Women Matter: Making the Breakthrough

Presentation for Highways Agency/ WTS
18th of September 2012

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Getting more women to the top of organizations is a hot topic
McKinsey has been researching the topic of gender diversity for many years and has by now global coverage.
Our Women Matter reports give fact based answers to the Why? and How? questions for more women at the top of organizations.

2007
Positive link between a company’s performance and proportion of women in its governing body

2008
Positive impact of female leadership styles on organizational health

2009
Importance of female leadership behaviors in the post-crisis world

2010
Defining the key elements of an effective diversity strategy

2012
Helping companies to realize the final breakthrough

What did we find
In our 1st Women Matter report we found that companies with more than 30% women at the top of their organisation have better financial performance.

Percent, EU companies 2007-09

**Average return on equity**

- No women at executive level: 9.7
- Top quartile for female representation at executive level: 13.7 (+41%)

**Average EBIT margin**

- No women at executive level: 9.1
- Top quartile for female representation at executive level: 13.9 (+53%)

Correlation does not imply causality.

In our 2\textsuperscript{nd} report we looked at the impact of female leadership on organizational health

We found that leadership behaviours more frequently applied by women improve organizational health

**Leadership behaviors...**
- People development
- Expectations and rewards
- Role model
- Inspiration
- Participative decision making

**Women apply more and slightly more**
- Intellectual stimulation
- Efficient communication

**Women and men apply equally**
- Individualistic decision making
- Control and corrective action

**Men apply more**
- Participation decision making
- Control and corrective action

**... improve organizational performance**

Great news… since we know from extensive research that healthy companies are more profitable companies

Likelihood that OHI quartile has above-median financial performance, %

<table>
<thead>
<tr>
<th>Metric</th>
<th>Bottom</th>
<th>Mid¹</th>
<th>Top</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA margin</td>
<td>31</td>
<td>48</td>
<td>68</td>
</tr>
<tr>
<td>Growth in enterprise value/book value</td>
<td>31</td>
<td>52</td>
<td>62</td>
</tr>
<tr>
<td>Growth in net income/sales</td>
<td>38</td>
<td>53</td>
<td>58</td>
</tr>
</tbody>
</table>

2.2x increases in EBITDA margin
2.0x increase in growth in enterprise value/book value
1.5x increase in growth in net income/sales

1 Comprised of 2nd and 3rd quartiles

SOURCE: McKinsey Organisational Health Index data mining effort
In 2010 we wanted to find out how companies can really make this happen: Having a balanced diversity eco-system is key

- Gender diversity on top of the strategic agenda

- CEO commitment
  - CEO and executive team’s explicit support for gender diversity programs

- Developing women as leaders …
  - Networks and role models
  - Mentoring
  - Training and coaching

- … supported by collective enablers
  - Gender diversity indicators
  - HR processes and policies
  - Infrastructure

Where do we stand in 2012
Despite all attention for diversity, progress made in European countries is slow

<table>
<thead>
<tr>
<th>Country</th>
<th>Executive committees</th>
<th>Corporate boards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>21%</td>
<td>8%</td>
</tr>
<tr>
<td>Norway</td>
<td>15%</td>
<td>3%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Belgium</td>
<td>11%</td>
<td>4%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>France</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Czech Rep</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Italy</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Germany</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Europe average</strong></td>
<td><strong>10%</strong></td>
<td><strong>6%</strong></td>
</tr>
</tbody>
</table>

EU announced draft proposal for companies to have 40% of women in their Boards by the end of 2019

Getting more women to the top is driven at societal, governmental, company and individual level.

1. Tax
2. Cultural Historical factors (e.g. war history, political situation)
3. ‘Eco-system’
4. Mindsets and behaviors
   - Legislation (e.g. quota)
   - Infrastructure (e.g. day care facilities)
   - Management commitment
   - Development programs
   - Collective enablers
   - Socio – Economic factors (e.g. labor intensity, salary levels)
   - Perception

For our Women Matter 2012 report we benchmarked European companies on the types and effectiveness of their diversity policies

- Woman Matter 5 study has benchmarked companies’ diversity policies on a country level and within their European sector

- 235 organizations in 7 European countries participated: France, the UK, Germany, Belgium, Czech Republic, Italy and the Netherlands

- We collected data in 4 different ways

- Our participants received an individual feedback report with its key challenges as well as a recommendation on the most impactful measures to address these
Women are underrepresented at all hierarchical levels, not only at top management

Number of companies = 130

<table>
<thead>
<tr>
<th>Level</th>
<th>Number of Women</th>
<th>Odds of Advancement</th>
<th>Number of Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>2</td>
<td>5.0x</td>
<td>4</td>
</tr>
<tr>
<td>Seats on executive committee</td>
<td>9</td>
<td>1.7x</td>
<td>14</td>
</tr>
<tr>
<td>Senior management and vice president</td>
<td>14</td>
<td>1.8x</td>
<td>25</td>
</tr>
<tr>
<td>Middle management</td>
<td>22</td>
<td>2.1x</td>
<td>50</td>
</tr>
<tr>
<td>Total company</td>
<td>37</td>
<td></td>
<td>82</td>
</tr>
</tbody>
</table>

1 Companies with more than 10,000 employees and/or revenues greater than €1 billion, and that provided data

Each sector has its own challenges
Number of companies = 130

<table>
<thead>
<tr>
<th>Sector</th>
<th>CEO</th>
<th>Seats on executive committee</th>
<th>Senior management and vice president</th>
<th>Middle management</th>
<th>Total company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media, telecommunications, technology</td>
<td>0</td>
<td>9</td>
<td>17</td>
<td>20</td>
<td>34</td>
</tr>
<tr>
<td>Financial services</td>
<td>0</td>
<td>9</td>
<td>13</td>
<td>22</td>
<td>49</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>7</td>
<td>11</td>
<td>18</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Transport, logistics, tourism</td>
<td>9</td>
<td>10</td>
<td>15</td>
<td>19</td>
<td>27</td>
</tr>
<tr>
<td>Energy and basic materials</td>
<td>0</td>
<td>11</td>
<td>15</td>
<td>16</td>
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1 Companies with more than 10,000 employees and/or revenues greater than €1 billion, and that provided data

On the positive side... The number of companies that sees gender diversity as a top strategic priority has doubled since 2010

Percentage of respondents, number of companies = 235

1 The 2010 figures are from the Women Matter 2010 survey. There were 1,560 respondents to this survey

But…. Although some companies are making progress with diversity, most companies still have a long way to go
Number of companies = 123$^1$

Percentage of women at executive committee and senior management/vice president level

Number of measures

Operating with a diversity advantage

Limited diversity practices

Making progress with diversity

Investing in diversity, but no impact yet

1 Companies with more than 10,000 employees and/or revenues greater than €1 billion, and that provided data for women at these 2 levels

Why are so few companies successful?

Many measures are not implemented in the most effective way in terms of visible actions, frequent communication, participation levels.

Focus over the last few years has been on getting top management involved, but middle management has been largely overlooked.

Not knowing the exact challenges (the facts) and not involving ‘the target audience’ themselves has resulted in ineffective programs. Measures too scattered, not the right ones…

There is a gap between the measures in place and those that are ‘well implemented’
Percent, number of companies = 235

<table>
<thead>
<tr>
<th>Management commitment</th>
<th>CEO commitment</th>
<th>Targets for women's representation in top positions</th>
<th>Consistency of company culture with diversity objectives</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Well implemented</td>
<td>Fairly well implemented</td>
<td>In place</td>
</tr>
<tr>
<td>CEO commitment</td>
<td>41</td>
<td>51</td>
<td>92</td>
</tr>
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<td>41</td>
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<th>Networking programs/events</th>
<th>Leadership skill building programs</th>
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<tr>
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<th>Indicators</th>
<th>HR processes and policies</th>
<th>Infrastructure, e.g., child care facilities</th>
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1 Measures were rated on a scale of 1 - 5, with the exception of management commitment measures, which were rated on a scale of 1 - 4.

While CEO commitment remains high and visible, it does not cascade to lower management levels

Percent, number of companies = 235

Men’s and women have differing views on gender diversity issues
Percentage of respondents who “strongly agreed”; number of respondents = 1,768

- **Do you believe that gender diversity is an important driver of company performance?**
  - Women: 64%
  - Men: 40%

- **Do you believe top management is committed to gender diversity?**
  - Women: 13%
  - Men: 27%

- **Does the evaluation system in your company treat men and women equally?**
  - Women: 30%
  - Men: 65%

1 Web survey participants. Some 35% of the respondents were female

Source: McKinsey Women Matter 2012 report
What do successful companies do
What do we recommend companies to REALLY make this happen?

1. More visible senior management commitment
2. Target initiatives at your particular challenges
3. Address mindsets

We believe that implementing a successful diversity strategy is similar to a transformational change journey.

How do you keep moving forward?

• Track progress
  • Build capacity for continuous improvement

How do you manage the journey?

• Implementation plan
  • Engage the organization

What do you need to do to address these challenges?

• Analyze the numbers
  • Evaluate the effectiveness of existing policies
• Deep understanding of mindsets

What are the specific challenges for your organization?

• Committed senior leaders
  • Balanced diversity ‘eco-system’ with clear prioritization and focus
• Interventions to create lasting change

What are your ambitions in terms of diversity?

• Convincing business case
  • Clear aspiration
• Targets at a granular level

Assess

• Convinced the organization
  • Evaluate the effectiveness of existing policies
• Deep understanding of mindsets

Ace

• Convinced the organization
  • Evaluate the effectiveness of existing policies
• Deep understanding of mindsets

Achitect

• Committed senior leaders
  • Balanced diversity ‘eco-system’ with clear prioritization and focus
• Interventions to create lasting change

Aaspire

• Convincing business case
  • Clear aspiration
• Targets at a granular level

SOURCE: Scott Keller and Colin Price, Beyond Performance, 2011
If you would like to read more: 
www.mckinsey.com/women matter