Towards gender-balanced leadership

What has not worked - and what may
Outline

A. What has not worked: An outdated gender debate

B. The business case for gender-balance in leadership

C. The challenges

D. Steps towards gender balance
Gender-imbalance in leadership

Executive committees: Precious few women worldwide
% women, Fortune 101

- US: 4 women
- Europe: 2 women
- Asia: 2 women

Source: WOMENOMICS 101 Report (2010), DB Research

Women in top management: No visible improvement
Share of women in Germany’s executive committees and business management, %

- 2001: 22%
- 2002: 18%
- 2003: 22%
- 2004: 19%
- 2005: 14%
- 2006: 18%
- 2007: 15%
- 2008: 17%

Source: DIW Berlin (SOEP), DB Research
Gender-imbalance in leadership

**Highest decision making bodies**
% women, largest quoted companies, 2009

**Managers**
% women, 2007

Source: Eurostat

Source: ELFS, OECD
An outdated gender debate (1)
Ethics has been the dominating driving force

Boards and exec. committees
Share of companies with at least one woman on boards and executive committees

- **US**: 94% (Boards) 87% (Executive committees)
- **Europe**: 89% (Boards) 44% (Executive committees)
- **Asia**: 24% (Boards) 23% (Executive committees)

Source: 20-First (2010), DB Research

- **Fostering equal opportunities**
  - Women considered as victims
  - Underestimates their potential

- **Diversity initiatives**
  - Making minorities comfortable with a dominant norm

**Value women’s difference**

**Reap the benefits**
An outdated gender debate (2)
The focus has been on changing the women

Female qualifications unused
% women/men at various levels

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 80%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>&lt; 20%</td>
<td>■</td>
<td></td>
</tr>
</tbody>
</table>

Helping the women “make it”

- Helpful start in countering situation of the “out-of-power”

BUT limited use:

- Ignores differences female vs male

Change the approach of companies!

<table>
<thead>
<tr>
<th>Entry positions</th>
<th>Leadership positions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Wittenberg-Cox (2010), DB Research
Outline

A. What has not worked: An outdated gender debate
B. The business case for gender-balance in leadership
C. The challenges
D. Steps towards gender balance
Why companies need fixing
The business case for gender balance in leadership

1. A larger pool of talent
2. Addressing the increasing influence of women consumers
3. An effective leadership team
The business case
1- Winning the war for talent

More female students
Women university students, %

- The demographic challenge
  - Population of working age:
    - 16 million (-30%) until 2050
  - Share of population: 66% → 56%
  - Shortage of skills

- Women are becoming better educated

A significant business opportunity
Potential high cost not to promote

Source: OECD, DB Research
Winning the war for talent

Female employment rate

Part-time employment

% women, 2009

Source: Eurostat

Source: ELFS, OECD
### Maternal employment rate

**Female employment ratio (25-49 age cohort)**

**Maternal employment ratio - child under 15**

<table>
<thead>
<tr>
<th>Country</th>
<th>Age of youngest child</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 3 years</td>
</tr>
<tr>
<td><strong>OECD average</strong></td>
<td>50,9</td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>71,9</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>71,4</td>
</tr>
<tr>
<td><strong>Slovenia</strong></td>
<td>74,6</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>51,8</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>75,0</td>
</tr>
<tr>
<td><strong>Estonia</strong></td>
<td>27,1</td>
</tr>
<tr>
<td><strong>Latvia</strong></td>
<td>53,2</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>58,6</td>
</tr>
<tr>
<td><strong>Portugal</strong></td>
<td>67,6</td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>57,9</td>
</tr>
<tr>
<td><strong>Lithuania</strong></td>
<td>59,5</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>55,5</td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>45,1</td>
</tr>
<tr>
<td><strong>Bulgaria</strong></td>
<td>40,6</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td>48,7</td>
</tr>
<tr>
<td><strong>Spain</strong></td>
<td>54,8</td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>62,5</td>
</tr>
<tr>
<td><strong>U. Kingdom</strong></td>
<td>54,0</td>
</tr>
<tr>
<td><strong>Slovak Rep.</strong></td>
<td>21,6</td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
<td>56,1</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>50,9</td>
</tr>
<tr>
<td><strong>Czech Republic</strong></td>
<td>17,6</td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
<td>15,5</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>51,1</td>
</tr>
</tbody>
</table>

Dr. Claire Schaffnit-Chatterjee · September, 29th 2011 · Folie 11
The business case
2- Adapting to changing markets

The future is female

- Over 80% of consumer purchases in the developed world made by women
- The majority of women feel misunderstood by marketers

→ Likely easier to understand women if the leadership includes a few of them
  Vital for consumer products geared towards women

→ Researching women’s expectations / removing gender bias may lead to
  rethinking the business and marketing approach for all customers
The business case
3- Getting an effective leadership team in place (a)

a- Women have their own leadership styles

<table>
<thead>
<tr>
<th>Gender differences in leadership behaviours</th>
<th>Important leadership behaviours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out of the 9 behaviours which improve organisational performance, women tend to exhibit, in comparison to men:</td>
<td>- Intellectual stimulation</td>
</tr>
<tr>
<td>More</td>
<td>Slightly more</td>
</tr>
<tr>
<td>People development</td>
<td>Inspiration</td>
</tr>
<tr>
<td>Expectations and rewards</td>
<td>Participative decision-making</td>
</tr>
<tr>
<td>Role model</td>
<td></td>
</tr>
</tbody>
</table>

Source: McKinsey (2010), based on a survey of over 9000 managers, male and female

→ There is a feminine approach to leadership which benefits companies

→ “Female” strengths are in higher demand

→ They are today in short supply
The business case
3- Getting an effective leadership team in place (b)

b- Complementary skills of men and women: an asset

In a multicultural, diverse, complex and unpredictable world:

→ Homogeneous exec. committees and corporate boards: the best answer?
  (white men 50-65, maybe same nationality and/or education)

→ Complementary skills and styles of men and women foster creativity

→ No blind spots
The business case
3- Getting an effective leadership team in place (b cont.)

More women at the top: better bottom line

- Fortune 500 companies with most women in their top management:
  
  Return on equity: 35.1% higher
  Total return to shareholders: 34% higher

- Fortune 500 companies with three or more female directors:
  
  Return on equity: 83% higher
  Return on sales: 73% higher
  Return on invested capital: 112% higher

  Source: Catalyst (2004, 2007)

- Companies with the highest gender diversity in top management:
  
  Return on equity: 10% higher
  EBIT: 48% higher
  Stock price growth: 170% higher

The business case
Getting an effective leadership team in place (c)

c- Gender balance in leadership and good performance go together

- Bottom line
- Organisational excellence, corporate governance

→ Positive correlation between gender balance in leadership and performance

  (Causality not proven, but hard to argue that gender balance is not beneficial)

Additionally:

- 72% of respondents to a recent McKinsey survey believe that there is a direct connection between gender diversity and financial success
- Positive correlation between the number of female board directors and female share in senior management
The business case for gender balance in leadership...

1. A larger pool of talent
2. Addressing the increasing influence of women consumers
3. An effective leadership team

... is part of the larger context of embracing structural change

Digitization, knowledge-intensity, demography,
global integration, project economy

→ Major implications for the labour force and the work environment,
e.g. career phases

→ Overlap between changes benefiting women and those benefiting all
Outline

A. What has not worked: An outdated gender debate

B. The business case for gender-balance in leadership

C. The challenges

D. Steps towards gender balance
The challenges

1- Understand women

- **Communications styles are different**
  
  Men typically oversell their abilities while women undersell them
  
  → Use reliable measures of performance

- **A different approach to power**
  
  Politics despised or over-used

- **Career motivations are different**
  
  Making a difference, being challenged, recognition

- **Interrupted career cycles**
  
  Career often peaks a decade later
  
  → Raise or abolish age limits for developing “high potentials”
  
  → Recognize that the linear, unbroken career model is unsustainable
The challenges

2- Incorporate the differences

- Both women and companies need to adapt
  - Women’s conferences and leadership training
  - Adapt companies’ culture and HR systems (bridge the differences, all benefiting)

- High-potential women are over-mentored...
  More likely than men to get mentoring, less likely to get career benefits

- ... and under-sponsored: Beyond feedback and advice, sponsors advocate for their sponsorees and help to get them to the next level
  - Also beneficial to increase people skills and ability to give feedback
  - Consider alternative views of power: more assertiveness training or develop more objective evaluation of performance and potential?
The challenges  
3- Remove biases in systems, processes

The career beckons … 
Duration of time off for the highly qualified, %

- 1 year or less: Germany 58%, USA 61%
- 2-4 years: Germany 36%, USA 18%
- Over 4 years: Germany 5%, USA 21%

… but a disappointing return 
Share (%) of professionals experiencing:

- Lower salary: Men 13%, Women 45%
- Reduced mgnt. responsibility: Men 10%, Women 37%
- Lower position: Men 7%, Women 36%
- Reduced work responsibility: Men 7%, Women 28%

Source: Center for Life Policy (2010), DB Research
The challenges

3- Remove biases in systems, processes

- **Plug the leaky pipeline**: Create an inclusive culture, redesign work
  - Understand priority changes with life stages
  - Broaden narrow definitions of career path to the top
  - Measure performance by results, not hours
  - Avoid assumptions about what women – or men – want from careers

- **Promote high potentials**
  - More transparent promotion processes
  - **Question assumptions on who is ready**: power-hungry vs competent!
    - Promoting “power-reluctant” women → larger range of valid leadership styles
  - Allow women to get to the top staying themselves, not having to borrow male style
Outline

A What has not worked: An outdated gender debate
B The business case for gender-balance in leadership
C The challenges
D Steps towards gender balance
The way forward: Steps towards gender balance

- **Awaken your leadership team**
  
  Many senior exec. assume that men and women are equal and the same
  
  ➤ “Reverse” mentoring

- **Define the business case (not a women’s issue)**
  
  ➤ Sell downwards: why, how – Count women, set targets
  
  ➤ Identify champions: persuasive, with influence, convinced (not necessarily women!)

- **Communicate the right message at the right time**
  
  ➤ A gender initiative is likely to annoy both men and women
  
  ➤ Gender balance and life balance are different topics
The way forward: Quotas not ideal

- **Demand-side solution**
  
  If the pipe-line is not full → counter-productive in the short-term

- **Useful debate** on quotas: generating momentum
  
  Increased awareness, fear of impeding regulations

- **Supply-side measures are critical**
  
  Company in a position to promote competent women

- **Requires new thinking, innovative approaches and courage!**

  → **A win for everyone**: innovation, more balanced work environment, and positively affects the bottom line
In the current business world, women are "like second-generation immigrants, with one foot in the culture of business and one foot in the culture of women."

Wittenberg-Cox and Maitland (2009)
Vielen Dank für Ihre Aufmerksamkeit!

Dr. Claire Schaffnit-Chatterjee
claire.schaffnit-chatterjee@db.com
069 910 31821
www.dbresearch.de
Frauen auf Expedition

