Women Matter

Women Matter: A Latin American Perspective

Unlocking women’s potential to enhance corporate performance
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Unlocking women’s potential to enhance corporate performance

Introduction
Since 2007, McKinsey & Company has been making a business case for increasing the number of women in senior management positions. In a series of Women Matter research reports, it has argued that companies benefit from access to the different but complementary leadership skills and insights women bring to management, as well as a wider talent pool. Indeed, the research shows stronger financial performance at companies with a greater proportion of women on executive committees.

1 McKinsey’s early Women Matter research largely focused on Europe and the United States. In 2012, it published an Asian report, and this year it expanded its research to Latin America, the results of which are published here. These results also find a link between the presence of women in senior management positions and the strength of companies’ financial performance. They also show that, despite the large proportion of female graduates in Latin America and the significant numbers who join the continent’s companies at entry level, very few reach the top. At the 345 companies included in our analysis, women hold 8 percent of executive committee positions and 5 percent of board positions. While these figures are comparable to those in Asia, they are noticeably lower than those of Europe and the United States.

The question, of course, is how to raise gender diversity in senior management. To this end, we conducted an online survey with 547 middle and senior managers and interviewed 40 CEOs and senior executives to better understand what the barriers are and what companies are doing to remove them. Several companies have already identified the gender gap and are striving to implement measures to improve female representation on top management. But the overall results reveal the size of the challenge, as most companies have put in place very few initiatives to change the status quo. Gender diversity is simply not high on their strategic agenda.

Moreover, only half of the executives surveyed believe this is likely to change in the short term.

The barriers to progress are many, not least among them the prevailing cultural beliefs and biases. This report describes a clear path forward, highlighting the critical elements of any program aimed at raising gender diversity. As such, it is a call for action to corporations across Latin America and, in particular, to their CEOs and senior management. Our research shows that if companies are to succeed in hiring, retaining, and promoting more talented women—and seizing the associated business opportunity—nothing less than the full commitment of the CEO and his or her senior management team will suffice.

Gender diversity: a driver of corporate performance
McKinsey has long argued that gender diversity within corporations is not just a social concern, but also a business imperative. Our latest research suggests that the argument holds as true in Latin America as it does elsewhere.

We studied 345 listed companies in six countries in Latin America, examining their financial results and the gender composition of their executive committees. The results showed a link between the two in all countries and in all business sectors: companies with one or more women on their executive committees outperformed those with all-male committees. Their returns on equity were 44 percent higher, and their EBIT margin 47 percent higher (Exhibit 1).

This link between financial performance and gender diversity among top management resembles similar patterns found in earlier research conducted by McKinsey in Europe. In both cases, even though there is a correlation, there is not necessarily causality. Perhaps higher-performing companies attract more women,
for example, or maybe these companies develop more programs to support women’s progress to higher-level positions. McKinsey’s earlier research therefore sought to understand why the presence of women executives might be associated with superior performance.

The research concluded that women’s presence gives the top team a better mix of the leadership skills and behaviors that drive corporate performance. It demonstrated that women in leadership positions tend to use certain behaviors more than men, and vice versa. So, for example, women tend to emphasize people development and collaborative decision making, while men are more comfortable making decisions alone. The research then examined how these behaviors might affect certain important aspects of an organization’s performance.

Companies with at least one woman on their executive committee performed better than those with all-male committees. The research concluded that women’s presence gives the top team a better mix of the leadership skills and behaviors that drive corporate performance. It demonstrated that women in leadership positions tend to use certain behaviors more than men, and vice versa. So, for example, women tend to emphasize people development and collaborative decision making, while men are more comfortable making decisions alone. The research then examined how these behaviors might affect certain important aspects of an organization’s performance.

### Exhibit 1

<table>
<thead>
<tr>
<th>Average ROE¹</th>
<th>2011, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies with no women on their executive committee</td>
<td>13.2 (+44%)</td>
</tr>
<tr>
<td>Companies with at least 1 woman on their executive committee</td>
<td>19.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average EBIT Margin,²</th>
<th>2011, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies with no women on their executive committee</td>
<td>13.0 (+47%)</td>
</tr>
<tr>
<td>Companies with at least 1 woman on their executive committee</td>
<td>19.2</td>
</tr>
</tbody>
</table>

¹ Average ROE for 345 companies in Brazil, Mexico, Colombia, Chile, Peru, and Argentina.
² Average EBIT margin for 274 companies in Brazil, Mexico, Colombia, Chile, Peru, and Argentina.

### Exhibit 2

The different behavior of men and women influences dimensions of organizational health

#### Leadership behaviors

- **Women apply themselves more²**
  - People development
  - Expectations and rewards
  - Role model
- **Women apply themselves slightly more³**
  - Inspiration
  - Participative decision making
- **Women and men apply themselves equally**
  - Intellectual stimulation
  - Efficient communication
- **Men apply themselves more²**
  - Individualistic decision making
  - Control and corrective action

#### Leadership team

- Role model
- People development

#### External orientation

- Individualistic decision making
- Participative decision making

#### Work environment and values

- People development
- Participative decision making

#### Innovation

- Intellectual stimulation

#### Motivation

- Inspiration

#### Accountabilities

- Expectations and rewards
- Efficient communication
- Control and corrective action

#### Coordination and control

- People development

#### Direction

- Inspiration
- Efficient communication

#### External orientation

- Expectations and rewards

#### Leadership team

- Role model
- People development

#### External orientation

- Expectations and rewards

#### Work environment and values

- People development
- Participative decision making

- Individualistic decision making
- Control and corrective action

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

**SOURCE:** Alice H. Eagly, Johannesen-Schmidt, and Van Engen, Transformational, Transactional, and Laissez-Faire Leadership Style, 2003; McKinsey analysis
organization's health, such as its values or ability to innovate, which in turn have been shown to influence financial performance. Out of a total of nine leadership behaviors important to organizational health, women display five of them more often than men (Exhibit 2).

Many of the executives we surveyed in Latin America said they were aware of the important contribution senior women managers could make to corporate performance. Sixty-one percent said they agreed that gender-diverse leadership teams have a positive impact on a company’s financial performance, though women agreed more than men—70 percent and 56 percent, respectively (Exhibit 3).

The CEOs and executives we interviewed identified additional arguments for having more women in senior positions:

Access to a wider pool of talent. Companies’ ability to recruit the very best managers is automatically limited if women—who account for half the population and the majority of students enrolled at university in almost all the countries in our research—are poorly represented in the talent pool. The fact that Latin America faces a widely acknowledged shortage of talent further strengthens the case for more women managers.

“It seems that each year it becomes more difficult to find talents especially in the service industry.”

Chieko Aoki, founder and CEO of the Blue Tree Hotels

“If the company wants to double its size, it has to have the best talent pipeline, and dealing with gender diversity and improving it is a competitive advantage.”

VP in the health care division of a consumer goods company in Brazil

“If you don’t actively promote diversity, you end up losing talent.”

Head of Business Development of a Pharma Company in Mexico

Different opinions and perspectives. Diverse teams have a positive influence on corporate performance because of the different perspectives they bring to situations and discussions—this is a view shared by many of the executives we interviewed.

“Women provide different opinions; they try to avoid preconceived ideas and break orthodoxies.”

HR director of a consumer goods company in Peru

Better reflection of consumer insights. Women are also likely to have valuable insights into customer needs and expectations, which is crucial for companies looking to succeed in a competitive market.

behaviors and preferences—not only because women account for 50 percent of consumers but also because women control a disproportionate amount of consumer spending. A recent study suggests the figure is as high as $20 trillion globally, or about 70 percent of total spending on consumer goods.\(^6\)

“Some 45 percent of all cars are bought by women, and 85 percent of car purchases are influenced by them. And only women know that the heels of their shoes wear out when they drive. Having a more diverse team helps us better understand our clients.”

VP of HR at a multinational automotive company in Brazil

“Our company is a reflection of what is happening in society: our clients are more diverse and require diverse teams to better understand them and connect with them.”

HR VP of a financial institution company in Chile

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Women’s representation in top management

Despite the business case for gender diversity, our research demonstrates that women remain underrepresented on boards and executive committees of corporations in Latin America.

Women’s representation remains low in Latin America

Women hold 8 percent of executive committee positions and 5 percent of board positions in the companies included in our analysis (Exhibit 4). These figures are similar to those in Asia (8 percent and 6 percent, respectively), but strikingly lower than those in Europe (10 percent and 17 percent) and the United States (14 percent and 15 percent), even though women often remain underrepresented in those regions too. Overall, as in Asia, women in Latin America are better represented on executive committees than on boards. The reverse is true in Europe and the United States, though the difference is small in the latter.

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Exhibit 4

Top management positions in Latin America include relatively few women

<table>
<thead>
<tr>
<th></th>
<th>Female representation on executive committees, 2011, Percent</th>
<th>Female representation on boards, 2011, Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Latin America(^1)</td>
<td>Norway</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Asia(^2)</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Europe(^3)</td>
<td></td>
</tr>
</tbody>
</table>

|                        | Latin America\(^1\)                                         | Norway                                        |
|                        | 5                                                           | 35                                            |
|                        | US                                                          | 15                                            |
|                        | China                                                       | 8                                             |
|                        | France                                                      | 20                                            |
|                        | Germany                                                     | 16                                            |
|                        | India                                                       | 5                                             |
|                        | Asia\(^2\)                                                   | 6                                             |
|                        | Europe\(^3\)                                                | 17                                            |

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\(^1\) Includes Argentina, Brazil, Chile, Colombia, Mexico, and Peru.

\(^2\) Includes Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, and Taiwan.

\(^3\) Includes Belgium, Czech Republic, France, Germany, Italy, the Netherlands, Norway, Sweden, and the United Kingdom.

SOURCE: McKinsey proprietary database; company websites; annual reports; Thomson
Exhibit 5 shows the balance by country in Latin America. Colombia is the country with the highest female representation on both executive committees and boards, with levels closer to those of Europe and the United States. Mexico has the lowest female representation on executive committees, and Argentina the lowest on boards.

It is worth noting that women’s relatively high representation on boards in Europe is partly explained by government legislation in some countries that sets legally binding quotas. In addition, the discussion about gender diversity in senior management in Europe and the United States initially often focused on the board more than executive committees. McKinsey and others have since argued that women’s presence in executive committees deserves equal attention, given these committees’ influence on everyday decision making and their role in career development (service on executive committees could position women as candidates for board positions).

The majority of women on executive committees head finance, legal, and HR

The research shows the areas in which senior women most often succeed in Latin America. A common belief is that women on executive committees are likely to head up the HR or marketing functions. However, at the companies we analyzed, women on executive committees were most likely to head the finance department (22 percent), followed by legal (18 percent) and HR (16 percent). Together, these three departments account for over 50 percent of the women on executive committees in Latin America (Exhibit 6).

Noteworthy variations include Brazil, where the highest proportion of women on the executive committee head the legal department and 8 percent are CEOs; Mexico, where 25 percent are in marketing; Peru, where 60 percent are in HR and finance; and Argentina, where 50 percent and 35 percent of women on the executive committee are in the administrative and finance functions, respectively.

What holds women back?

In the past, relatively few women in Latin America worked outside of the home. But this has changed, and women are playing an increasingly important role in the continent’s economic life. Will this automatically lead to more women in senior management positions? The analysis suggests not, as there are obstacles within the business environment that need to be overcome.
Women play an increasingly important role in the economy

The proportion of young women between the ages of 15 and 24 with less than five years of schooling halved between 1989–1991 and 2010–2011, while the proportion of women with more than 13 years of schooling more than doubled in the same period (Exhibit 7). Furthermore, as mentioned, women make up the majority of university students in most Latin American countries, Mexico being the exception. Partly as a result of their rising levels of education, women’s participation in the labor force and their contribution to family income also are on the rise. In 1990, women represented only 33 percent of the workforce, whereas in Norway and France, the figure had already reached 44 percent. By 2010, the Latin American figure stood at 41 percent, closing the gap with European countries. In Norway, for example, the rate is now 47 percent. In Latin America, women now account for 36 percent of family income, compared with 32 percent a decade ago. At the same time, the wage gap is shrinking in almost all countries, even though there is still a long way to go to reach wage parity (Exhibit 8).

Demographic data also show that they are postponing marriage and having fewer children. In 2003, 50 percent of women marrying for the first time were younger than 25. Seven years later, the figure had dropped to 40 percent. And the fertility rate now stands at 2.1, compared with a 6.0 fertility rate 60 years ago.

Higher gender diversity still not guaranteed

Some have argued that a higher rate of female participation in the workforce and more female graduates make it inevitable that more women will eventually reach senior corporate positions—it is just a question of time. But historical analysis suggests this is unlikely to be the case if nothing else changes. For example, in the 1980s in Argentina and Brazil, some 50 percent of those who enrolled at university were female. On average, it takes 30 years for a university student to reach top management, and 30 years later, women filled 7 percent of the seats on executive committees in those two countries. Last decade, the number of women enrolling at university in Argentina and Brazil had risen to around 60 percent. If past trends continue, this will translate into just a two-percentage-point rise in the number of women on executive boards there by 2040 (Exhibit 9).

Experience abroad supports the same conclusion. By 1980 in the United States, the majority of students enrolled in US universities were women (51 percent). In 2011, female representation on executive committees in the United States stood at 14 percent.

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6 Based on the most recent data available in each range of years.
Challenges lie within corporations

This suggests that the key to improving gender diversity within corporations lies, at least to some degree, within corporations themselves. Exhibit 10 demonstrates the problem, using Brazil as an example. In the pipeline leading from new graduates through middle and senior management to the executive committee, women’s representation consistently declines from one stage to the next.

The funnel starts with a decline from a pool of Brazilian university graduates in which almost 60 percent are women, to a first-line position with 43 percent of female representation. The already-lower representation
of women at these companies could be explained by the different fields of study often chosen by men and women. The companies in this sample may be hiring graduates with degrees in engineering and management, and more of these graduates are men. More significant for this study, however, is that women account for fewer and fewer management positions as they rise up the corporate hierarchy. As the exhibit shows, their representation halves at the senior-management level and again at the executive level.

Different companies are likely to find that women face different barriers at different stages of the pipeline. Our sector analysis demonstrates this. In Brazil, for example, companies in the basic materials and utilities sectors recruit low numbers of women in the first place (women hold 14 percent of entry-level positions). But those women who are recruited would seem to have a relatively good chance of rising through the ranks (women hold 10 percent of seats on executive committees). In other sectors—consumer goods, retail, and banking—women are well represented at entry level (48 percent) but thereafter fare poorly, either leaving the company or not progressing. Only 8 percent of those on executive committees are women, their representation having tumbled once they reached middle management (Exhibit 11).

Barriers to change

Our survey and interviews helped us to understand better the precise barriers that impede women’s advancement within companies in Latin America. Women’s role conflicts are identified as among the biggest, though cultural norms and biases play a role too.

Women’s double burden and an “anytime, anywhere” performance model seen as biggest barriers

The barrier most commonly identified by survey respondents was women’s “double burden.” Many women have to combine their work responsibilities with a large share of family responsibilities. On average, Latin American women dedicate 2.6 times more hours than men to domestic activities—26.6 hours per week compared with 10.6 hours for men.

“The success of women in the workplace is also a function of how supportive her partner is. Household responsibilities should be fairly shared by all members of the family”

CEO of a national consumer goods company in Colombia

Latin American women are not alone in finding these dual responsibilities hard. The “double burden” was identified as the main barrier to women’s advancement...
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in McKinsey’s European research too, even though in some countries couples share more of the domestic responsibilities.

“The main barrier is still the work-life balance.”
HR manager of a national mining company in Chile

The expectation that those holding senior positions be available “anytime, anywhere” makes the double burden even more onerous. As in Asia and Europe, this expectation was identified as the second highest barrier to most women’s advancement in Latin America.

“The women find it hard to cope with the guilt they feel for not being at home or with the kids the whole time, and this can have a negative impact on their career.”
CEO of a multinational consumer goods company in Brazil
“Our company loses a lot of high-potential women, especially in middle management, because our career model requires mobility, and international experience.”

HR VP of a multinational beverage company in Brazil

Exhibit 12 ranks what the survey participants regarded as the most important barriers to women’s advancement. Notably, a higher percentage of women than men considered each to be a barrier. For example, while 50 percent of women respondents considered the “double burden” to be a barrier and 46 percent think the “anytime, anywhere” performance model also is an obstacle, only 42 percent and 37 percent of the men, respectively, said the same.

Interviews with executives identified similar barriers. Fifty-two percent said seeking more time with their families was the main reason why women voluntarily left their employment in midcareer or even when they had reached a senior level.

But the interviewees raised other issues, too. Many executives felt women are less inclined to recognize and appreciate their own performance, making it more difficult for them to assert their talents and gain recognition.

“Women fear not being prepared to take more responsibilities and not doing it right. But this is already changing with new generations”.

CEO of a financial institution in Chile

“Women place barriers on themselves. If a woman doesn’t feel 100 percent prepared she won’t take a new opportunity, even though everyone else thinks she is able to do it.”

VP of HR at a multinational automotive company in Brazil

“Women systematically underestimate their own abilities... Women do not negotiate for themselves in the workforce. A study in the last two years of people entering the workforce out of college showed that 57 percent of boys entering, or men, I guess, are negotiating their first salary, and only 7 percent of women. And most importantly, men attribute their success to themselves, and women attribute it to other external factors.”

Sheryl Sandberg, COO of Facebook, “Why we have too few women leaders,” TED Talk

Exhibit 12

Worldwide, the biggest barriers are the “double burden” syndrome and “anytime, anywhere” performance model

In your opinion, which are the biggest high-level barriers, if any, to increasing gender diversity within the top management of corporations?

N=547; Percent of respondents

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Latin America</th>
<th>Asia</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Double-burden” syndrome</td>
<td>44</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>“Anytime, anywhere” performance model</td>
<td>39</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Lack of pro-family public policies or support services (e.g., child care)</td>
<td>24</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Absence of female role models</td>
<td>23</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Women’s reluctance to promote themselves</td>
<td>19</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Women deciding to opt out and leave the workforce</td>
<td>17</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Women’s tendency to network less effectively than men</td>
<td>17</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>The tendency among women to be less ambitious than men</td>
<td>15</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>There are no barriers</td>
<td>11</td>
<td>9</td>
<td>5</td>
</tr>
</tbody>
</table>

1 Women balancing work and domestic responsibilities.
2 Work model requiring unfailing availability and geographical mobility at all times.

Cultural norms and biases count

It is important to acknowledge the extent to which cultural norms and biases impede women’s progress. In our survey and interviews, respondents widely acknowledged cultural norms as barriers to women’s advancement. For example, 53 percent of survey respondents said gender bias in their cultures influences how organizations approach gender diversity, and 78 percent said culture makes it easier for men to advance in their careers. Mexico, the only country that ranked higher than average on both questions, had the lowest female representation in executive committees. Significantly perhaps, other studies suggest that Colombia’s culture might be more supportive of women in leadership roles than cultures elsewhere in Latin America, and Colombia is the country in this study with the largest percentage of women on executive committees and boards.9

The research also reveals, however, that men and women often have different perceptions of what holds women back. For example, the majority of men in our survey tended to think a low intake of women in some companies stemmed from the fact that the industry itself was not attractive to women, while women said the main reason was the organizations’ failure to make an effort to recruit women. Meanwhile, men said the main reason women got promoted less often was that women were concentrated in departments with lower promotion rates. Females more often chose as the top reason the perception that women are less likely than men to have sponsors within the company (Exhibit 13).

As this report has already noted, men and women hold different views regarding the importance of a whole range of other potential barriers to women’s progress. This was particularly the case with regard to women’s ambition. Women’s lack of ambition was identified in both our survey and interviews as a barrier to their advancement. One executive interviewed put it this way:

“Women don’t necessarily quit. Often they stay and move laterally instead of upwards and often it’s their own choice. They don’t have the ambition to climb the corporate ladder because it demands more work, so they like to reach middle level and stay there. Often it’s about women’s career aspirations, which can be different, less ambitious, than men’s. They want less work, less competition.”

HR manager of a national bank in Argentina

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Exhibit 13

| Men and women often have different perceptions of the reasons for lower female intake and promotion rates |
| Which of the following statements best explains the low female representation in your organization overall? |
| N=162, Percent of respondents |
| | Men | Women |
| Our industry is traditionally less attractive to women than to men | 39 | 21 |
| Our kind of work tends to be more physically demanding for women | 21 | 11 |
| Our organization doesn’t focus enough on recruiting women | 15 | 24 |
| Our organization has a less gender-neutral culture than others | 10 | 16 |
| Leaders perceive that fewer women have the necessary skills that our organization requires | 7 | 20 |

| Which of the following statements best explains why women are promoted less frequently than men in your organization? |
| N=138, Percent of respondents |
| | Men | Women |
| Female employees are mostly concentrated in specific departments that have lower promotion rates | 50 | 36 |
| Women are less likely than men to have sponsors within the company | 25 | 51 |
| Women and men are not evaluated equally for promotions | 20 | 31 |
| Managers are reluctant to promote women because of the chance of pregnancy | 20 | 30 |
| There is a perception among the leaders that women have less ambition than men | 15 | 35 |

1 Top 5 choices

However, when asked about their own ambition, the men and women surveyed showed the same desire to advance to the next level in their careers and to achieve a C-level position. Indeed, greater shares of women than men—79 percent and 73 percent, respectively—said they would choose to advance to C-level management (Exhibit 14).

If companies cannot come to a clear, unbiased understanding of the obstacles that prevent talented women progressing, it will be all that much harder to improve gender diversity.

“It is not only what we as women accomplish, but how we are perceived by male peers. For example, when I meet with executives from Oil and Gas companies, they always ask who I am accompanying, or whose assistant I am.”

CEO (female) of a energy company in Colombia

**A call for action**

We are not suggesting that the solution to greater gender diversity lies entirely in the hands of corporations. Far from it. Shifting cultural norms, for example, would be hard for companies to do alone. Similarly, government policies, such as the provision of child care facilities, also can make a difference, by helping women manage the double burden of working and raising a family. But companies can make a difference.

For example, women’s reluctance to promote themselves can be tackled if there are more female role models within the company, if senior managers mentor them, or if leadership training for women is offered. And corporations can help women build networks to make the connections needed to support and encourage their career advancement. But experience suggests that such initiatives will only have a real impact on gender diversity and ultimately drive corporate performance if they are part of a carefully considered, balanced gender-diversity program that seeks to tackle the particular challenges that any single company faces.

McKinsey’s 2012 Women Matter report argued that gender diversity is best supported by an ecosystem comprising three different types of initiatives:

- **Management commitment**, which means the CEO and the executive team champion gender diversity and set targets for the number of senior women in the organization.

- **Women’s development programs**, which equip women with the skills and networks they need to master corporate codes and raise their ambitions and profiles.

- **A set of enablers** that together ease women’s progress through the company. These include indicators to identify inequalities and track

### Exhibit 14

**Women and men are about equally ambitious to advance to the next level and to a C-level position**

N=547, Percent of respondents who agree with given statement

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have the desire to advance to the next level in my organization</td>
<td>90</td>
<td>87</td>
</tr>
<tr>
<td>If anything were possible, I would choose to advance to a C-level position</td>
<td>73</td>
<td>79</td>
</tr>
</tbody>
</table>

**SOURCE:** “Women Matter: A Latin American perspective,” 2013
improvements, human resource processes and policies, and support mechanisms such as help with child care.

Exhibit 15 lists just some of the initiatives that fall within each of these categories. Different companies will choose different combinations of initiatives, but our research and experience show that successful gender-diversity programs are underpinned by some key components. Gender diversity is defined as a strategic priority, there is a rigorous system for tracking women’s representation within the company, and steps are taken to tackle gender bias.

**Make gender diversity a strategic priority**

Given the number of cultural and organizational barriers and the difficulty of overcoming them, gender diversity is unlikely to improve unless the issue is high on the corporate agenda. Yet in Latin America, 63 percent of those surveyed said gender diversity was not among their companies’ strategic priorities. This positions Latin America between Asia and Europe (Exhibit 16).

In interviews, an even greater 73 percent of executives said their companies did not consider gender diversity to be a top-10 strategic priority. However, there was a clear difference between the importance reported by executives in multinational companies and those in national companies. At multinational companies, 42 percent of executives said gender diversity was not among their companies’ top ten priorities, compared with 91 percent in national companies.

Furthermore, only half of those interviewed expect gender diversity to become more important in the next five years. Here again, however, there is a notable difference between the outlook in national and multinational companies. Fifty-five percent of executives from national companies felt their companies were likely to introduce more measures to raise gender diversity, while 67 percent of those in multinational companies thought the same.

What could explain the gap between the importance given to gender diversity in multinational and national companies? Possibly the fact that gender-diversity programs have been in place at many multinational companies headquartered in Europe and the United States for some time. In Latin America, in contrast, concern about diversity in the workplace does not necessarily extend to concern about women’s representation. In Brazil, for example, our interviews suggested that companies are currently focusing on legislation that requires companies to hire a minimum percentage of employees with disabilities.10

10 All companies with more than 100 employees need to fill 2 to 5 percent of their positions with rehabilitated beneficiaries or people with disabilities, depending on the size of the company.

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**Exhibit 15**

**Gender diversity is best supported within an ecosystem comprising three main elements**

<table>
<thead>
<tr>
<th>Management commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group CEO’s commitment</td>
</tr>
<tr>
<td>Executive committee commitment</td>
</tr>
<tr>
<td>Targets for women’s representation in top positions</td>
</tr>
<tr>
<td>Consistency of company culture with gender diversity objectives</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Women’s development programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networking programs/elements dedicated to women</td>
</tr>
<tr>
<td>Leadership-skill-building programs</td>
</tr>
<tr>
<td>Use of external coaches</td>
</tr>
<tr>
<td>Mentoring programs/events with internal mentors</td>
</tr>
<tr>
<td>Programs to increase proportion of potential women leaders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Collective enablers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender diversity indicators</td>
</tr>
<tr>
<td>Gender representation overall and at certain job levels</td>
</tr>
<tr>
<td>Gender representation in promotion rounds</td>
</tr>
<tr>
<td>Promotion rates by gender at different levels of seniority</td>
</tr>
<tr>
<td>Attrition rate by gender</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HR processes and policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control over gender appraisal biases</td>
</tr>
<tr>
<td>Actions to increase share of women applying for and accepting positions</td>
</tr>
<tr>
<td>Control over gender recruiting biases</td>
</tr>
<tr>
<td>Internal objectives/quotas for women in managerial positions</td>
</tr>
<tr>
<td>Logistical flexibility (eg, remote working)</td>
</tr>
<tr>
<td>Career flexibility (leaves of absence, option to alternate part-time and full-time periods)</td>
</tr>
<tr>
<td>Program to smooth transitions before, during, and after maternity leave</td>
</tr>
</tbody>
</table>

SOURCE: “Women Matter 2012”
“It is essential that corporations reflect society. Gender diversity is as much a competitive advantage as technology.”
VP of a multinational consumer goods company in Brazil

“True diversity is a result of difference of opinion, ways of thinking and feeling and that comes from dissimilar life experiences and backgrounds, not necessarily gender.”
CEO of a national pharma company in Peru

“Diversity is part of our values, but we have no clear initiatives around it”
CEO of a top 10 Brazilian national company

“Women representation is not the worst issue we have in terms of diversity, people with disabilities have lacked some attention.”
HR manager of a Brazilian cosmetics company

Not surprisingly, the research showed a high correlation between the strategic importance given to gender diversity by any single company and the number of measures it put in place to promote it. Companies with gender diversity as one of their top three priorities implemented an average of five measures (Exhibit 17). Those that did not see it as a strategic issue implemented only one measure, on average. Overall, some 29 percent of companies had no specific measures in place, and only 9 percent had implemented six or more.

Exhibit 18 shows the types of initiatives that are most commonly used by Latin American companies.

**Track the numbers**

Companies will need a robust, fact-based understanding of their starting point if they are to identify the barriers that prevent greater gender diversity and track progress toward it within their organizations. McKinsey research has shown that companies that begin with a very clear understanding of the challenges they face in any sort of corporate transformation are 2.4 times more likely to succeed than those that are less well prepared.11

The interviews we conducted for this report suggest few companies in Latin America have such an understanding, as most do not collate the relevant data. At a minimum, they should track the proportion of women at each stage of the corporate pipeline, the proportion in each department or business unit, the proportion of women promoted as a percentage of women eligible for promotion, the attrition rates of men and women at each level, and the wage difference between sexes at all levels.

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### Exhibit 16

**Despite the business case for diversity, a majority of executives in Latin America do not make it a strategic priority**

How important is gender diversity on your company’s strategic agenda?
N=547; Percent of respondents

<table>
<thead>
<tr>
<th></th>
<th>Latin America</th>
<th>Europe</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Among top 10</td>
<td>37</td>
<td>53</td>
<td>30</td>
</tr>
<tr>
<td>items on strategic</td>
<td>63</td>
<td>47</td>
<td>70</td>
</tr>
<tr>
<td>agenda</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not among top 10</td>
<td>49</td>
<td>45</td>
<td>37</td>
</tr>
<tr>
<td>items on strategic</td>
<td>51</td>
<td>55</td>
<td>63</td>
</tr>
<tr>
<td>agenda</td>
<td>67</td>
<td>68</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>27</td>
<td>73</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** “Women Matter: A Latin American perspective,” 2013

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With this, companies can set realistic but challenging goals. Some companies go beyond targets and choose to set quotas for the number of women at various levels, though this can pose a dilemma. On the one hand is the fear that quotas risk discriminating against men and can call into question the achievements of women who reach the top. On the other hand, not having firm targets at all could slow progress toward greater gender diversity. It is important, therefore, that any type of targets be selected carefully and that only excellent candidates be tapped for promotion. Clear communication also is essential. The goals and initiatives taken to reach targets should be transparent to all, as should the results. The conclusion of one European executive may give encouragement to those wary of targets: “I was against targets at first, but after seven years of soft measures with no substantial impact, I have come to believe that it is the only way to really make a change.”
Tackle mind-sets

The best efforts to promote gender diversity might ultimately fail unless people change the way they think about women as leaders in a corporation. This will mean challenging some prevailing biases and preconceptions. McKinsey research has shown that corporate transformations that address the underlying attitudes that prevent change are four times more likely to succeed than those that tackle only the symptoms of resistance.12

The biases and preconceptions that hinder gender diversity are many. Those revealed in our research include the presumption that women do not want jobs that require extensive travel or long hours, the unchallenged view that aspiring managers have to be available 24/7, and the expectation that women on maternity leave will not come back with the same desire to achieve. The head of talent acquisition at a beverage company said, “In the promotion and hiring process, a woman’s personal life is always part of the discussion. Without even asking, people assume, for example, that a woman won’t accept the offer because she is married and will not move to another city. When a promotion for men is being discussed, his personal life is never mentioned as an obstacle.” In addition, women are often judged on their performance, and men on their potential. And men and women alike can feel more comfortable promoting those who behave and think most like themselves—which more often means men—and fail to appreciate different leadership styles.

Both the CEO and CFO of a Brazilian shopping mall company said they were convinced it was the company’s culture – more flexible and appreciative of female leadership—that accounted for the high percentage of women at all levels (around 50 percent). But if other companies are to make similar progress toward greater gender diversity, they will need to understand the unhelpful mind-sets and accompanying behaviors that prevail among women and men alike in their companies—and then work to change them. This is no easy task, nor one that will deliver results fast. But it cannot be avoided. As we will see, the engagement of the CEO and other senior managers will be a key factor.

Ensure visible commitment at the top

Our research has shown that initiatives alone—however many a company might choose to implement—are insufficient to bring about what amounts to a transformation of corporate culture unless the ultimate goal has the visible support of the CEO. In Europe, even at companies with extensive gender-diversity programs, respondents voiced frustration that those programs were not delivering results more quickly. In contrast, at companies where efforts appeared to be gaining traction, respondents often linked their progress to the fact that the CEO was committed to change and that his or her commitment was made clear to the entire organization, encouraging others to follow suit.13 Leaving a gender-diversity program entirely in the hands of the HR department is unlikely to shift the needle on the gauge.

“The company needs the clear commitment of the CEO and of the entire executive committee to drive changes.”

Head of Business Development of a Pharma Company in Mexico

CEOs and other members of the top team therefore need to broadcast the business case for change. They also have to lead by example to change mind-sets, for example, by mentoring women themselves, appointing talented women to top positions, and ensuring that women are among the candidates considered for promotion.

The CEO of a multinational beverage company in Brazil, convinced of the benefits of having more women in top management positions, convened a group of men and women from different areas and levels within the company to discuss gender diversity, understand the main barriers to women’s progress, and propose and implement measures to improve matters. The company has already achieved a lot, with women representing 40 to 50 percent of the workforce from entry level up to senior management, and 25 percent of C-level posts. But the CEO wants still more female executives and has taken responsibility for achieving it. “This is not an HR initiative; it is my own priority and I am personally involved,” he says.


The VP of human resources in a multinational consumer goods company also highlighted the importance of an engaged leadership team. Back in 2002, the company set a global target for the proportion of women in managerial positions. At first, executives perceived it as just another number they had to report. But now gender diversity is gradually becoming part of the company’s culture, helped by the fact that executives’ performance is judged by progress toward the targets and reflected in their bonuses. Today, women account for 50 percent of all employees and 35 percent of executive committee members.

The situation in Colombia also attests to the importance of senior-management commitment. Colombia is the country with the largest percentage of women on executive committees and boards. It is also the country where, according to our research, CEOs and their top teams are most committed to taking action to improve gender diversity and indeed where most CEOs and senior managers do monitor progress.

There is a compelling business case for greater gender diversity within the corporate environment. Nevertheless, gender diversity in top management positions in Latin America is low, and the research suggests change will be slow if business continues as normal. But it also highlights an opportunity for Latin American companies to gain a competitive advantage if they make it a strategic imperative to attract and develop the region’s most talented women.

The commitment of the CEO and senior management is a key success factor for even starting this process. The discussions around the topic have to be led by the CEO, and the CEO and top-management team must track the starting situation and the organization’s progress with the same level of commitment as they bring to any other strategic issue. And while a range of practical measures will be required to remove the barriers that currently hold women back, real progress will ultimately depend on nothing less than a cultural change within the organization. The prize will be worth it.
Key issues vary by country

Argentina
Argentina has the lowest female representation in boards in Latin America and ranks second to last in women’s representation on executive committees. Survey results suggest a lack of concern for the topic, as almost all of the answers regarding the importance of gender diversity in Argentina were below the region’s average. Specifically, only 24 percent of the executives believe companies with gender-diverse leadership teams have higher financial returns (compared with Latin America’s average of 60 percent). This is especially troubling because women account for 60 percent of the university enrolment in Argentina, the highest in Latin America.

Brazil
Even though female representation on boards and executive committees is close to the Latin American average, the number of specific measures undertaken by corporations to increase gender diversity is the lowest in the region, with 41 percent of the respondents indicating that no specific measures are being implemented. Furthermore, the perception that it is easier for men to advance in their careers is the highest in the region, at 83 percent. This, among other factors, may influence women’s desire to advance to the next level (the lowest in the region).

Chile
Survey results show that Chile may have the lowest gender-bias culture in the region. The belief that the country’s culture makes it easier for men to advance in their career, and that this influences an organization’s approach to gender diversity, was the lowest in Latin America.

Colombia
Colombia is a clear example of how the influence and support of top management can increase female representation at senior levels. Colombia has the highest female representation on boards and executive committees in Latin America and also ranks first when it comes to CEO and top management commitment to take action on the gender-diversity agenda. It is also the country where the CEOs are most likely to monitor progress towards gender diversity.

Mexico
Mexico is the country with lower female representation in senior management positions in Latin America. On the other hand, Mexico is the country in which more executives consider gender diversity a top priority and are implementing measures. This apparent contradiction may be a temporary effect, as efforts to support gender diversity have not fully paid off given strong cultural biases.

Peru
The link between women’s family responsibilities and their low representation in senior management seems to be very strong in Peru. First, 98 percent of the executives—the largest percentage of any country in the survey—agreed that some women voluntarily leave their jobs because they believe women must take care of their family. In addition, 45 percent of the respondents (compared with Latin America’s average of 28 percent) say it is an outcome of the double-burden syndrome that causes female attrition in mid to senior positions.
Methodology

This study is based on three main sources of information:

- A proprietary database detailing the gender composition of boards and executive committees, as well as the financial performance of 345 leading companies, drawn from stock markets of six Latin American countries: Argentina, Brazil, Chile, Colombia, Mexico, and Peru. Over 90 percent of those companies have a market capitalization of more than $1 billion.

- An online survey of 547 middle and senior managers in the same six countries. The 16-question survey, which was administered in 2013, in collaboration with the McKinsey Quarterly, focused on barriers for female representation and initiatives being implemented to reduce those barriers.

- Interviews with 40 male and female CEOs or senior executives of leading companies in the same countries to understand the ways their companies approach gender diversity, the barriers and challenges faced, and the measures taken. The purpose of the interviews was to gain a deeper qualitative understanding of how those leaders perceive and approach gender diversity in their companies. We also explored the main reasons for low female representation in top management positions, and tested whether the topic was on the CEO’s agenda and how committed senior management was. Finally, we explored what initiatives to improve gender diversity were in place and their perceived impact.

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Data were collected for executive committees as defined on the companies’ annual reports or websites.
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