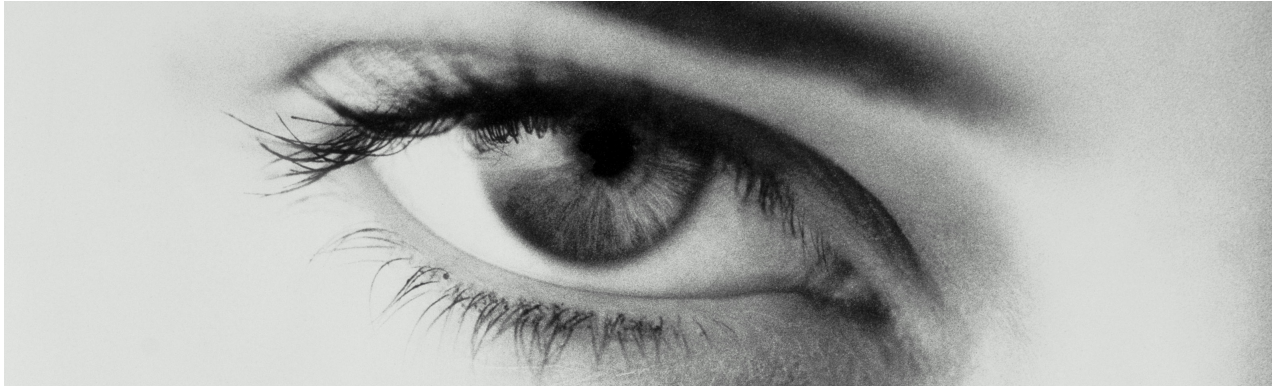


Women Matter 2013



Gender diversity in top management:
Moving corporate culture,
moving boundaries

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Foreword

For many years, McKinsey & Company has devoted attention to gender diversity as a priority issue. Our series of studies, *Women Matter*, is part of McKinsey's long-standing global research program on women's representation at the top of corporations. We have shown that companies with more women in top management positions tend to exhibit better organizational and financial performance. We also developed insights on how to bring more women in corporations' top management teams. Since many years, we have shared our experience and perspectives on the topic with leaders of private and public institutions across the world.

This new report, *Gender diversity in top management: Moving corporate culture, moving boundaries*, is the latest in the *Women Matter* series. The paper notes that progress on gender diversity has been made in recent years and momentum has increased, but it also confirms that women are still underrepresented at the top of corporations, across all industries and at a global level.

Women Matter 2013 focuses on the role of mindsets and corporate culture. This report brings new insights about women's ambitions and why they struggle, challenging a number of orthodoxies. It highlights the importance of corporate culture as a key influencer of women's confidence in their chances of success. This consideration has led to the conclusion that gender-diversity measures (e.g., development programs for women) need to be supported with efforts to change the environment. In particular, an inclusive corporate culture embracing diversity should be fostered. Corporations should also review and revise their prevailing leadership styles at top management, as well as the "anytime, anywhere" performance model which has penalizing effects on women.

Our past reports have shown that diversity at the top of corporations correlates with better performance. We are equally convinced that diversity within companies can be one of the drivers that can help organizations be more sustainable in the longer run, while addressing tomorrow's business and socio-demographic challenges.



Jean-Christophe Mieszala,
Managing Director, McKinsey & Company, France

Introduction

Since 2007, McKinsey's *Women Matter* series has methodically analyzed the state of gender diversity in the top management of corporations and gained insights on how to increase it. The first of these reports focused on making the case for change and especially demonstrated the correlation between better performance for companies and a higher proportion of women on executive committees. The more recent reports explored the change process itself, offering insights on how to make change happen in organizations and defining the ecosystem for women managers to advance into top positions. The present report, *Gender diversity in top management: Moving corporate culture, moving boundaries*, delves into the mindsets and cultural roadblocks to further progress, seeking to understand how individual core beliefs and corporate culture can influence gender diversity in the top of corporations.

Last year's report, *Women Matter: Making the breakthrough*, shed the light on the measures that companies can implement to support women's careers. The 2012 study showed that many companies have launched worthy measures but have not yet achieved positive results. We found out that one reason the initiatives have not succeeded is that they are often not well implemented. Discussing the measures taken with a number of CEOs of gender-diverse companies, we also heard that change takes time and that corporate culture is an important success factor. Based on these findings, we decided to focus our 2013 research on better understanding how corporate culture specifically affects women's careers and what matters most to the attainment of greater gender diversity in the top management.

Through a survey of more than 1,400 managers from a wide range of companies worldwide, *Women Matter 2013* confirms that corporate culture plays a critical role in gender diversity at the top of corporations. The survey reveals that corporate culture is twice as important as individual mindsets in determining whether women believe that they can succeed. And women do *want* to succeed: the survey suggests that the great majority of women want to reach top management positions, even if it requires to make sacrifices in one's personal life. In addition, they believe they do what is needed to achieve their goal. However, they are less confident than their male peers of their chances for success.

The research highlights the underlying shared assumptions and cultural gaps that companies will have to address to reach greater gender diversity in executive committees. These include lack of awareness among men of the specific difficulties for women to reach the top. The notion of diversity in leadership and communications styles emerged from the research as an important factor. Of particular importance is the perception among women that female leadership styles don't "fit in" the prevailing styles. Another roadblock is the "anytime, anywhere" performance model, which is seen by both genders to be more penalizing women and puts men at an advantage.

Our previous *Women Matter* research indicated that to achieve true and lasting change, companies need to create an "ecosystem" of measures and sustain it over time. The ecosystem included CEO commitment, individual development programs for women, and collective enablers such as key performance indicators and human resources processes. Today we reaffirm the importance of implementing the ecosystem of measures, while stressing that the measures must be supported by a transformed, more inclusive culture which welcomes a diversity of leadership styles and performance models.

40 million

A report by McKinsey highlighted the approaching shortage of highly skilled workers which is expected to reach 40 million by 2030¹. An equal employment rate for women would close almost all the gap.

25%

In the United States, the additional productive power of women entering the workforce since 1970 accounts for about one-quarter of current GDP².

+47%

average return on equity

+55%

average earnings before interest and tax

Companies with top-quartile representation of women in executive committees perform significantly better than companies with no women at the top³.

¹ *The world at work*, McKinsey Global Institute, 2012.

² *Unlocking the full potential of women in the U.S. economy*, McKinsey, 2012.

³ *Women Matter; Gender diversity at the top of corporations: Making it happen*, McKinsey, 2010.

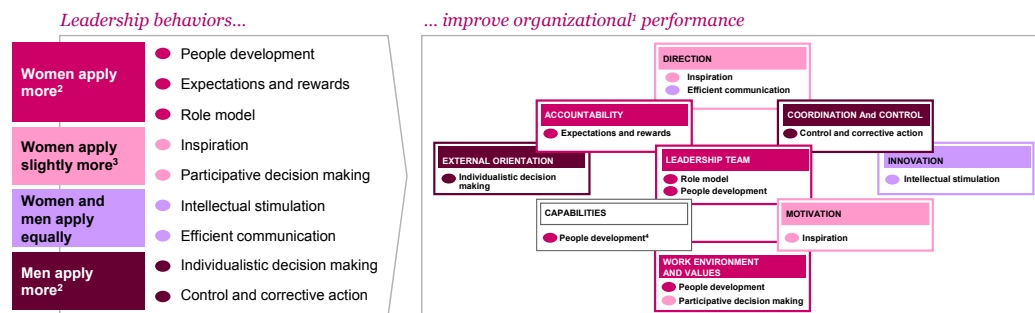
The case for change

For seven years, McKinsey's annual *Women Matter* studies have pointed out that companies with a "critical mass" of female executives perform better than those with no women in top management positions. We found that

one reason for this outperformance lies in the leadership behaviors that women leaders tend to exhibit more often than their male counterparts⁴ (*Exhibit 1*).

EXHIBIT 1

The leadership behaviors more frequently applied by women improve organizational performance by specifically strengthening three dimensions



1 If more frequently applied on average
 2 Frequency gap ≥ 4%, statistically significant (t-test ; p<0.05)
 3 Frequency gap of 1%, statistically significant (t-test ; p<0.05)
 4 Indirect impact on organizational performance driver

SOURCE: Alice H. Eagly, Johannesen-Schmidt, and Van Engen, *Transformational, Transactional, and Laissez-Faire Leadership Styles*, 2003; McKinsey analysis

Slow pace of change

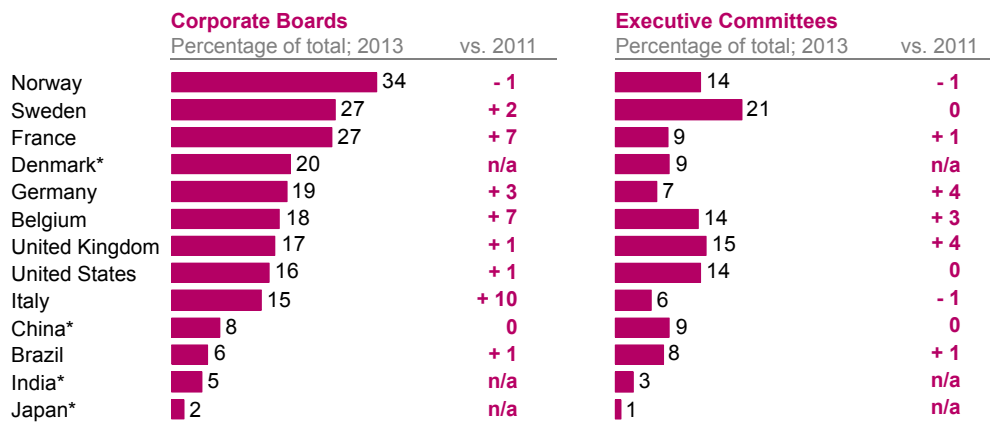
McKinsey developed a proprietary database from the local reference stock index of 12 countries. For the 7th consecutive year, we analyzed the composition of their corporate boards and executive committees, one by one. The results suggest that women are still underrepresented at the board level, despite some improvements observed in few countries. At the level of executive committees, the situation

is even less encouraging. The lowest rates for women at this level are in Asian countries, with Japanese companies at 1%. However, even Sweden, the highest-performing country in this respect, has only 21% of women in company executive committees. Progress in some countries has been made: 4 percentage points added between 2011 and 2013 in the United Kingdom and Germany – but this brings women representation on executive committees only to 15% and 7% respectively (*Exhibit 2*).

4 *Women Matter: Female leadership, a competitive edge for the future*, McKinsey, 2008.

EXHIBIT 2

In 2013, women are still underrepresented at the top of corporations



* The numbers for Denmark, India and Japan reflect the situation in 2011, and for China 2012

SOURCE: Company websites, McKinsey analysis

Leaky pipelines

And the problem is not only at the top: women are outnumbered at all levels, and are increasingly outnumbered as they rise through the ranks (*Exhibit 3*). In fact, our research suggests that there is not one glass ceiling but a pipeline toward the top that is leaking women at every transitional point. In Asia, for example, the talent loss is more dramatically apparent, with significant scarcity of women already at the middle and senior management levels, notably due to a lack of pro-family measures in place in the corporations⁵. In Europe, women sitting in executive committees are five times less likely than men to become a CEO; the same situation occurs as well in the U.S. and Asia, as our previous research has indicated. The increasing scarcity of women as one goes up the corporate ladder is nothing less than a loss of potential talent.

Why has progress been so slow?

Our most recent studies focused on the measures that drive gender diversity in top management and identified a comprehensive

ecosystem to make change happen. In 2012, we conducted a detailed benchmark of more than 230 European companies, which showed that the majority of companies are implementing measures to improve gender diversity. Despite this promising activity, however, very few of these companies have been able to achieve satisfactory results from their actions (*Exhibit 4*).

One reason for the shortfall in results is time: like all transformational programs, measures to improve gender diversity require time to take effect. Analyzing our benchmark results and discussing the results with CEOs we found two further reasons for the discrepancy between actions and intended results. First, for these measures to be effective, they must be well and fully implemented, across the whole organization, and sustained over time. For example, while many companies have indicators in place, very few of them carefully monitor these indicators and communicate about them. Second, we also heard that corporate culture and mindsets were important success factors in achieving results in gender diversity.

⁵ *Women Matter: An Asian perspective*, McKinsey, 2012.

Therefore, our 2013 research sought the drivers of corporate culture and individual mindsets and

the modifications needed to raise the level of gender diversity in the top management.

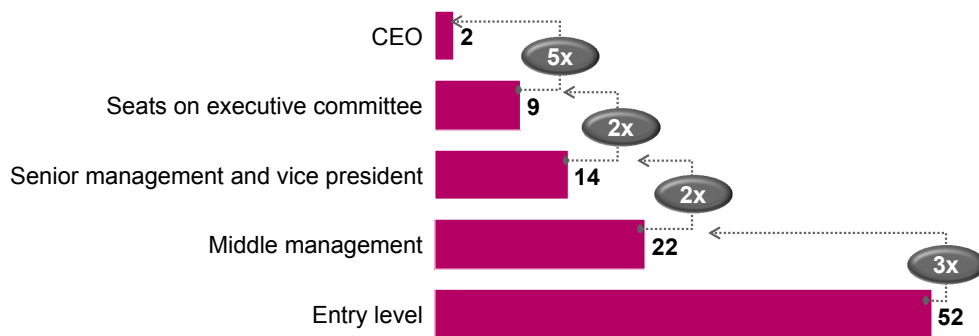
EXHIBIT 3

Not a single “glass ceiling,” but a leaky pipeline, stage by stage

EMEA industries

Number of companies= 130*, percent women

Xx Odds of advancement for men over those for women

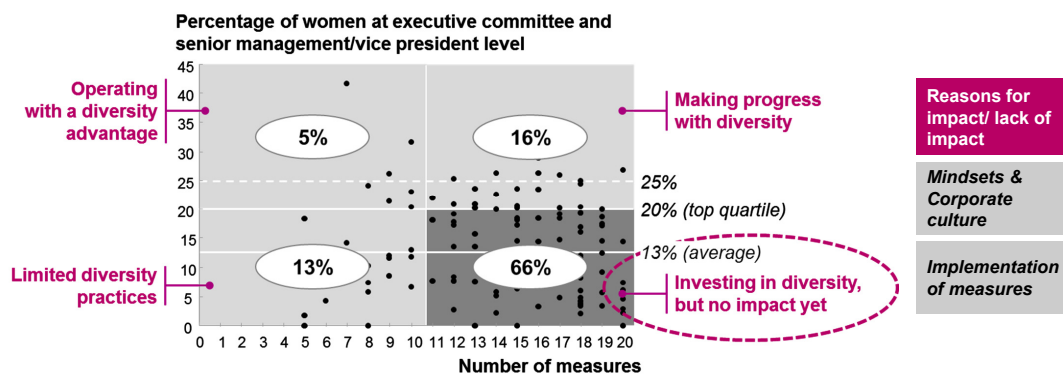


* Companies with more than 10,000 employees and/or revenues greater than €1 billion, and that provided data
 SOURCE: Women Matter 2012: Making the breakthrough

EXHIBIT 4

Women Matter 2012 showed that while many companies have measures in place, few achieve significant impact

Benchmarking of 200+ European companies



SOURCE: Women Matter 2012: Making the Breakthrough

What do women want?

To discover how mindsets and corporate culture affect gender diversity levels at the top of corporations, we surveyed 1,400 managers, including 350 executive committee members, from companies across the globe and from diverse industries. One of the most striking results of the survey is the finding that women do want to become top leaders but are less confident than men of their chances for success.

High ambition...

The *Women Matter 2013* survey revealed that women's ambitions are just as high as men's (*Exhibit 5*). We asked both men and women from our panel if they had the desire to reach a top

management position – such as a “C-suite” role – in the course of their career. Seventy-nine percent of women answered affirmatively, revealing that women's ambitions are in line with those of their male counterparts.

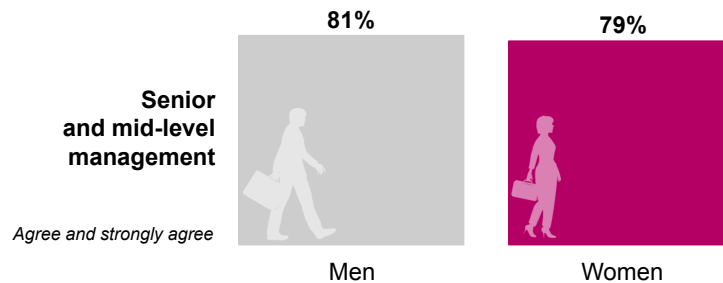
In addition to the ambition to advance, women also expressed the willingness to compromise on their personal lives to realize their ambitions. More than 60% of the women surveyed said that they are ready if need be to sacrifice part of their personal lives to reach the top. This response was in line with that given by male respondents.

EXHIBIT 5

At an individual level, women have high ambitions

“Over the course of my career, I have the desire to reach a top-management position (e.g., a role in the C-suite)”

Percentage of women/men agreeing; number of respondents= 819 (539 Senior and 280 in Mid-level)



SOURCE: *Women Matter* survey 2013

... But a confidence issue

One striking difference between male and female respondents was the level of confidence they expressed. Here confidence is defined as a perception of one's chances of success in the current environment, rather than confidence in one's own qualifications. Among those with

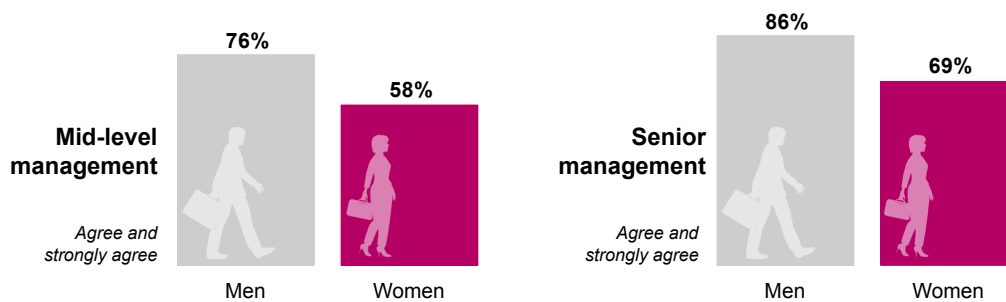
ambitions to reach a C-level position, the number of women expressing confidence that they will succeed was about 15 percentage points lower than the number for men (*Exhibit 6*). The confidence gap between men and women is present at both the middle and senior management positions.

EXHIBIT 6

Women are less confident than men that they will reach the top

"I am confident I will succeed in reaching a top-management position"

Percentage of women/men agreeing among those with ambition to reach a C-Suite; total number of respondents= 1,081



SOURCE: Women Matter survey 2013

Corporate culture matters

The survey sought to identify the factors in play that determine women’s confidence levels in reaching top management positions. We defined two sets of factors, collective and individual, with the former referring to the overall environment or corporate culture, and the latter referring to the individual mindsets and attitudes respondents deploy in the pursuit of their ambitions.

Collective drivers make a difference

Our analysis of the responses led us to conclude that collective factors are twice as important as individual factors in conditioning women’s confidence in their chances of success (as a perception of one’s chances of success in the current environment rather than confidence in one’s qualifications).

To analyze the responses, we divided into two subgroups the women with ambitions to reach top management positions: those who were confident of success and those who were not.

By comparing the responses of the two subgroups about individual and collective drivers of confidence, we could observe that the main

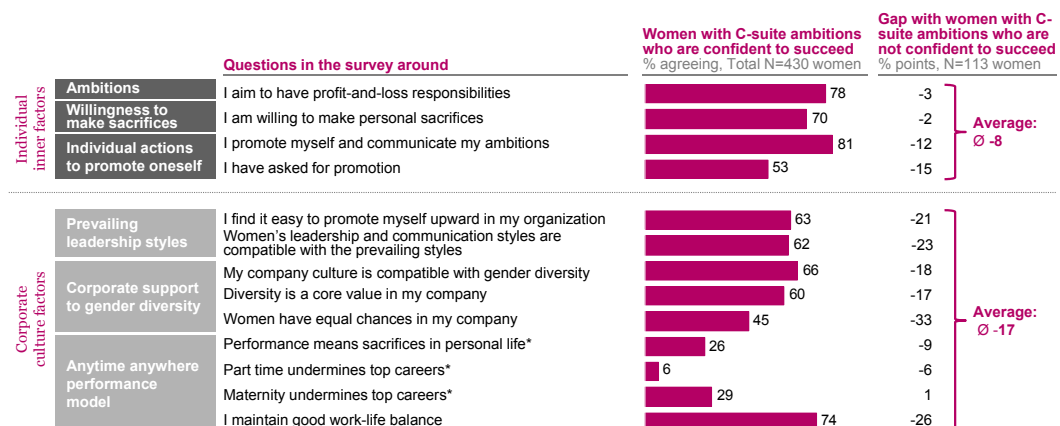
differences concerned the collective, corporate-culture-related drivers, rather than the individual ones (*Exhibit 7*).

For some of the collective drivers, including the compatibility of the corporate culture with gender diversity or the compatibility of women’s leadership and communication styles with the prevailing model, significant differences separated the two subgroups of women respondents. For example, 62% of the confident group but only 39% of the less confident group believed that the prevailing leadership styles in their companies were compatible with women’s styles. A similar difference emerged in the responses to the question about whether women had equal chances for success in their company: positive responses were recorded for 45% of the confident group but only 12% of the less confident group.

For the individual drivers the differences between the two groups were much less pronounced than for the collective drivers. On average, the collective factors weighed more than twice as much as the individual ones.

EXHIBIT 7

Corporate culture is the most important driver for women’s confidence in success, twice as much as individual factors



* For comparison purposes, for negatively formulated questions the numbers indicate percentage of respondents disagreeing
SOURCE: Women Matter survey 2013

Addressing three key elements of corporate culture

Our study identified three issues or barriers present in the corporate culture that need to be addressed and overcome.

1. More engagement and support from men is critical to raise the momentum

The good news is that a large majority of men (74%) agree or strongly agree that diverse leadership teams including significant numbers of women generate better company performance. While double the number of women as men “strongly agree” with this statement, the numbers of men agreeing is clearly on the rise. In 2013, more men are convinced of the positive effect of gender diversity than ever before.

A lack of awareness persists, however. Almost one-third of male respondents is unaware of the specific difficulties facing women with the ambition of reaching the top. Twenty-eight percent disagree with the statement, “even with equal skills and qualifications, women have much more difficulty reaching top-management

positions (e.g., roles in the C-suite) than men do.” Building men’s awareness of the issue is of great importance, since the less aware they are, the more they tend to believe that gender diversity measures are unfair (*Exhibit 8*). More awareness will thus bring more support.

“Including men is key. We have developed a network of ‘male friends’ who are happy to contribute and benefit from the gender diversity initiative progress, and therefore promote it.”

– Head of Diversity, leading European financial institution

2. Women are penalized in the current performance model

Both male (73%) and female (77%) respondents recognize that a top career implies “anytime, anywhere” availability, a model that requires some sacrifices in personal and family life. Both men and women recognize that with such a model, combining a top career with family life

EXHIBIT 8

Many male respondents view gender-diversity measures as potentially unfair, especially those unaware of obstacles for women



SOURCE: Women Matter survey 2013

is more difficult for women. Eighty percent of all respondents said, for example, that having children was compatible with a top-level career for men but only 62% said that having children was compatible for women (*Exhibit 9*).

Flexible-time arrangements, such as those sometimes offered to parents of young children, are not, in the view of more than 90% of respondents, compatible with a top-level career. Even if such an arrangement helps keep women in the company, it is clearly seen today as a barrier to career advancement. So, while both men and women are equally ready to make sacrifices to reach a top career, the sacrifices are perceived to be harder for women.

3. Prevailing leadership styles do not help women find their way to the top

The prevailing leadership styles in the top management of a corporation play a powerful role in determining the opportunities for individuals to advance in the organization as well as their confidence that they might do so. In the *Women Matter 2013* survey, close to 40% of female respondents believe that women's leadership and communication styles are incompatible with the prevailing styles in the top management of their companies. Thirty percent of male respondents took the same view, that the corporate culture of their organization did not in this way foster opportunities for women to be effective in a top-management role.

“Women have a different style than men when it comes to management, networking, and so forth. Men tend to promote men whose style they understand.”

– Top executive respondent, McKinsey Quarterly survey

“Women tend to be more participative in their decision making compared to men, which is sometimes perceived as a lack of ability to make decisions.”

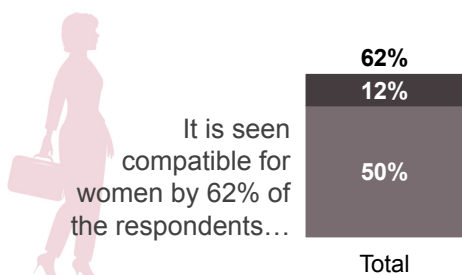
– European top executive

EXHIBIT 9

Combining parenting with top careers is clearly seen by both genders as more difficult for women

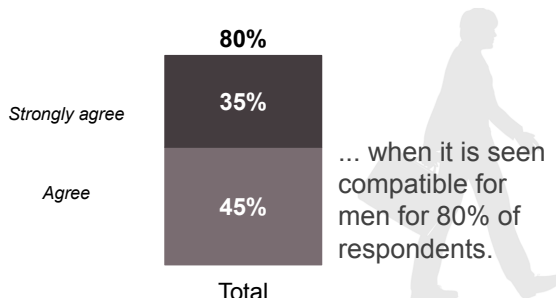
“For women, having children is compatible with having a top-level career”

Percentage of women/men agreeing; number of respondents= 1,421



“For men, having children is compatible with having a top-level career”

Percentage of women/men agreeing; number of respondents= 1,421



SOURCE: *Women Matter* survey 2013

Moving corporate culture, moving boundaries

Our previous research revealed no magic formula for achieving corporate gender diversity in executive positions. Rather, our research points companies toward the need to create an ecosystem of measures, sustained over time, that foster the environment conducive to increased women's participation in the top management.

Implementing a comprehensive ecosystem

We reaffirm the importance of implementing the ecosystem of measures, which includes:

- Strong CEO and top-management commitment to gender diversity, expressed as a top priority on the strategic agenda, with progress closely monitored.
- Programs to develop women as leaders.
- Collective enablers supporting gender diversity, including key performance indicators and human-resources policies, to ensure that women are *systematically* included in recruitment and promotion pipelines.

Companies need not only to put this ecosystem in place, but must reinforce it further, to ensure its sustainability. In particular, gaps in the corporate culture and mindsets have to be addressed (*Exhibit 10*).

Addressing the gaps in the cultures

In addressing the gaps in the corporate culture and mindsets, three areas of action are important.

Inclusiveness programs. There is a need to build awareness among men of the higher difficulties women face in reaching the top. With awareness, beliefs and behaviors evolve, and unconscious biases can be removed. Building men's awareness of women's specific issues can, for example, change the tendency of men to automatically recruit and promote other men, and women can be more systematically and actively included in succession plans.

In addition, corporations need to build conviction that what is good for women will be good for men. Both men and women recognize that the performance model means sacrifices in one's

EXHIBIT 10

Reinforcing the gender-diversity ecosystem to address gaps in the corporate culture and mindsets



SOURCE: Women Matter 2010 and 2013

personal life. Both will benefit from an evolution in the corporate culture that will be more compatible with the double burden women usually face.

Sponsoring. Corporations can encourage future women leaders by fostering a new tradition of sponsorship, where the leaders of today bring forward the leaders of tomorrow. Recent debates have highlighted that traditionally, mentors have provided women with advice but women leaders need more to reach a top management position⁶. Accordingly, real sponsors can actively drive advancement through concrete actions: they can open doors, recommend women for promotions, and propose existing opportunities at the top. Mentors help to define career objectives, provide guidance, feedback and support; sponsors, however, are the career enablers, who enhance visibility among top leadership and actively push for women's advancement.

“I was worried that we had very few women in a high-potential program; when I reviewed the list of criteria to enter the program, it appeared to be extremely gendered. A rework of it has totally changed the situation.”

– Head of Diversity, leading European financial institution

“We allow people – men and women – to work at home for 3 out of 5 days in the week. Many employees have told me that this flexibility allows them to stay at work full-time.”

– Head of Personnel and Organization, public sector institution

Human resources policies and other policies and processes. Consonant with inclusiveness programs and sponsorship of women, corporations need to ensure that performance and leadership models are diverse and gender neutral.

Flexible work arrangements must become compatible attributes of a top career, benefitting both men and women. Maternity (or paternity) must be equalized, with no negative effects on advancement. Leaves of absence for parenting or other reasons should be encouraged for both men and women.

In addition, corporations should welcome a broad range of leadership styles to ensure that no talent is bypassed. Diversity of leadership styles has been shown to be an important factor affecting the organizational and financial performance⁷. It can be achieved through leadership programs, role models in top management and, most of all, receptive evaluation criteria. On this last and very important point, a review of the evaluation criteria may be needed to ensure that they support a wide range of leadership styles.

⁶ *Forget a Mentor, Find a Sponsor: The New Way to Fast-Track Your Career*, Sylvia Ann Hewlett, Harvard Business Review Press, 2013.

⁷ *Women Matter: Female leadership, a competitive edge for the future*, McKinsey & Company, 2008.

Conclusion

Previous editions of *Women Matter* analyzed in depth the measures companies can take to help women achieve progress toward top management positions. The research revealed that a whole ecosystem of such measures is needed. This year, *Women Matter* research has shown that in addition to creating this ecosystem of measures, companies must also work hard to transform mindsets and culture. These are crucial elements in the achievement of gender diversity. If left unattended they can become persistent hindrances to progressive development, no matter how many and well designed are the measures advocating for women leaders.

Women Matter 2013 has clearly indicated that companies can take action now, both to support women's ambitions and to build men's awareness of the specific barriers that women face on their way to the top. This report specifically calls for a revised and truly gender-neutral performance model, and to foster the creation of a culture that welcomes diverse leadership styles.

Our previous *Women Matter* reports have indicated that companies with more women at the top also tend to achieve higher organizational and financial performance. A diversity of leadership styles and performance models is a clear accelerator. This finding allows us to conclude with the observation that what is good for women will also be good for men, and ultimately for the corporation as a whole.

The authors



Sandrine Devillard is a director in McKinsey & Company's Paris office.

She leads McKinsey's Retail and Consumer Goods sector in France and is a leader of the European Consumer Practice. She helps companies in Europe, North America and Asia on strategy, organization and operational performance, and business development. Sandrine is the global leader of the McKinsey Women's Initiative and has led efforts to develop gender diversity at the firm for eight years. She led and co-authored the firm's annual *Women Matter* report in 2007–10 and 2012, assessing women's contribution to the economic performance of corporations and exploring ways to increase gender diversity in top management.



Sandra Sancier is a director in McKinsey & Company's Paris office.

She leads McKinsey's Financial Services sector in France and is one of the leaders of the European Banking and Insurance Practice, working on behalf of companies on strategy, distribution, and operational performance. She is the leader of the McKinsey Women's Initiative in France, and for the past three years has led and co-authored the firm's *Women Matter* studies.



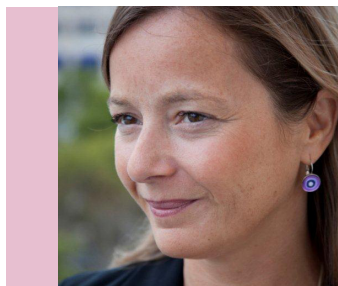
Charlotte Werner is an associate principal in McKinsey & Company's Paris office.

She is a leader of McKinsey's Consumer Practice. She helps companies on strategy and marketing topics. She is a leader of McKinsey Women's Initiative in France and co-authored *Women Matter* studies since 2010.



Ina Maller is a senior project manager in McKinsey & Company's Paris office.

The primary focus of her consulting work is on strategy, corporate finance and marketing topics for telecom and high-tech companies. She is a core contributor to *Women Matter 2013*.



Cécile Kossoff is McKinsey & Company's global director of marketing communications.

She served the firm as communications director in France and since 2011 has been McKinsey's director of marketing communications worldwide. Cécile has been a core contributor to McKinsey's *Women Matter* reports since 2007.

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Contacts

sandrine_devillard@mckinsey.com
sandra_sancier-sultan@mckinsey.com
charlotte_werner@mckinsey.com
cecile_kossoff@mckinsey.com

McKinsey & Company
79, avenue des Champs-Élysées
75008 Paris
24, rue Childebert
69002 Lyon

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