How Greater Gender Balance in Global Corporations Can Drive Business Growth

by Isabelle Michel-Magyar

Executive summary

Many global corporations are scrambling to adjust to new trends such as economic volatility and changing lifestyles. Research has demonstrated that a lack of new ideas and a resistance to alternative approaches is a leading cause of stagnation in today's business environment. Research goes on to show that significant gender imbalance at the top and middle-management tiers of global organizations has lead to a lack of creativity in solving business problems. This paper examines how greater gender balance leads to enhanced growth and innovation.

Schneider Electric

Introduction

Global leaders are challenged on a daily basis to innovate, grow, increase profit, and decrease expenses while improving customer loyalty. Global megatrends like globalization, economic volatility, and the introduction of disruptive technologies are forcing leaders to find new ways to capture business. The price for performing "business as usual" is rising every day. Old answers are proving ineffective for resolving new problems, as innovative and more nimble competitors are grabbing market share.

When asked to consider the most important corporate strategies for addressing these challenges, 45% of global executives identified "talent management". In fact, talent management was deemed more critical than marketing (26%), financial management (21%) or capitalization (7%).[1] However, organizations are running into difficulties executing on this executive priority. Demographic changes, talent shortages, and cultural complexities all contribute to the challenging nature of this issue. Reports indicate that by 2040, Europe can expect a shortfall of 26 million people in the active workforce. In the US, a void of 31 million people will be created by 2020 as the bulk of "baby boomers" move on to retirement.[2]

One way executives and support staffs can address this dilemma is to diversify the talent pool within the company. Altering the profile of incoming candidates will both supplement the skills of the existing workforce and also promote innovation and offer fresh perspectives. To initiate diversity and promote inclusion in an organization, the obvious step is to enhance gender balance. (Note: The term "inclusion" refers to how diversity is leveraged to create a fair, equitable, healthy, and high-performing organization or community where all individuals are respected, feel engaged and motivated, and their contributions toward meeting organizational and societal goals are valued).

Gender has much to do with the way the marketplace demographic dynamic is changing. In the US, for example, 58% of undergraduate degrees issued in 2012 were awarded to women. Europe is not far behind and now emerging economies are seeing exponential growth of the numbers of women participating in the work force.[3] From an institutional knowledge perspective, this represents a significant wealth of untapped talent that can relate directly to the biggest pool of worldwide consumers: women.[4]
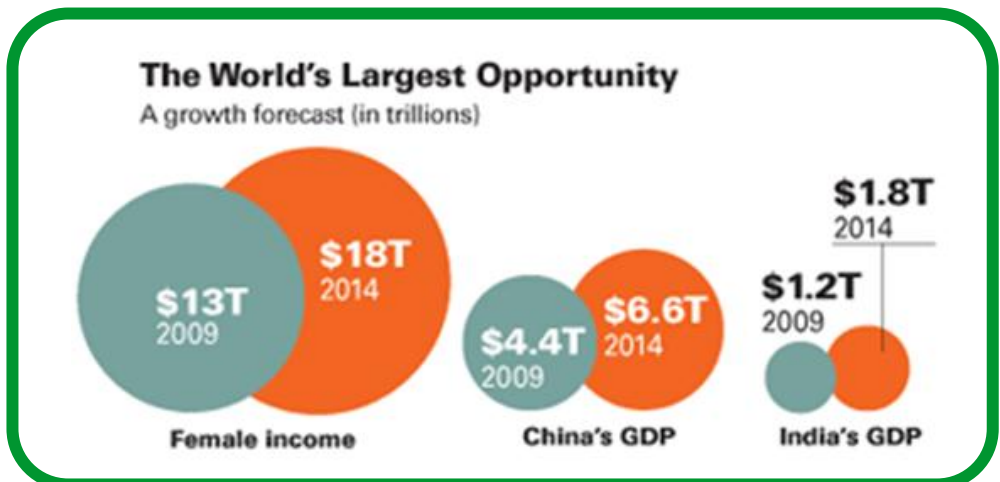
Figure 1

Projected growth for the "female" economy dwarfs India and China GDP numbers (Courtesy: Harvard Business Review)

The World's Largest Opportunity
A growth forecast (in trillions)

$13T 2009
$18T 2014
Female income

$4.4T 2009
$6.6T 2014
China's GDP

$1.8T 2014
$1.2T 2009
India's GDP

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[1] http://ir.kornferry.com/phoenix.zhtml?c=100800&p=irol-newsArticle&ID=1798935&highlight=

[2] US News and World Report 2012
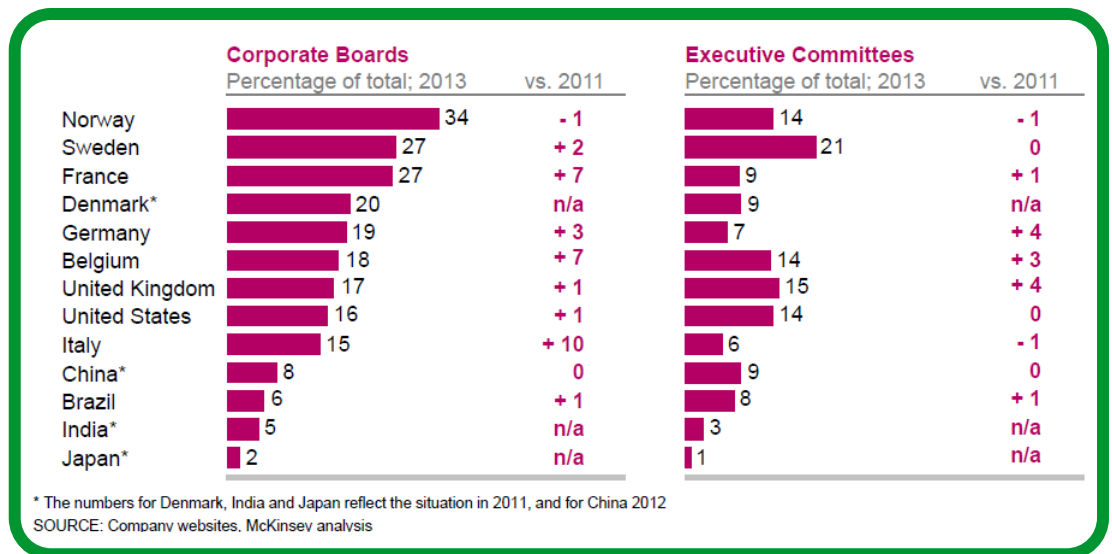
[3] http://nces.ed.gov/fastfacts/display.asp?id=72

[4] McKinsey & Company, Inc. "Women Matter", 2007, Amazone Eurofund database, Amadeus, Research Insight, Datastream, Bloomberg, McKinsey

Another disruptive trend impacting the global business landscape is that women now control significant chunks of consumer spending. In fact, women are projected to control 66% of consumer wealth in the US over the next decade.[5] According to the Harvard Business Review the "female" economy projects a growth twice as big as the growth of India and China combined (see **Figure 1**).[6]

However, these consumption numbers do not align with the degree of decision making influence that women hold in the vast majority of global corporations. A look at most corporate senior positions across geographies reveals that the issue is pervasive (see **Figure 2**). Although we see some progress in a few countries, women still continue to be underrepresented at the board and executive committee levels (15% and 7% respectively). And this is despite the fact that companies need to mirror their management structure to reflect the true purchasing power of their markets.

Figure 2

Percentage of women that hold senior management roles across geographies (Courtesy: Mc Kinsey 2013)

	Corporate Boards Percentage of total; 2013	vs. 2011	Executive Committees Percentage of total; 2013	vs. 2011
Norway	34	- 1	14	- 1
Sweden	27	+ 2	21	0
France	27	+ 7	9	+ 1
Denmark*	20	n/a	9	n/a
Germany	19	+ 3	7	+ 4
Belgium	18	+ 7	14	+ 3
United Kingdom	17	+ 1	15	+ 4
United States	16	+ 1	14	0
Italy	15	+ 10	6	- 1
China*	8	0	9	0
Brazil	6	+ 1	8	+ 1
India*	5	n/a	3	n/a
Japan*	2	n/a	1	n/a

* The numbers for Denmark, India and Japan reflect the situation in 2011, and for China 2012
SOURCE: Company websites, McKinsey analysis

Financial impact of gender balance

Research reveals an undeniable link between improved corporate performance and diversity in leadership (see **Figure 3**). In fact, numerous positive business results seem to accrue to those organizations that are embracing stronger gender balance at the top levels:

- A 2007 McKinsey study of 89 European listed companies, found that organizations with two or more women on the board outperformed their sector in terms of return on equity, operating results and stock price.[7]

- Listed companies in Europe with women on the board have a 10% higher return on capital compared to companies with fewer women in the leadership[8]

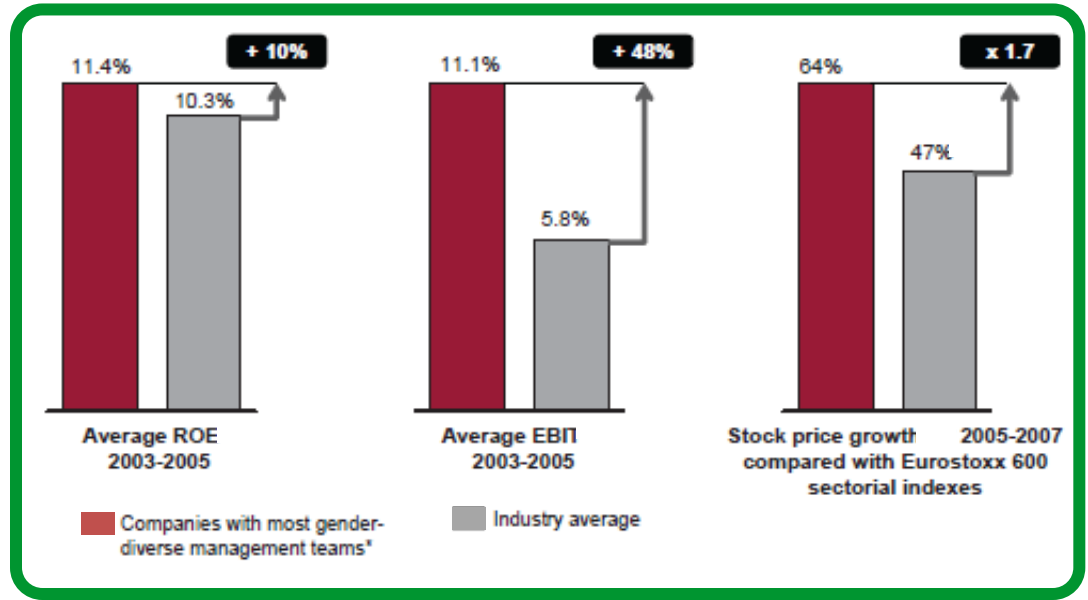- Gender balanced teams have been found to be more innovative[9]

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[5] http://she-conomy.com/facts-on-women

[6] http://hbr.org/web/special-collections/insight/marketing-that-works/the-female-economy

[7] Op. Cit., McKinsey & Company, Inc. "Women Matter", 2007

[8] Ibid.

[9] Avivah Wittenberg-Cox and Alison Maitland, "Why women mean business", 2008

Figure 3
Economic performance of the companies with the most gender diverse management teams compared to the industry average (Courtesy: Amazone Eurofund Database)

Leadership behaviour differentiation

Leadership "style" is always a subject that invites debate regarding how men and women exercise leadership in the workplace. Although the uniqueness of a particular personality is always part of the equation, experts generally agree that core leadership traits are the same for both men and women. In 1990, Bass and Stogdill's Handbook of Leadership identified the following 9 leadership behaviours that improve organization performance[10]:

1. Encouragement of participative decision making – Building a team atmosphere in which everyone is encouraged to participate in decision making
2. Implementation of role model practices – Leader focuses on building respect and consideration of the ethical consequences of decisions
3. inspiration – Driving a compelling vision of the future and inspiring optimism about its implementation
4. Setting of expectations and establishment of rewards – Defining expectations and responsibilities clearly and rewarding for achievement of target
5. Emphasis on people development – Spending time teaching, mentoring, and listening to individual needs and concerns
6. Pushing intellectual stimulation – Challenging assumptions and encouragement of risk taking and creativity
7. Fostering efficient communication – Communicating in a convincing way and with charisma
8. Leveraging individual decision making – Describing situations of when making decisions alone is necessary and engages others in executing those decisions
9. Exercising the correct degree of control and implements corrective actions – Monitoring individual performance, including errors and gaps against objectives and takes corrective action when needed

In 2003, Alice H. Eagly, Mary C. Johannse-Schmidt, and Marloes L. Van Engen conducted a study that involved more than 9,000 male and female managers in order to identify differences in behaviours.[11] Their surveys revealed that men and women leaders possess

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[10] B. Bass, "Bass and Stogdill's Handbook of Leadership", 1990

[11] Alice H. Eagly, Mary C. Johannesen- Schmidt and Maroles L. Van Engen, "Transformational, Transactional, and Laissez-faire Leadership Styles", 2003

different levels of strength in each of the categories measured. Where men are more often identified with individualistic decision-making and control and corrective action, women are associated with people development, management of expectations and rewards, and role model development. Women are also recognized at being more effective when it comes to inspiration and participative decision making. The characteristics of intellectual stimulation and efficient communication seemed to be about equal in both men and women.

Such studies suggest that the benefits of implementing greater balance in the management workforce can include the elimination of systematic weakness in organizations that are too monolithic in terms of gender.

Barriers to achieving gender balance

Despite the fact that research demonstrates the benefits of gender diversity at the leadership and management levels, progress in this area continues to be slow. There are several reasons for this phenomenon. One reason is that some women leave the work force to raise a family. However, the bulk of the problem can be attributed to the fact that the proper environment has not yet been created within global corporations that fosters more gender balance.

In order to overcome the lack of balance, management solutions will have to address issues such as counterproductive corporate cultures, the fostering of male and female stereotypes, and "self limits" that women sometimes place on themselves.

Corporate Culture

A "corporate culture" is defined as a pattern of shared basic assumptions that the organisation has learned through of process of solving its problems, and that shared approach has worked well enough to be considered valid and therefore, it is taught to new members as the correct way to perceive, think, and feel in relation to those problems.[12] Rituals, symbols, languages, beliefs, values, myths, all help to define the culture and implicitly impact important factors such as recruitment criteria, performance management, and leadership style.[13]

Without any deliberate intention, a corporate culture can significantly impact gender balance. Analysing and addressing discrepancies in a corporate culture requires a stepping back of sorts, and may also involve third party facilitation to raise issues that may not, at first, be obvious.

Stereotypes and unconscious filters

We have all unconscious filters based on education, environment, systematic exposures to particular associations (i.e. women=family or men=career). We also hold stereotypes, beliefs or perceptions regarding the qualities, characteristics, or capabilities of another individual that we then apply to a much wider group of individuals who share a common characteristic (such as common sex or race)

In the workplace, both men and women possess a certain degree of stereotypical thinking, but the perception of both groups toward each other regarding business skills is different. **Figure 4** illustrates the divergence of how both men and women perceive the business skills that each group possesses.

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[12] Edgar Schein, Organizational Culture & Leadership, 1997

[13] Greenwald, A. G., McGhee, D. E., & Schwartz, J. K. L. (1998). Measuring individual differences in implicit cognition: The Implicit Association Test. Journal of Personality and Social Psychology, 74, 1464-1480.

Figure 4

Divergent perceptions of male and female business strengths (Courtesy: 2011 International Women's Day survey -Accenture)
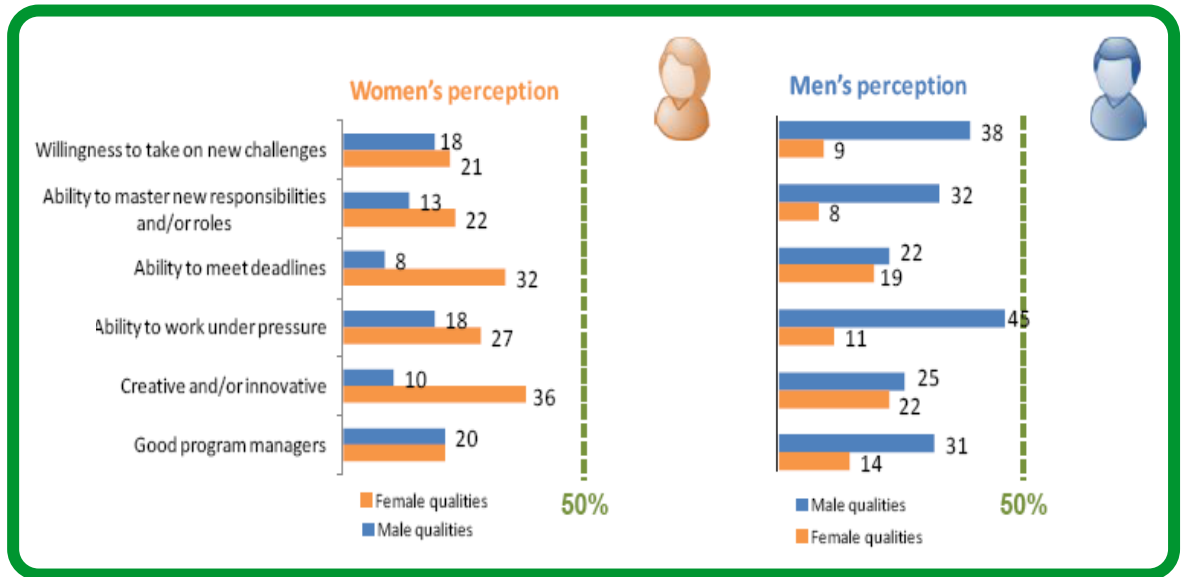
In **Figure 4** women think highly of their own skill to be innovative and creative and to meet deadlines. Men think highly of their own skill to take on challenges and to work under pressure. Women seem to size up both men and themselves as equal in the domain of being good program managers. Men perceive rough male / female parity when it comes to the ability to meet deadlines and in creativity / innovation.

These perceptions point out that neither group is likely accurate regarding their assessments of the reality. A consciousness on the part of decision makers regarding the powerful influence of bias and stereotypes should help to force more neutrality on the decision-making process. Therefore, understanding and identifying existing stereotypes is one of the first steps towards introducing more gender balance (and forward thinking) into an organization.

Self-limiting beliefs

Men and women have self limiting beliefs that can hold them back in life and their careers. However, the self limiting beliefs of women have been identified as one of the barriers to increasing gender diversity. Self limiting beliefs can cause women to begin to believe stereotypes and become their own worst enemy in terms of upward mobility within a corporation.

Examples of common limiting beliefs include the following:

- "I am not good enough"
- "I need to make others happy or please them"
- "I have to earn other people's respect"
- "If I speak my mind, I will be rejected"
- "I can't do it"

These types of beliefs can sabotage success and cause both men and women to "opt out" of leadership positions.

Initial steps to success

Most global corporations recognize both the challenges and benefits of gender balance, yet very few have established gender balance as a top priority and launched formal programs designed to help foster some fundamental changes.

Large multinationals can take several initial steps in order to overcome these barriers. **Table 1** highlights some of the success factors surrounding a corporate gender balance program.

Table 1

Stronger gender balance can only be achieved when multiple initiatives are launched (Courtesy McKinsey 2010 Women Matter global survey, September 2010)

Critical Success Factors	Activity
CEO commitment	Visible monitoring by the CEO and the executive team of the progress in gender-diversity programs
Individual development programs	Skill-building programs aimed specifically at women
	Encouragement or mandates for senior executives to mentor women
Collective enablers	Performance evaluation systems that neutralize the impact of parental leaves and or flexible work arrangements
	Options for flexible working conditions (e.g., part-time programs) and or locations (e.g., telecommuting)
	Support programs and facilities to help reconcile work and family life (e.g., childcare, spouse relocation)
	Assessing indicators of the company's performance in hiring, retaining, promoting, and developing women
	Gender-specific hiring goals and programs

McKinsey also proposes the following recommendations:

- **Instill commitment -** Simple verbal support is not enough to demonstrate CEO commitment. Leaders should create and communicate a valid business case for gender balance and lead by example when hiring for senior positions within the company.

- **Apply measurement** - Gender specific hiring goals and progress towards those goals should be measured and reported with accurate, specific numbers. Companies that start with a robust, fact-based understanding of their starting point are 2.4 times more likely to engineer a successful transformation. These measurements should include numbers hired, numbers retained, and data on the promotion and development of gender diversity.

- **Address Stereotypes** - Real change cannot be achieved without first understanding the gender bias issues at the entry level, middle management, and executive level. Both men and women need to be communicated to so that everyone understands the benefits and barriers. Cross training programs can be used to increase the skill set of men and women and create a more balanced and successful workforce.

- **Institute development programs -** These programs need to emphasize female involvement and should include networking, skills building, external coaching, and mentoring to increase the pool of promotable, qualified women.

- **Establish a performance evaluation system -** Rate on both "hard" and "soft" skills. Factor in the impact of parental leave and/or flexible work arrangements.

- **Introduce flexible working conditions -** Regarding flexible working conditions (i.e., flexible hours, telecommuting options) research indicates that 76% of businesses report improvements in staff retention, 73 % report improvements in employee motivation and

72% report improvements in employee engagement.[14] These statistics include men and women and can be significantly useful to women working to balance work and life.

Case study: Schneider Electric "How to address the corporate culture"

Schneider Electric is a global specialist in energy management with operations in more than 100 countries. The company's 150,000 employees achieve annual sales of 24 billion Euros. In 2012, Schneider Electric set out to improve gender balance within the organization. An initiative, dubbed *"Women@Schneider"* was seen as a key contributor in helping to transform the company and meet growth goals. According to Chairman and CEO Jean Pascal Tricoire, "I simply think that we cannot afford to miss half of the brains and talents available on this planet".

At the inception of the program, only 10% of the top 200 positions at Schneider Electric were identified as being held by women (compared to a global benchmark of between 16 to 21%).[15] To close the gap, Schneider Electric senior management set up and communicated the following goals:

- Become a distinctively attractive workplace for women
- Engage more women in top positions of the company
- Support and develop young talented women in their career
- Become a gender balanced company

To address the company's culture, a holistic framework was built based on three pillars: 1. leader's commitment and education, 2. women development programs and 3.process alignment.

Leader's commitment and education – Cultural change starts at the top level. A "Gender Workshops for Leaders" program was launched by the Schneider Electric CEO which consisted of a half day session at the management committee level dedicated to the business case for change, the assessment of the current state of gender balance, analysis of gender balance blocking factors, and the commitment to an action plan. Over the last two years, this workshop has been cascaded globally to country and business unit board committees. Almost 20 leadership teams (300 leaders) have attended. Now the approach is being cascaded to middle management. The 12 largest country organizations are now committed to a gender diversity action plan (see **Figure 5**). In addition, clauses regarding gender diversity have now been included as one of the parameters that influence the amount of financial bonus allotted to executives.

Women development programs - Networks have been developed that provide women with support for overcoming blocking factors, for navigating within the organization, and for better understand of how to pursue opportunities. Specific programs include the following:

- Schneider Women local networks: In 2011, 3 women networks were active. In 2014, 11 Schneider women networks (2 in India, 1 in Singapore, China, Turkey, Spain, France, UK, US, Brazil and last South Africa) have been created around the theme of gender diversity. The first Virtual Summit attracted more than 400 attendees from across the globe.
- A *Women in Leadership* program was built for women identified as "potentials" and included the following goals: acceleration of career development, building of a career path, increased awareness of how to leverage personal and professional performance, development of strategies for addressing barriers and limiting beliefs, and

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[14] Women's Business Council 2013

[15] Op.cit. Harvey Nash for Schneider Electric

establishment of a women's support group. More than 300 talented women from across geographies have attended this 3 day program and follow-up coaching sessions.

- The *Mentoring for Leaders* program required senior executives of both genders to mentor selected individuals for one year. 110 key women were mentored by 70 leaders. Leading by example, the Schneider Electric CEO was part of this program and has acted as a mentor for two women.

- A social network, Women Community has been created offering women and men the opportunity to create discussions on diversity topics.

Process alignment - A gender neutral hiring and salary equity process that includes gender balance performance measurements, a maternity leave package, and flexible working conditions need to be either to be modernized or implemented from scratch.

Figure 5

Gender diversity programs launched by geographies within Schneider Electric
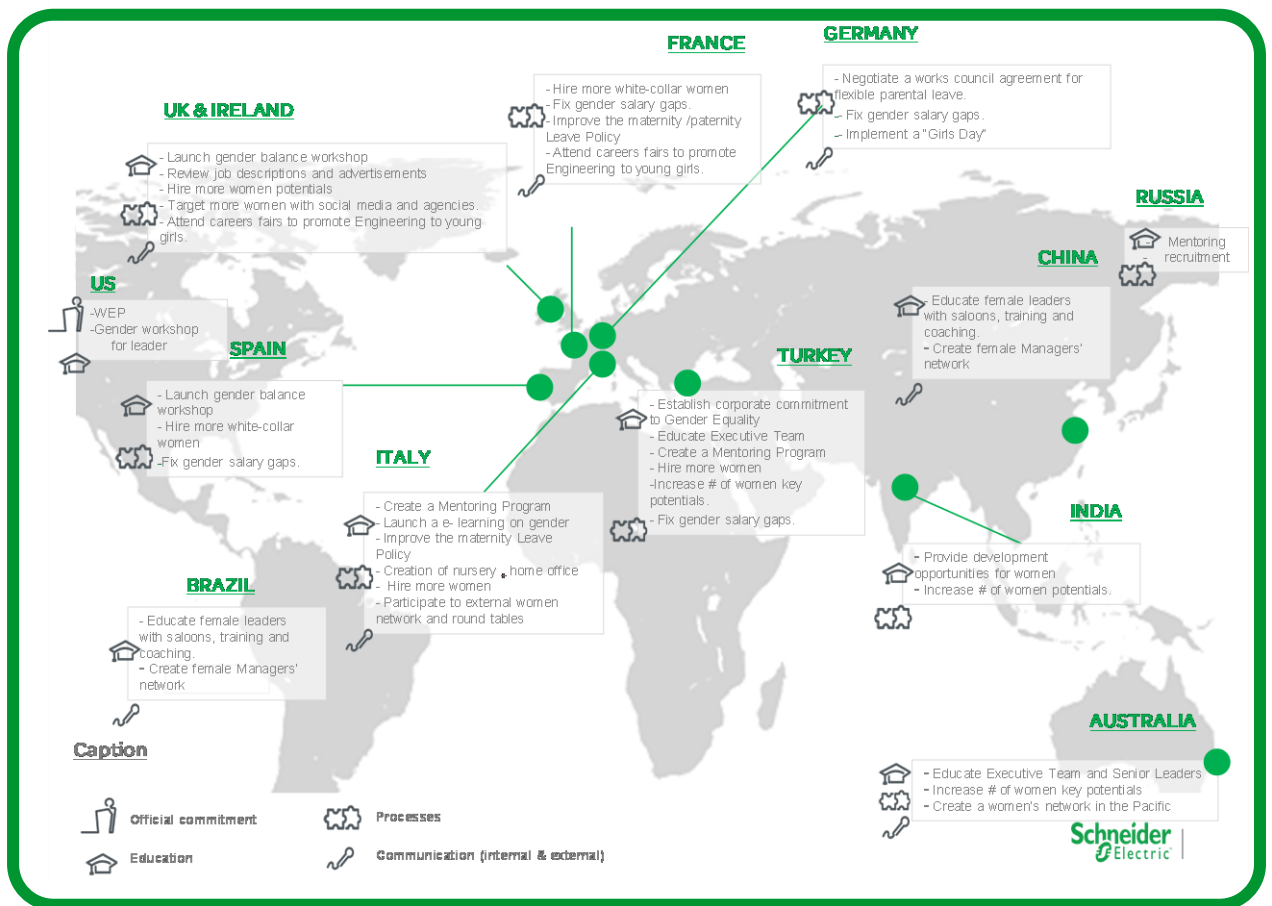
Ensure sustainable change: CEO direct involvement

Schneider Electric's CEO, Jean Pascal Tricoire has signed the CEO Statement of Support for the Women's Empowerment Principles (WEP). By signing, he has signaled his support for the overall goal of advancing and empowering women and specifically, the guidance offered by the WEPs. The WEPs are the result of collaboration between the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the United Nations Global Compact (UNGC) and are adapted from the Calvert Women's Principles®.

There are seven principles offering guidance to businesses on how to empower women in the workplace, marketplace, and community. The WEPs seek to emphasize the gender

dimension of good corporate citizenship, the UN Global Compact, and business' role in sustainable development.

Leadership commitment: This commitment on the part of Mr. Tricoire has encouraged individual Schneider Electric country presidents around the world to begin integrating the WEPs into their own business practices. The presidents of Schneider Electric India, China, Canada, and Italy have signed statements of support and more signatures are to come. Signers of the CEO Statements underscore that equal treatment of women and men is not just the right thing to do—it is also good for business and should be a corporate priority.

"The WEPs seek to emphasize the gender dimension of good corporate citizenship, the UN Global Compact, and business's role in sustainable development."

Progress to date

Advancements have been made in some areas over the last three years.

- 5 out 15 of the Schneider board member are women, 3 women are country /regional presidents
- The performance indicators show that recruiting and talent pools of women are increasing. However, while much progress is being made, more work needs to be done in gender balance awareness, the systematic addressing of stereotypes, and the development of women empowerment goals (see **Table 2**).

Table 2

Initial results from the Schneider Electric gender balance initiative

	% of women recruited	% of women in the potential pool	% of key potentials are women
2011 (actual)	32%	24%	16%
2012 (actual)	34%	27%	19%
2013 (actual)	34%	28%	21%

(Note: The "potential pool" in **Table 2** refers to the pipeline of talent being nurtured within the company. The "key potentials" represents those women who are in line to qualify for the highest tier of management level within the company).

Conclusion

While working towards a gender-balanced work environment, women can do much to help themselves. McKinsey cautions women not to pigeonhole themselves: "In our Centered Leadership research, we found that many women, too, hold limiting beliefs that stand in their own way—such as waiting to fill in more skills or just waiting to be asked."[16]

Tania Cosentino, Schneider Electric Regional President for South America, offers women the following recommendations:

- Never abandon your values
- Develop new competences by learning constantly
- Take risks
- Create opportunities, don't wait for them
- Take control of your destiny
- Take bad moments and negative feedback as opportunities for learning and improvement
- Destroy the taboo about women with ambition being a "bad thing"
- Develop a strong network
- Produce good results

Men have equally important roles to play in the realization of a gender-balanced executive workforce. Catalyst.org offers the following advice:

- Recognize that inequality exists and don't think of gender balance as a "women's issue". Diversity increases results.
- Increasing gender diversity is not aimed to decrease jobs for men but to increase corporate growth. Men can get engaged by participating in workplace mentoring and development programs.
- Men can act as ambassadors for change. Diversity of gender and culture provides a pool of people with different mindsets and capabilities that can leveraged for increased innovation.[17]

The potential for gender balance improvement is great across all global organizations. Those organizations that move forward with purpose will most likely be those who succeed in the new changing global business environment.

✎ About the authors

Isabelle Michel-Magyar is corporate Vice President for Employee Engagement and diversity at Schneider Electric. She has 25 years of global experience in Human Resources and in varied industries (petroleum, steel, and energy management). She has also served as head of quality and change management at Arcelor Mittal and as assessor for the European foundation for quality management. Isabelle is excited about leveraging people engagement and developing inclusion culture as key business performance factors.

Special thanks to **Brandi McManus** former Senior Vice President of Portfolio and Change Management at Schneider Electric's US Services Operations for her contributions to this paper.

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[16] McKinsey- Joanna Barsch and Lareina Yee – 2011- Unlocking the full potential of women in the US ecomony

[17] http://www.catalyst.org/issues/men-matter