committees have a 41 percent higher return on equity than do those with all-male groups, based on its survey of 279 companies in Europe, Brazil, Russia, China and India from 2007 to 2009. One prominent example in London is luxury retailer Burberry Group Plc, whose board is 37.5 percent female—the highest proportion in the

FTSE 100. Burberry stock doubled in the 12 months through May 9 compared with a 17 percent rise for the FTSE All-Share Index.

"We now have enough data to show that women on boards make a difference to performance," says Gay Huey Evans, vice chairwoman of the International Swaps and Derivatives Association Inc. and one of two women on the London Stock Exchange board. "That appeals to men who are bottom-line guys."

Don't tell that to Deutsche Bank AG chief Josef Ackermann. He created an uproar in February when he declared at a press conference that his 12-member, male-only group executive committee would be "more colorful and prettier" with female members. Germany's Consumer Minister Ilse Aigner shot back, "If it's more color or beauty you want, you should go to a flower garden or museum." For all the outrage he caused, Ackermann also said at the press conference, "It's unbelievably important that we succeed in bringing more women into management positions."

More than three decades after Britain elected its first female prime minister, Morrissey didn't have to look far for fertile ground to reform. Fourteen FTSE 100 companies have men-only boards, down from 21 when Davies issued his report, the Professional Boards Forum says. They include Associated British Foods Plc, owner of fashion retailer Primark. More than half of boards on the smaller FTSE 250 have no women. One unlikely straggler until recently was Mothercare Plc, which sells baby gear. It appointed Amanda MacKenzie in January, more than six months after the only other female director resigned.

Boards are far from the only laggards. Women haven't cracked the top echelons of corporate management, law or medicine—even though they make up more than 60 percent of college graduates in Europe and the U.S. After propitious beginnings, women stall. Fewer than 20 percent of partners at Britain's biggest law firms are female although 60 percent of trainees are, according to *Legal Week*,

an industry newsletter. Women outnumber men at U.K. medical schools, yet they're left behind in prestigious areas such as surgery and earn 18 percent less than male doctors, the British Medical Association says. Men dominate from trading floors to the FTSE 100, which boasts only five female CEOs. A persistent pay gap exacerbates the inequality: Europe-wide, women earn an average 17.5 percent less than men.

Extended maternity leaves are partly to blame, says Philippa Rose, founder of headhunting firm Rose Partnership. She says managers have told her off the record that they're reluctant to appoint a woman in her 30s—unless she's single—if there's an equally well-equipped man. "Most businesses simply cannot cope with a yearlong absence of a key executive," she says. "It's one of the reasons why there is a fundamental shortage of women in senior positions and on boards. There has to be a big enough pool of candidates to fish from."

SIMON MURRAY, CHAIRMAN OF Swiss commodities trader Glencore International AG, may be one of the few to say publicly what chiefs think privately. "Pregnant ladies have nine months off," Murray told the *Sunday Telegraph* on April 24. "Do you think that means when I rush out, what I'm absolutely desperate to have is young women who are about to

get married?" Murray later apologized, saying he believes in equality.

Morrissey says strong support at home helps women get back to work. She has had the same nanny for all of her children and has taken off as little as six weeks with her younger ones. Her husband, Richard, a former journalist, is a stay-at-home dad. "A year's leave makes it harder for companies to plan," she says. "Six months is a better deal all around because it's much more a temporary situation."

Morrissey grew up with two working parents. The daughter of teachers in Chichester in southeast England, she attended a state high school. She studied philosophy at Cambridge University, where she focused more on logic than existential theories. At the annual "milkround," where merchant banks recruit talented students, she hit it off with Schrodgers. The firm hired her as a graduate trainee and, within a week, offered her a posting in New York to use her math skills analyzing the U.S. bond market.

Morrissey returned to Schrodgers in London about three years later as a fixed-income fund manager. After having her first child at age 25, she'd fully expected to pick up where she left off. Instead, following what she took as an unfair presumption about her commitment, she found a mentor in Stewart Newton, who hired her at Newton Investment Management in 1994 as a bond fund manager. After a year,

Newton let her run the fixed-income funds on her own when a colleague left to have a baby. "He gave me lots of attention," she says. "I would have to go in at 4 p.m. and talk to him about what I'd done in the funds. He's a phenomenal investor and taught me about lateral thinking."

Morrissey repaid Newton's faith when she made a big call ahead of the Labour Party's taking power in 1997. She bought gilts when everyone was panicking about deficits and ran that position from about 9 percent yields to less than 4 percent. Her Newton International Bond Fund posted a 17 percent return in 1998. "She got to where she is because she produced outstanding results," says Newton, now a director at Veritas Asset Management in London. "She was prepared to be flexible, and she was able to listen to people."

Newton appointed Morrissey to head fixed income in 1999. When Mellon took over in 2001, he stepped back and the management team left. Ronald O'Hanley, who was running Mellon's investment business, chose her as CEO. She was 35 with five children, the youngest of them ages 1, 2 and 3. "That was much more challenging than anything else I've done," she says. "I jumped into the deep end and had to learn quite quickly what the CEO did."

O'Hanley says Morrissey was selfless. She handed out almost the entire year-end bonus pool to staff, leaving nothing

NORWAY'S 40 PERCENT SOLUTION

Norway, known for its fjords, oil and quality of life, can count another distinction: It's the first country to set a quota for women on boards of publicly traded companies and then meet it.

Ansgar Gabrielsen, who pushed the 40 percent target, says he isn't a feminist. "I did it because it's smart," he says. "It's good for society that we use 100 percent of our workforce."

Gabrielsen, 56, was minister for trade and industry in 2002 when he kept bumping into the same male directors. "I was involved in finding board members at state companies, so I knew what was going on," he says. "There was a boys club with a lot of 'If you're on my board, I'll be on yours.'"

Gabrielsen announced that companies would have until July

2005 to raise the percentage of women directors to 40 percent from about 6 percent or he'd introduce legislation mandating a quota. "It was a nuclear bomb when I proposed it," he says.

By mid-2005, boards still were about 16 percent female. So Gabrielsen pushed through his 40 percent mandate. Companies bombarded top females with offers. Mai-Lill Ibsen, who headed

Citigroup in Norway from 2002 to 2005 and later ran derivatives clearinghouse NOS ASA, says more than 25 firms approached her. She now sits on 14 boards. "Whatever you think about the quota law, it worked," Ibsen, 56, says. "Investors and chairmen were saying we'll have a lot of incompetent women joining our boards. They've been silent."

STEPHANIE BAKER



WEBER-RAY is nudging Germany to open its old boys club.

for herself. “I’d have to go back and redo that so I could pay her,” says O’Hanley, who now runs Fidelity Investments’ asset management business.

Morrissey also understood how to motivate people. “She had a discerning way of understanding the facts and hard issues, but also the softer ones—what would it take to get this group rallied around the new business model,” he says. “She’s got a lot of drive and ambition but not in an untoward way.”

Under Morrissey, Newton’s assets under management have more than doubled to £47 billion. She secured £4.5 billion from U.S. institutional clients, fruits of a five-year effort. She opened a U.S. outpost in 2006. Morrissey sees her CEO role as being a consensus builder. She’s on Newton’s investment committee, where she guards the firm’s thematic approach that sets big-picture ideas to guide managers in picking stocks and bonds. One recent theme, “low-end spend,” looked at how discount retailers might benefit from the recession.

Just how Morrissey juggles her 30 percent campaign, CEO responsibilities and

family is a bit of a mystery, even to her. She sometimes spends the whole day on Newton issues and catches up on club-related e-mails at night. The 16 women on the club steering committee are all actively involved. In recent months, they’ve been organizing a July 4th panel with FTSE 100 chairmen to explore ways to get more women on boards.

Even so, squeezing it all in can be challenging. When her 5-year-old son made a speech competition final, her husband

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recorded it on his iPhone and she watched later. She usually leaves Newton at 5 p.m. After a family dinner, Morrissey works and tries to resist late-night BlackBerry checks. The kids are used to Dad at home. When she asked one of her three sons what he wanted to be, he said he wanted to stay home, like Dad. “I said, ‘Well, that’s a good option; just find a woman who wants to work!’” she says, laughing.

Morrissey’s battle now is to persuade chairmen that there are qualified women like her who can take charge. To hit her 30 percent target, she says FTSE 100 companies will have to add about 200 female directors.

Companies hiring women will have to go beyond the safe bet, which often has meant tapping an American who’s more likely to have executive experience or a board seat elsewhere. U.S. and Canadian citizens hold 28 percent of female director seats at FTSE 100 firms compared with 13 percent of male directorships, according to Cranfield. “There’s an unfortunate perception that unless you’ve been a major player with a certain amount of gray hair and been on a certain number of boards it’s very difficult to get a seat,” says David Peters, London-based managing partner of the CEO and board recruitment practice in Europe for Heidrick & Struggles.

As women come on board, hundreds of men may lose their seats. Already, in France, with its 40 percent mandate, many headhunters no longer consider men, Peters says. “They can’t possibly fill the quotas unless they only talk to women,” he says.

Countries are struggling with cultural obstacles as they consider quotas. Daniela Weber-Ray, a Frankfurt-based partner at law firm Clifford Chance, is one of five women on the 17-member board of Paris-based BNP Paribas—making its female representation 29 percent. In her native Germany, though, Weber-Ray says quotas are a nonstarter: There simply aren’t enough women to fill the positions because of a lack of government-supported child-care options. Only 2.2

percent of executive board members at the 30 biggest companies are women, and the companies are run by men. “France is 40 years ahead of us,” she says. “We cannot force this change on German society.”

Instead, she’s nudging German companies to open up the old boys club. As a member of Germany’s Corporate Governance Commission overseeing rules for listed companies, Weber-Rey, 53, argued against quotas in 2009. After a year of no visible change, she backed the commission’s decision last summer to require companies to publicly declare timelines for adding women. Companies in Germany’s DAX Index in March pledged to set voluntary quotas for women by the end of the year.

ONE BIG COMPANY IS ALREADY taking action. Deutsche Telekom AG aims to fill 30 percent of management positions with women by 2015—up from about 12 percent in 2010. The Bonn-based telecommunications giant plans to



ROLE MODEL: Morrissey says quotas show women ‘you can’t get there on merit.’

recruit more female graduates, reserve 30 percent of executive development spots for women and expand flexible arrangements. That hasn’t made a difference at the top yet: The eight-member management board is all male.

Morrissey is trying to practice what she preaches at Newton. She’s chairwoman and the only female on the firm’s five-member board. Yet women occupy 26 percent of senior pro-

fessional roles as analysts, fund managers and salespeople. When Morrissey looked to hire a global equity fund manager, the shortlist came back all male. A suitable female candidate was added at her request. That person didn’t get the job, but she says the process shifted attitudes. “There’s still work to do,” she says.

Morrissey says putting women in the boardroom is one step on a long path toward more equality—and better profits—for businesses. If her club is successful, women may find themselves better able to navigate roadblocks that have stopped many of them in their tracks. “If we change the board makeup and get better gender representation, then that opens people’s eyes up,” she says. “Then women can say, ‘Well, maybe I can do it.’”

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To write a letter to the editor, send an e-mail to bloombergmag@bloomberg.net or type **MAG <Go>**.

Bloomberg Tips **GETTING INSIDE THE BOARDROOM**

You can use the Financial Analysis (FA) function to find information about a public company’s board, including the percentage of women and independent directors. To view the board makeup at U.K. luxury retailer Burberry Group, for instance, type **BRBY LN <Equity> FA ESGG <Go>**. For directors and their affiliations, type **MGMT <Go>** and click on the Board tab. For articles on workplace gender equality, type **NI GENDER <Go>**. For women in the news, type **NI WOMEN <Go>**. **BETH WILLIAMS**

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Governance			
Back to ESG			
Governance Disclosure Score	53.57	48.21	48.21
Size of the Board	8	7	7
Indep Directors	6	4	4
% Indep Directors	75.00	57.14	57.14
% Women on Board	37.50	43.00	43.00