NOVEMBER 2012

McKinsey Quarterly

ORGANIZATION PRACTICE

The global gender agenda

Joanna Barsh, Sandrine Devillard, and Jin Wang

Women continue to be underrepresented at senior-management levels in Asia, Europe, and North America. McKinsey research suggests some answers.

The progress of women toward the upper echelons of business, government, and academia continues to provoke media attention and lively debate. Look, for instance, at the coverage of Marissa Mayer's July appointment as CEO of Yahoo! and the diverse reactions to an article ("Why women still can't have it all") published in the July/August issue of the *Atlantic* magazine.[1]

Coincidentally, this summer also marked the moment when we released the latest phase of a global research initiative on women in senior management across Asia, Europe, and North America. This effort involved assembling fresh data on the gender composition of boards, executive committees, and talent pipelines, as well as detailed surveys of leading businesses in each region.[2]

Encouragingly, the research shows that a growing number of women, both in senior roles and among the rank and file, are finding their voices and inspiring others to achieve progress. It also demonstrates that more companies are enjoying the benefits of gender diversity and that some have found ways to boost the representation of women at the highest levels of their organizations. From an admittedly low base, for instance, more women sit on European corporate boards (though not executive committees) than did so five years ago. Countries with a clear political commitment to change, in the form of specific quotas or targets, are achieving significant results. Several major corporations are emerging as inspirational role models.

[1] See Anne-Marie Slaughter, "Why women still can't have it all," the *Atlantic*, July/August 2012, Volume 310, Number 1, pp. 84–102.

[2] See *Women Matter: An Asian Perspective*, June 2012; *Unlocking the full potential of women at work*, April 2012; and *Women Matter 2012: Making the Breakthrough*, March 2012 (all available on mckinsey.com).

Yet while the vast majority of organizations in developed economies are striving to unlock the potential of women in the workforce, many executives remain frustrated that they have not made more immediate and substantial progress. Firmly entrenched barriers continue to hinder the progress of high-potential women: many of those who start out with high ambitions, for instance, leave for greener pastures, settle for less demanding staff roles, or simply opt out of the workforce. In Asia, cultural attitudes toward child care and household tasks further complicate the challenges for corporate pioneers. And everywhere we look, despite numerous gender diversity initiatives, too few women reach the executive committee, and too few boards have more than a token number of women.

Our research also offered some clues about the characteristics of companies that make the greatest advances in gender diversity. Much depends on the stage of the journey companies have reached. The regional and cultural context matters, too. Still, we were struck by the global applicability of some core principles. Across geographies, we find that a wholly committed senior leadership, active talent management, and more effective efforts to shift mind-sets and change behavior can transform the gender agenda (see sidebar, 'We're at a tipping point,' on page 10).

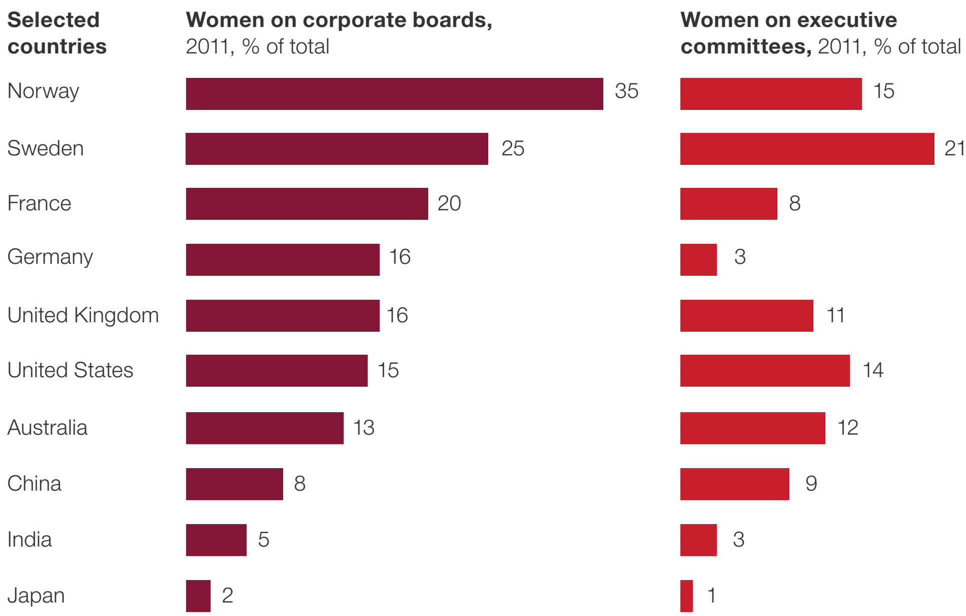
Global challenges

Women hold 15 percent of the seats on corporate boards and 14 percent of those on executive committees in the United States; 16 percent and 3 percent, respectively, in Germany; 20 percent and 8 percent, respectively, in France; and less than 10 percent on both boards and executive committees in China, India, and Japan. In Scandinavia, the numbers are higher: Norway's representation is currently at 35 percent and 15 percent, respectively; Sweden's at 25 percent and 21 percent, respectively (exhibit).

The representation of women in all regions, moreover, diminishes markedly at each higher management level. Some female executives, of course, leak out of the talent pipeline because they are headed for other or better jobs; others voluntarily draw back from promotions as part of conscious work–life decisions. But a significant number run into a succession of seemingly immovable barriers at key career intersections.

Exhibit

Women's representation on executive committees and corporate boards around the world remains small.



Source: Annual reports of companies listed on each country's main stock index; Italian data from Aliberti Governance Advisors; McKinsey analysis

We have long noted the combination of structural obstacles, lifestyle choices, and institutional and individual mind-sets that hinder the advancement of women. But only recently have we started to understand how deeply entwined they are. Men and women tend to be evenly distributed across line and staff roles early in their careers, for example, but women begin a steady and disproportionate shift into staff roles by the time they reach the director level. Lacking the sorts of networks that come more easily to men, many women miss out on discussions with sponsors who might encourage them to stay in the line. Line jobs tend to involve more pressure and less flexibility—less appealing to women forming families or opting for greater control over their lives. Some male executives, with good intent, do not even ask mothers to consider line assignments that involve travel and long hours.

Natural advantages or disadvantages do characterize some sectors, but the situation varies markedly even within them, and contradictions abound. In European financial services, for instance, the rate of attrition is particularly severe by the time women reach middle

This article draws on the work of McKinsey teams led by:

Asia
Claudia Süssmuth Dyckerhoff
Director, Shanghai

Jin Wang
Principal, Shanghai

Europe
Sandrine Devillard
Director, Paris

Wieteke Graven
Senior Expert, Amsterdam

Emily Lawson
Principal, London

Renée Paradise
Associate Principal, London

Sandra Sancier-Sultan
Director, Paris

North America
Joanna Barsh
Director, New York

Jonathan Shulman
Consultant, San Francisco

Lareina Yee
Principal, San Francisco

management. In contrast, our research indicated that some of the top US gender diversity performers were in financial services.

Finally, Asia stands out. The relatively low overall rate of female labor force participation in many Asian countries—though not all of them, for China is a notable exception—means that it is harder to fill the pipeline at the outset. Next, the double burden of Asia's working women, who must juggle families and jobs, is not only reinforced by cultural factors but also compounded by a lack of government support in areas such as childcare. In many markets, women wait until their children are older before returning to work or (in Taiwan, for example) drop out in their late 20s never to return. Exacerbating matters in much of Asia is an absence of urgency to change the equation. In our recent survey of the region's senior executives, just 30 percent of respondents said that gender diversity was currently a top priority for their corporations, and only a third saw it as being one of the top ten priorities on the corporate agenda in coming years.

From good to great

These challenges persist at a time when many companies, particularly in North America and Europe, are pursuing an arsenal of measures aimed at easing women's progress through the organization. Such measures include efforts to make appraisals objective and unbiased; the adoption of diversity targets; greater flexibility in remote working; smoother transitions before, during, and after maternity leave; and executive coaching for high-potential vice presidents. Of the 235 European companies we surveyed recently, for instance, more than 60 percent told us they have at least 20 gender diversity initiatives in place.

Motivations vary. A number of studies find a correlation between high-performing companies and those with strong female representation at the top,[3] though correlation does not prove causality. Many CEOs

[3] For more, see *Women Matter: Gender diversity, a corporate performance driver* (October 2007) and *Women Matter 2: Female leadership, a competitive edge for the future* (October 2008), on mckinsey.com.

are convinced that mixed boards and mixed executive teams perform better than those dominated by men. As one corporate leader put it, just about every company wants to “get the best brains to work on the problem.” That said, successfully transforming gender attitudes and performance requires much greater leadership attention and dedication than even committed CEOs and top teams are currently giving to it. These goals also call for integrated management and monitoring of women in the talent pipeline from early on to the point when they become eligible to join the C-suite and for intervention to shift widely held beliefs holding back talented women.

Leadership ‘obsession’

Every major cultural, operational, or strategic change in a business requires personal passion, “skin in the game,” and role modeling from senior leaders, and gender diversity is no exception. When a CEO is the chief advocate and “storyteller,” more people (including the often less committed male middle managers) believe that the story matters and begin to adopt the CEO’s mind-set and behavior. Intensely committed CEOs make their goals clear and specific, tell everyone about them, get other leaders involved, and manage talent to help make things happen. CEOs who do not see gender diversity as a top issue fold “gender” into “diversity” and “diversity” into “talent,” thereby losing focus as leadership of initiatives is delegated to others further down the line. CEOs who champion gender diversity, for example, participate in women’s events and multiday talent discussions; less committed CEOs introduce them and leave, inadvertently signaling that other priorities take precedence.

In Europe, many executives tell us that the momentum for change took hold only when the top team made its commitment visible—for example, by appointing women to senior positions or taking measures to ensure that they were considered for certain jobs. Sponsorship is (and always has been) a critical part of an executive’s path to the top. HR leaders tell us that these relationships are hard to institutionalize and that formal programs have mixed success. But we find it significant that one company did much better when the CEO and the diversity leader personally took charge of the sponsorship program, selected a group of high-potential women, and invited them to spend significant time with the top team. Women in the program really got to know the CEO and senior-team members, and vice versa, and most have since moved up the management ladder.

Managing—and cultivating—the pipeline

McKinsey's more general work on transforming the performance of companies shows that those with a clear understanding of their starting point are more than twice as likely to succeed as those that are less well prepared.[4] In a gender diversity context, this understanding means knowing the gender balance at every level of the organization; comprehending the numbers by level, function, business unit, and region; and then monitoring metrics such as pay levels, attrition rates, reasons women drop out, and the ratio between women promoted and women eligible for promotion.

Why go to this expense? Establishing the facts is the first step toward awareness, understanding, and dedication to improvement. Using a diagnostic tool, one company simulated how much hiring, promoting, and retaining of women it would require to increase the number of senior women managers. That approach helped it set an achievable and, just as important, sustainable target that would not compromise a highly meritocratic corporate culture. With an overall target—that 25 percent of managing directors and directors should be women by 2018—and a clear understanding that the bar for promotion could not be lowered, managers now look harder for high-potential women and start working with them earlier to develop that potential.

Incentives tied to managers' bonuses can help, though some companies fear that targets may undermine the credibility of women at the top. Those in favor of such targets believe that a radical mandate is required for substantial change and worth the backlash from women who ascended "the hard way." Where targets are rejected, other mechanisms "with teeth" are necessary—almost all the top US performers on gender diversity have goals, if not targets. In Europe, we identified a gap between the measures companies now have in place and how carefully these companies apply and monitor them. Some have targets for women in senior positions, for example, but no plans for implementation; others have targets and plans but fail to communicate them. Companies with cultures inimical to top-down diktats should consider adopting a regular report that candidly evaluates progress and prompts senior management to brainstorm for new ideas.

[4] For more, see "What successful transformations share: McKinsey Global Survey results," mckinseyquarterly.com, March 2010.

Shifting mind-sets and behavior

Leaders with the best of intentions may still fall short unless they can change the way they and their organizations think. So if, for example, the prevailing view is that truly committed executives work 24/7 and travel at the drop of a hat, many talented women will turn their backs on further advancement. Such prevailing attitudes are hard to shift: in our experience, that can be done only by role models who challenge them through their actions and by a learning environment that cultivates self-awareness. More women at the top should help, though of course women can be as responsible as men for promoting a culture of nonstop work.

The top performers on gender diversity value and promote inclusiveness. Their leaders firmly believe that mutual respect drives better customer service and hence sales. When such beliefs take hold, they are powerful. One global cosmetics company we know, which operates in 88 countries and has a customer base that's 90 percent female, now cites gender diversity as one of its key strengths. Another consumer-based business, headquartered in Europe, makes mostly products for men but learned through research that women usually make the buying decision. Increasingly, the company looks to female employees to refine its marketing and product-development approach.

Certain institutional biases are subtle—for example, a reluctance on the part of men to give women the tough feedback everyone needs on their way to the top. Many men, fearing that sponsoring women might seem inappropriate, find it difficult to do so. Most people feel more comfortable promoting those who behave and think as they do. A willingness to question can make a difference. When one company discovered, through an audit of its recruiting processes, that recruiters were more critical of female than male candidates, it devised a training course for the critics. One of them was asked to lead a session and has since become among the company's most vocal supporters of diversity and inclusion.

The mind-sets—and aspirations—of women themselves are as important as those of the companies that employ them. Interviews with 200 successful middle-management and more senior women in 60 large companies across the United States highlighted some common threads: early career acceleration coupled with significant sponsorship, a willingness to change employers to gain greater opportunities, and a propensity to stay in line jobs for much of their advancement. These women remained optimistic even in the face of significant challenges.

Early-tenure women want to move to the next level as much as men do. Yet we found that only 18 percent of entry- and midlevel women have a long-term eye on the C suite, against 36 percent of men. That finding reinforces our belief that inspirational leaders should intervene with talented female middle managers to discuss their aspirations, build their confidence, embolden them to aim higher, and seek ways to make line roles more palatable for them. In particular, we would emphasize the need for women's leadership-development programs to focus on personal mastery of thoughts, feelings, and actions and thus to make women accountable for their own future.[5] In the average Fortune 500 company, a 10 percent boost in the odds that women will advance from manager to director and then to vice president would yield an additional 90 female executives, including five senior vice presidents and one member of the executive committee.

Four priorities for committed leaders

The widespread applicability of the principles above suggests a short list of actions that should be on every committed leader's priority list:

1. Treat gender diversity like any other strategic business initiative, with a goal and a plan that your company monitors and follows up at the highest levels over many years. Build in a "report or explain" process and articulate a well-supported point of view on the value women bring to your organization and the case for or against explicit targets. If greater representation of women in the talent pipeline promises a competitive advantage, successful leaders will work hard to include them. If greater female representation better serves the company's customers, those leaders will make that happen.

2. Ask for—and talk about—the data, sliced and diced to identify 'pain points' in the pipeline by business, geography, and function. Go well beyond measuring success by the number of women at the top. Discuss the percentage of talented women at each stage of

[5] For more, see Joanna Barsh, Susie Cranston, and Rebecca A. Craske, "Centered leadership: How talented women thrive," mckinseyquarterly.com, September 2008.

the pipeline, their odds of advancement versus men's, and the mix of women between line and staff jobs compared with that of their male counterparts. Make sure your entire top team and those who report to its members are accountable for the numbers, and brainstorm about what it will take to improve them.

3. Establish a culture of sponsorship, encouraging each top executive to sponsor two to three future leaders, including women. Instill a mind-set of "paying it forward," so that every woman sponsored will in turn sponsor two or three others. Embed effective sponsorship of women into the profile of successful leaders at your company and raise the issue in performance dialogues with your own direct reports. Show your wider commitment by talking with top female talent when you visit regional divisions and business units or participate in external events.

4. Raise awareness of what a diverse work environment looks like, celebrating successes to reinforce the mind-set shifts you desire. Use frequent personal blogs, top-team meetings, and town hall gatherings to communicate what you are doing to drive change. To increase awareness of the new mind-sets, question your own personnel choices, and think about whom you tend to work with and why. Top executives who work hard to encourage diversity of thought across a company will increase everyone's determination to bring the best to work—ending up not only with what they set out to achieve but with even more: an engaged community that corrects itself when things go off track.

• • •

A wide range of global companies made real advances in gender diversity over the past five years. They know that this is hard work—a journey measured in years rather than months. But they also know that improving the pipeline of female talent is possible, with rewards that include tapping the best brains, improving customer service, increasing employee engagement, and everything that comes with these benefits. ○

Joanna Barsh is a director in McKinsey's New York office, **Sandrine Devillard** is a director in the Paris office, and **Jin Wang** is a principal in the Shanghai office.

‘We’re at a tipping point’

Terri Kelly, president and CEO of W. L. Gore & Associates, an advanced-technology fabric, medical-device, filtration, and electronic-products company, reflects on its seven-year push to encourage greater diversity.

At Gore we believe that diversity of all kinds—gender, race, cultural identity—invariably drives better business outcomes from our teams, whether we’re working on new products, sales, or manufacturing processes. Our starting point has been to raise awareness of those benefits.

This doesn’t mean, as some of us may have assumed initially, that our culture on its own will take care of the problem. We now have tools that help us to view HR and other processes through a diversity lens so that we consider the full range of talented associates (the word we use for all our employees) for key positions. It’s essential to track and monitor the progress of women as we evaluate our needs for current and future leaders.

We are aware of the midcareer challenges identified by McKinsey’s global research. Quite recently, we carried out a comprehensive study to explore how women move into broad leadership roles in Gore and why some do not. We uncovered everything from the challenges men and women face in building strong working relationships with each other to hesitation on the part of some women to promote themselves and concerns that taking a new role could hamper the flexibility they need outside their work lives. And we’ve been pulling together a list of ways our leaders can provide stronger and more visible support for the development of women.

One powerful tool we’re using is what we call sponsorship, which is distinct from leadership or even traditional mentoring. All associates at Gore have their own sponsors, who are committed, first and foremost, to helping them maximize their potential. When this relationship works well, it’s a very effective source of career advocacy for women. It also provides the ideal environment for identifying and providing support for “stretch” opportunities that women may not know about.

Terri Kelly is president and CEO of W. L. Gore & Associates. She joined the company in 1983 and was appointed CEO in 2005.

But we also picked up on comments that women weren't always getting the sort of straight, constructive feedback that men may find easier to give each other. I often hear women say, "I need that tough conversation to develop in my job but I'm not getting it." For this reason, we have introduced some new training to help our male sponsors become more effective in the way they interact with their female "sponsees."

We've chosen not to rely on quotas. There isn't a right or wrong answer on this issue; it's more a matter of what works best within your environment. At Gore, we felt quotas could clash with our cultural values. To understand the potential mismatch, you need to understand Gore's culture. We believe that spending time up front, clearly demonstrating the business benefits of diversity, engages the organization more effectively than simply telling associates what to do. When they buy into an initiative because they believe in it, they're more committed to achieving its outcomes. And in the process of making the case, the effort attracts associates who are personally passionate about leading it. In this way, momentum builds across the organization.

None of this squares with having gender-based quotas imposed on the businesses. I think we'd get grudging acceptance at best and, more likely, resentment and disengagement from many men. I for one wouldn't want to be a leader who got her job here just because we needed a female CEO.

It's too soon to quantify the recent results of our efforts to support the career progression of women into business leadership roles. We always knew there was no quick fix, but we have already seen dramatic productivity improvements in teams that have worked to build trust and inclusiveness. By opening up the debate—and encouraging women to talk openly, with men who are now more informed and receptive, about how tough their challenges are—we have helped male associates gain a new understanding of how to address the issues. I feel we're at a tipping point and that there's a lot of energy and peer pressure building up to make further progress.

This commentary is based on an interview conducted by **Tim Dickson,** a member of McKinsey Publishing who is based in McKinsey's London office.