EDGE

THE GLOBAL
BUSINESS CERTIFICATION
FOR GENDER EQUALITY

MARCH 2013

THE CURRENT STATE OF
Corporate Gender Equality
GLOBAL TRENDS AND FIGURES

Contents

SPONSOR OF THE REPORT

The Müller-Möhl Foundation (MMF) is a platform that fosters sustainable solutions to societal challenges. The MMF acts to operationalize these solutions. It raises awareness on social issues that don't get enough attention by both the public and private sector. It takes advantage of its independence to bring together key actors and move forward on selected issues. The current priorities of the MMF are gender diversity, education and strengthening of liberal economic policies and philanthropy in Switzerland.

CONTRIBUTORS TO THE REPORT

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Foreword

BY CAROLINA MÜLLER-MÖHL, FOUNDER MÜLLER-MÖHL FOUNDATION

The role of women in the workplace is a discussion that has evolved from a matter of equality and social justice to a matter of competitiveness and good corporate governance. This shifting focus has rapidly gained global traction and we have reached now an unprecedented level of awareness of the importance of gender equality in the workplace.

Despite all the attention this topic is attracting, the gender mix at the top of corporations and in business-critical roles remains largely unchanged and the pace of change is painfully slow.

Undoubtedly, gender equality in the workplace is a complex phenomenon and each organization faces unique challenges in fostering it. But in doing so, all organizations must demonstrate all the focused rigor — measurement, tracking, resource allocation, accountability, and the full commitment of top leadership—it usually displays when the organization pursues critical business goals.

What gets measured gets done.

This is the reason why the Müller-Möhl Foundation believes that EDGE - developed by The Gender Equality Project as the only global assessment methodology and business certification for gender equality in the workplace - has the potential to catalyze the much needed change in this field.

You will read more in this report about the major trends and key figures reflecting the current state of gender equality in corporations. I hope you will not just read about it but you will take concrete, bold actions in your organizations to make corporate gender gap a distortion of the past.

Sincerely,

Carolina Müller-Möhl
Founder, Müller-Möhl Foundation

Global trends in corporate gender equality

Employer response towards gender equality is of ever increasing focus, with each advancement founded upon assumptions as to how business operates, and what purpose it fundamentally serves.

Initially, employers focused merely on women and their childcare concerns, and devised policies that attempted to meet their needs. Next, companies embraced more family-responsive environments, realizing they were necessary to insure that employees (mostly women) would not be penalized for availing of the existing programs.

The business case has thus always hinged on the relationship between supportive workplaces and effective organizations[1] based on the underlying assumption that businesses exist to make profit and that unless gender equality is linked to profit, decision makers within organizations would not support it.

This report challenges this assumption.

It will, first, review both the tangible and intangible benefits of gender equality. It will then look at the benefits of a shared value perspective of business before applying it to gender equality, reframing the business case, and the shifting culture around gender roles. It analyses how this affects working practices in organizations, asserting that there is a need to move to a more output driven working environment, and that gender equality initiatives should be designed and implemented with the involvement of the

employees of the organization. Finally, it presents some of the key figures reflecting the current state of corporate gender equality: gender mix by level of responsibility along the talent pipeline, gender mix of line and support/ staff positions by level of responsibility, gender mix at the board level, wage equality and female labor force participation.

Reframing the business case

TANGIBLE BENEFITS

A company's gender mix positively relates to the company's performance.[2] For example, Catalyst research found that companies with the most female board members outperform those with the least on Return on Invested Capital by 26 percent. However, this evidence only proves a correlation between gender equality and a company performance, not causation.

> "THE EVIDENCE SUGGESTS THAT MORE BALANCE ON THE BOARD BRINGS MORE STABILITY THROUGH THE DIFFERENT STAGES OF THE ECONOMIC CYCLES."

This is because it is impossible to conduct a completely controlled experiment, manipulating the gender composition of teams only, while keeping everything else constant to measure a specific impact. It is thus impossible to fully assert that the company's gender mix has a positive impact on its performance.

We are increasingly identifying, however, the actual mechanism behind the observed correlations, and better understanding the causality dilemma. Recent evidence sheds further light. Credit Suisse[3], for instance, found that in a like-for-like comparison, companies with at least one woman on the board would have outperformed in terms of share price performance, those with no

women on the board over the course of the past six years. They found that there was little differentiation in performance during the stronger growth environment between 2005 and 2007. However, the share price performance really picked up with the onset of the bear market in the second half of 2008, since the macro environment deteriorated and volatility increased. It remains to be seen whether the effects will endure when the markets pick up over the coming years, but the evidence suggests that more balance on the board brings more stability through the different stages of the economic cycles manifested as enhanced stability in corporate performance and in share price returns.

INTANGIBLE BENEFITS

The tangible benefits above have been on the radar screen of companies, the intangible benefits of gender diversity such as creativity and innovation remain underestimated. The nature of business, and of work, has changed over the past decades. As we increasingly rely on knowledgeable employees working on problem solving rather than on routine tasks, organizations can increasingly benefit from diversity. Research has prove n that organizations are more innovative as they invite more people from different backgrounds[4]. While others, such as Professor Scott E. Page, in his book "The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies", have

joined in, advocating that cognitive diversity can generate superior solutions in terms of prediction and problem solving. Thus, diversity is a strategic advantage, as it makes organizations more productive and more innovative on cognitive tasks. Professor Page also shows that the most useful kind of diversity is cognitive diversity: thinking differently. Identity diversity such as gender diversity often entails cognitive diversity, this is not always the case as oftentimes women have been trained and socialized into corporate environments that reduce their ability to leverage their diverse perspectives.[5]Therefore, while encouraging diversity and increasing the gender mix can prove to be beneficial to broaden the business perspectives and spur innovation, this can only actually be achieved when men and women are encouraged to leverage their cognitive diversity in the workplace. Only when women are accepted, valued, and can take pride in the different perspective they bring to the table, or the different ways they operate in business, advance their careers and develop the careers of others - rather than assimilating the male cultural norms - will organizations be able to truly reap the rewards that diversity offers.

> "ONLY WHEN WOMEN ARE ACCEPTED, VALUED, AND CAN TAKE PRIDE IN THE DIFFERENT PERSPECTIVE THEY BRING TO THE TABLE, OR THE DIFFERENT WAYS THEY OPERATE IN BUSINESS, ADVANCE THEIR CAREERS AND DEVELOP THE CAREERS OF OTHERS - RATHER THAN ASSIMILATING THE MALE CULTURAL NORMS - WILL ORGANIZATIONS BE ABLE TO TRULY REAP THE REWARDS THAT DIVERSITY OFFERS. "

While the tangible and intangible benefits of greater gender diversity are clear wins for businesses, companies can benefit even further in the long run. They can do this by reframing the business case for gender equality around a shared value perspective as proposed by Michael E. Porter in "Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility"[6]. Michael Porter argues that business and society should identify the common ground they share and the concrete opportunities to foster prosperous and sustainable societies, and create different types of wealth and well-being for all the stakeholders. This encompasses both shareholders and employees.

Based on the principle that businesses hold the keys to a prosperous and sustainable society, creating shared value is about creating economic value by producing societal benefits: what is good for society will be good for business. It is about the clear articulation of their societal purpose, the contribution that their core activity makes to the economic, environmental, and social progress of a local and global economy. It also involves implementing more creative and flexible talent models, transforming the ways companies attract, retain, motivate, and develop their male and female employees.[7] Framing the business case for gender equality according to the shared value perspective provides an opportunity to genuinely go beyond the, still, dominant argument that gender equality in the workplace is about not just fairness, but it is also about shared benefits for individuals, families, companies, and societies.

"FRAMING THE BUSINESS CASE FOR GENDER EQUALITY ACCORDING TO THE SHARED VALUE PERSPECTIVE PROVIDES AN OPPORTUNITY TO GENUINELY GO BEYOND THE, STILL, DOMINANT ARGUMENT THAT GENDER EQUALITY IN THE WORKPLACE IS ABOUT NOT JUST FAIRNESS, BUT IT IS ALSO ABOUT SHARED BENEFITS FOR INDIVIDUALS, FAMILIES, COMPANIES, AND SOCIETIES."

The shifting culture around gender roles

Each generation of a society evolves in different environments, facing different sets of opportunities and challenges. From this, cohorts emerge that hold varied and different values and worldviews from one another.

From this perspective it is estimated that in less than 20 years, roughly half of all workers in the world's most populous nations will come from the Generation Y cohort.[8] And as this new generation joins the workforce, employers will increasingly have to adapt to the new direction being sought by the so-called Generation Y.[9]

The workforce of Generation Y has differing expectations from their forbearers in relation to what they want from work. Both male and female employees of generation Y seek flexible working arrangements.[10] Generation Y women want shared responsibility and financial independence, Generation Y men see themselves in the role of the provider of the family while being involved in bringing up their children.[11] Although there are still taboos associated with stay-at-home fathers and female breadwinners, we are seeing a steady increase in men caring for their families. For example, UK figures show that men make up nearly 10% of those who care for children while their partner goes to work.[12] Still, a stigma looms large over men making this choice, as a recent experimental study[13] demonstrates that gender egalitarian men are more likely to be demoted or downsized.

"GENERATION Y WOMEN WANT SHARED RESPONSIBILITY AND FINANCIAL INDEPENDENCE, GENERATION Y MEN SEE THEMSELVES IN THE ROLE OF THE PROVIDER OF THE FAMILY WHILE BEING INVOLVED IN BRINGING UP THEIR CHILDREN."

Organizations can benefit from supporting the trend in shifting gender roles by encouraging more flexible working arrangements for men as well as women, and fostering corporate cultures that create a space where female and male employees can embrace the role they aspire to, and create positive spillovers from the home to the work space.

From face-time towards an output driven work environment

Modern working cultures are also not sustainable. Long hours in the office and 24/7 responsiveness to electronic messages when on the road or at home are modern manifestations of commitment to a job or a career. Highly ambitious potential employees are often driven by a working culture of competing on so called, face-time, staying later at one's place of work beyond the time that is required, and always being in contact, even when away from the office. A recent study confirmed that the market indeed assigns increasing returns to hours: time is money, and more time is much more money.[14] However, this way of working takes a toll on health and families, and overall it is neither sustainable, nor efficient in the long term for either men or women. Research shows the need to work smarter, not necessarily harder.[15]

The most important step to progress towards a more sustainable way of working at the organizational level, is the need to rethink the definition of a successful and committed worker. While this may depend to a certain extent on the context, at all levels in the organization we should focus on outcomes and contribution rather than time spent. Paradoxically, however, as collaborative project work settings with high demands for problem-solving and creativity become the norm, contributions also become harder to track and trace which lead us to revert back to more tangible measures of contributions such as time. Thus, measuring actual contribution is not an easy task and has left HR executives in charge of performance measurement with an extremely complex challenge.

Rather than trying to measure performance after the fact, is there a way in which we could ensure that all our employees are reaching their potential? Research in the field of positive organizational scholarship[16] provides the answer. In order to achieve sustainable individual and organizational performance, we need a thriving workforce – employees that are not just satisfied and productive but also engaged in creating the future.[17] People who fit this description demonstrate 16% better overall performance, are more committed to the organization, and more satisfied. People who have positive energy, engagement, and passion, perform duties beyond their immediate responsibility; often going that extra-mile to ensure that their company truly excels.

Thriving has two components: vitality and learning. Some people naturally build vitality and learning into their jobs, but most employees are influenced by their environment. Companies can foster an environment in which employees can thrive most by providing decision-making discretion (e.g. flexibility or independence) and by sharing information about the organization and its strategy (e.g. vision or sense of purpose).

Beyond offering a sense of purpose and a say in the way work is done, offering feedback[18] is also important in fostering a working environment where individuals are able to thrive. HR executives should be reassured, performance measurements will still have their place, but with the objective of providing developmental feedback, focusing on appreciating individual strengths and contributions, sharing the company's vision and values. In this sense, it is evaluating and providing feedback around the role of the individual within the organization. Such an approach to performance evaluation is not only more valuable in terms of feedback, but also reinforces a culture of concern for employees, for colleagues, and for customers.

> "THE MOST IMPORTANT STEP TO PROGRESS TOWARDS A MORE SUSTAINABLE WAY OF WORKING AT THE ORGANIZATIONAL LEVEL, IS THE NEED TO RETHINK THE DEFINITION OF A SUCCESSFUL AND COMMITTED WORKER."

How can leaders enable their workforce, both men and women, to thrive rather than languish or burn out? When it comes to changing a culture to achieve sustainable performance, leaders can only start with themselves. The challenging business environment calls for a leadership approach referred to as authentic leadership. This is a sytle of leadership which places a concern for others before the leaders own self-interest, and leaders who are able to manage moral and ethical issues.[19] These leaders remain grounded by integrating their life.[20] These leaders give themselves the permission to be human.[21] They bring their whole self to work[22] and encourage others to do so as well. Overall, they create a positive working environment .

Authentic leadership is positively evaluated by both men and women, but it seems that men appreciate it even more than women.[23] While authentic leadership and a focus on sustainable performance through shared value is important, research shows that authentic leaderships actually works *through* empowerment. [24]

Co-design and implement successful gender equality initiatives with employees

When thriving, people feel passionate about what they do. This positive energy is also contagious.[25] Providing decision-making discretion is a key enabler to allowing individuals to thrive. Capitalizing on this has been recommended to executives for years, especially in times of change. Professor John Kotter has long argued that involving and empowering people is one of the key steps in transforming an organization.[26] Further back, the Hawthorne Studies showed that the performance of workers increased thanks to sympathy and interest shown.[27] Yet, today's employees often remain the surprised recipients of new policies that they find ill-suited or redundant. 60 percent of employees report that their company does not solicit any input from them on gender equality initiatives.[28]

> "60 PERCENT OF EMPLOYEES REPORT THAT THEIR COMPANY DOES NOT SOLICIT ANY INPUT FROM THEM ON GENDER EQUALITY INITIATIVES . "

Executives know that the success of Total Quality Management initiatives hinges on employee participation.[29] Why should it be different when it comes to gender equality? Companies need to ask employees what they need to enable gender equality at home and in the workplace, and they need to listen.

They need to provide opportunities for people to contribute ideas. Cognitive diversity can provide superior solutions to business problems, that is why we have cross-functional teams and task forces bringing together people from a variety of perspectives. This is no less true when it comes to designing new policies with respect to gender equality. In his book on design thinking, Tim Brown[30] reminds us how it is important to use a human-centered approach to problem solving, integrating the needs of people, but also the possibilities of technology, and the requirements for business success. According to this approach, effective policies and practices are developed via a process of rigorous examination through which great ideas are identified and then further developed until realized. In short, design thinking converts need into demand. Hence, our argument of starting with your employee's needs. Those needs may be very different from those of other organizations, and may require innovative and tailored practices substantially different from best-in-class practices.

Another example, regarding designing new policies and practices comes from Eric Ries' pioneering Lean Startup Movement.[31] Everyone waste too much time and energy in developing solutions that nobody really wants. In fast evolving and uncertain conditions, it really does not make sense to rigorously plan a 'grand' gender equality initiative that could be announced to employees as a 'big bang' after months of investment in time and resources, only to find out that no-one is really interested in those policies or that the prevailing culture precludes their use. Therefore, starting as an experiment with small initiatives and building on those iteratively is the way forward. This approach to policy design starts with the identification of needs, going into ideas for solutions, learning from the feedback of users in those experiments and adapting accordingly, making the offering value increase. This approach can only succeed with high employee involvement. While it may take time to get to a 'final product', if there actually is one in a constantly changing business environment, at least the final product has been tried, tested and built with the feedback from employees and managers who tested the policy. Overall, the resources wasted will be less and the solution will be superior.

When we put these simple but powerful ideas together, we have a model of guiding principles that form the cornerstone of the work of EDGE - developed by The Gender Equality Project as the only global assessment methodology and business certification for gender equality in the workplace.
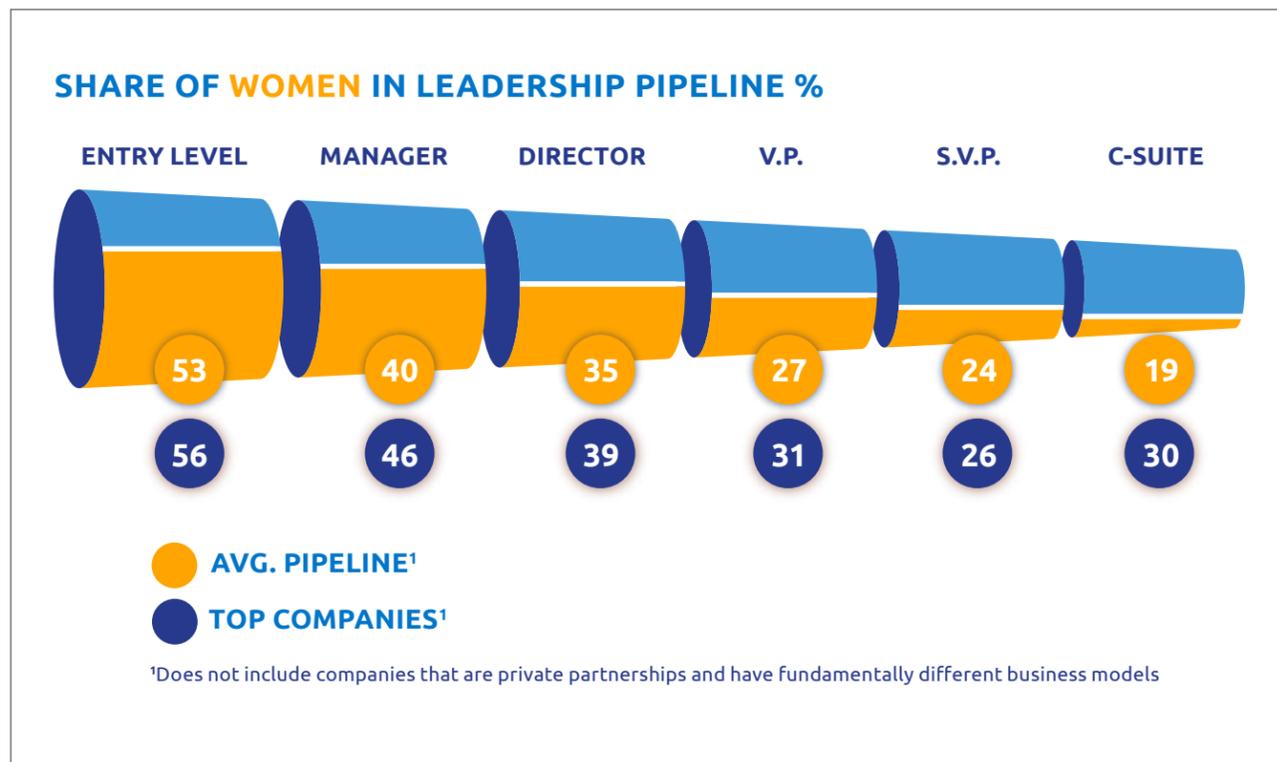
The common ground for these ideas is a profound and unwavering belief, deeply rooted in the culture, that men and women can equally contribute to society and to business. Thus, in order to be able to fully leverage these ideas, significant culture change will be required to ensure that this belief is firmly embedded in public consciousness. If we consider corporate culture as encompassing practices, values and deeply held beliefs, we have two possible routes to change it: from practices to belief – through policy enforcement – or from belief to policy - through efforts of suitable policies development based on shared beliefs.

While the second route is more inspirational and sustainable, a nudge from policy enforcement can help to speed up anchoring of gender equality beliefs in the culture.
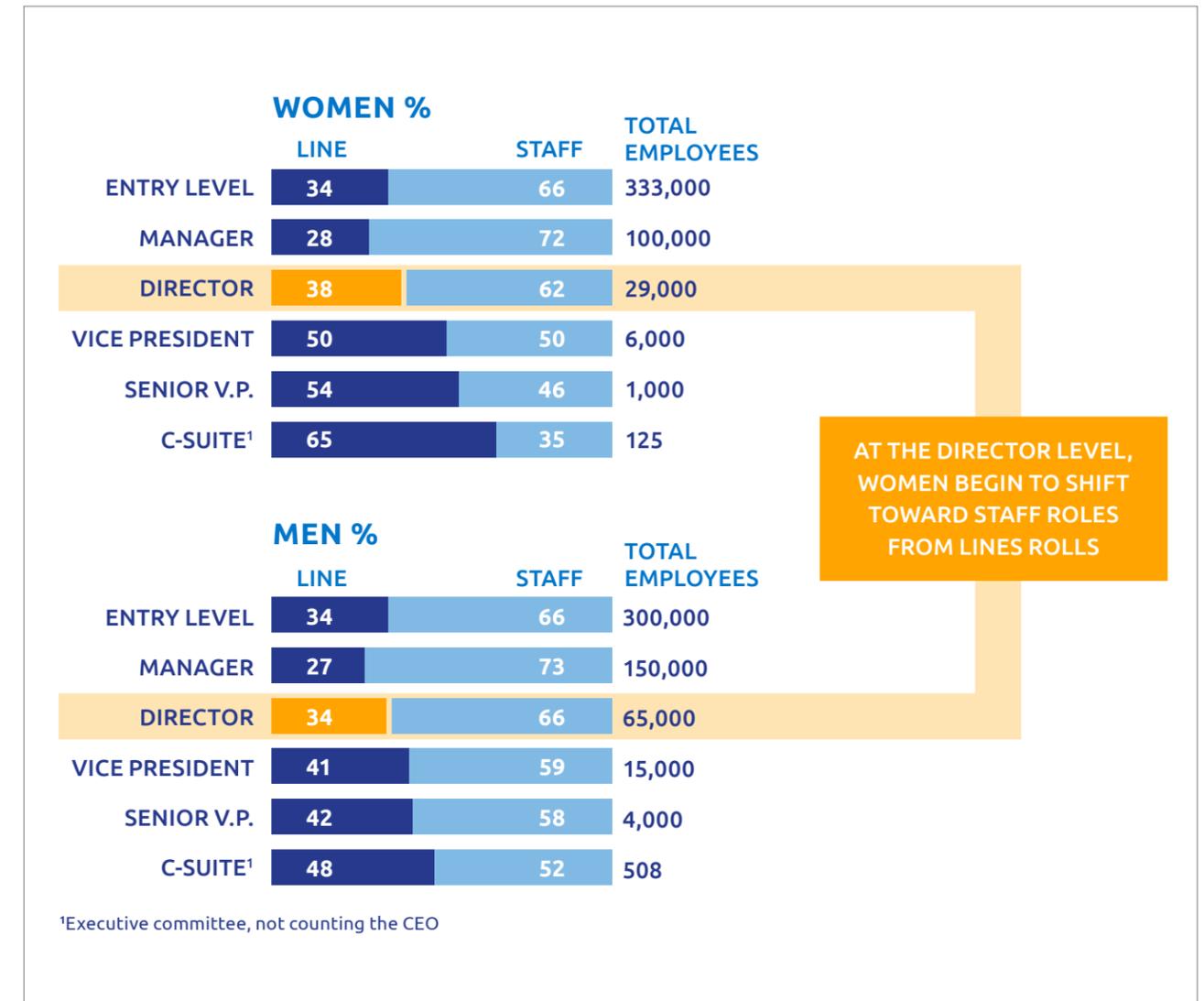
The current state of corporate gender equality in figures

GENDER MIX BY LEVEL OF RESPONSIBILITY ALONG THE TALENT PIPELINE

SHARE OF WOMEN IN LEADERSHIP PIPELINE %

ENTRY LEVEL	MANAGER	DIRECTOR	V.P.	S.V.P.	C-SUITE

AVG. PIPELINE: 53, 40, 35, 27, 24, 19

TOP COMPANIES: 56, 46, 39, 31, 26, 30

- 🟠 AVG. PIPELINE[1]
- 🔵 TOP COMPANIES[1]

[1]Does not include companies that are private partnerships and have fundamentally different business models

The figures above , as calculated by McKinsey's report "Unlocking the full potential of women at work " are based on the talent pipeline of 60 companies out of the Fortune 500, and state that small improvements along this pipeline really do make a difference at the top of the organization.
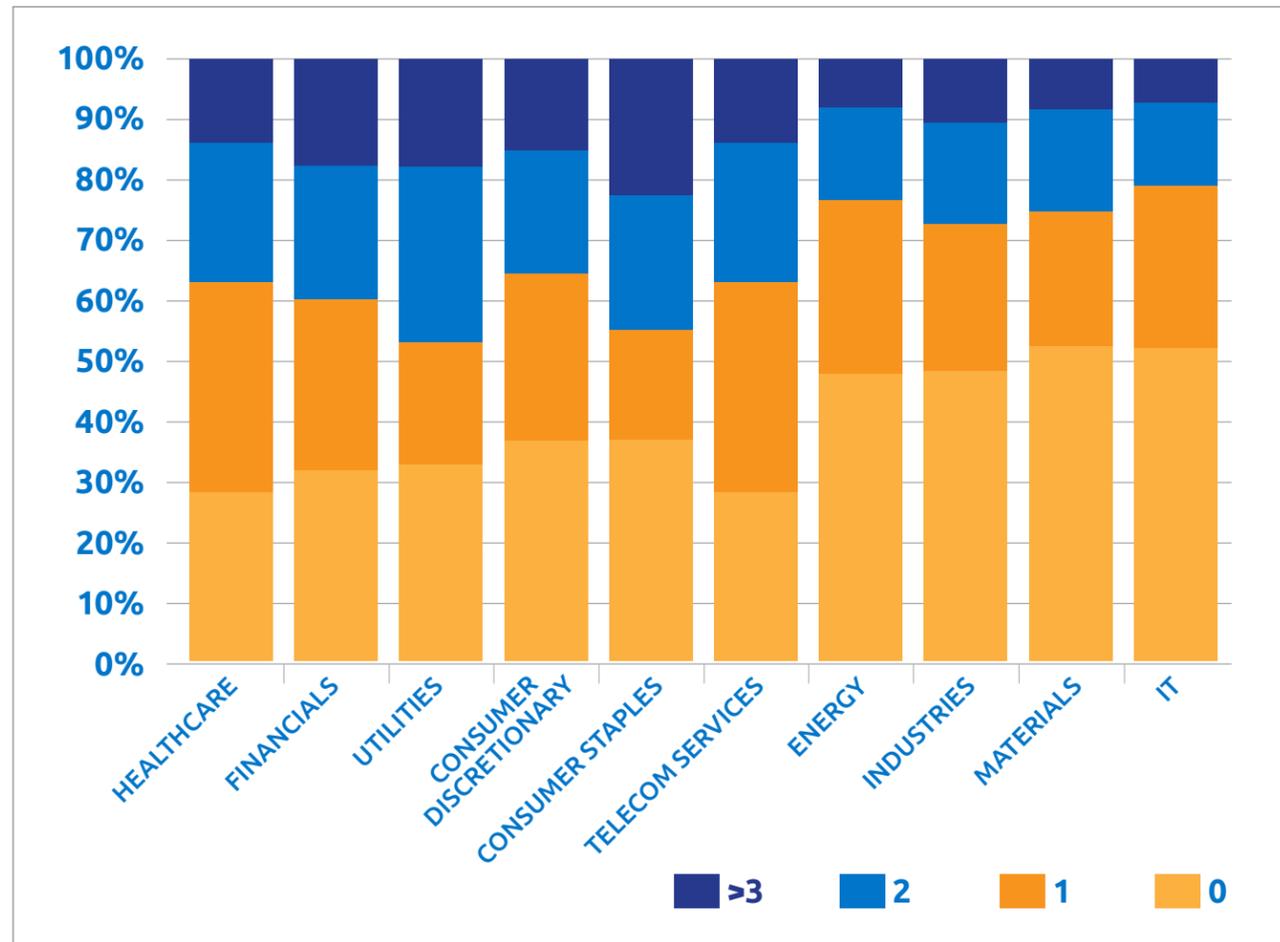
WOMEN %

	LINE	STAFF	TOTAL EMPLOYEES
ENTRY LEVEL	34	66	333,000
MANAGER	28	72	100,000
DIRECTOR	38	62	29,000
VICE PRESIDENT	50	50	6,000
SENIOR V.P.	54	46	1,000
C-SUITE[1]	65	35	125

AT THE DIRECTOR LEVEL, WOMEN BEGIN TO SHIFT TOWARD STAFF ROLES FROM LINES ROLLS

MEN %

	LINE	STAFF	TOTAL EMPLOYEES
ENTRY LEVEL	34	66	300,000
MANAGER	27	73	150,000
DIRECTOR	34	66	65,000
VICE PRESIDENT	41	59	15,000
SENIOR V.P.	42	58	4,000
C-SUITE[1]	48	52	508

[1]Executive committee, not counting the CEO

Based on the McKinsey 2012 report "Unlocking the full potential of women at work" it appears that early in the pipeline, women and men are distributed across line and support/ staff roles at similar levels, but women begin a steady shift into staff roles by the time they reach the director level. Some of the potential causes of this are related to the fact that women tend to be less sponsored, and so they lack the support and safety net to stay in the line positions.

At the same time, line jobs are less flexible than support/ staff jobs, and this flexibility is highly valued by main caregivers, who are still mostly women. At the same time, well intentioned leaders often simply assume that working mothers are not interested to consider line functions and therefore this opportunity might not even be offered to them.
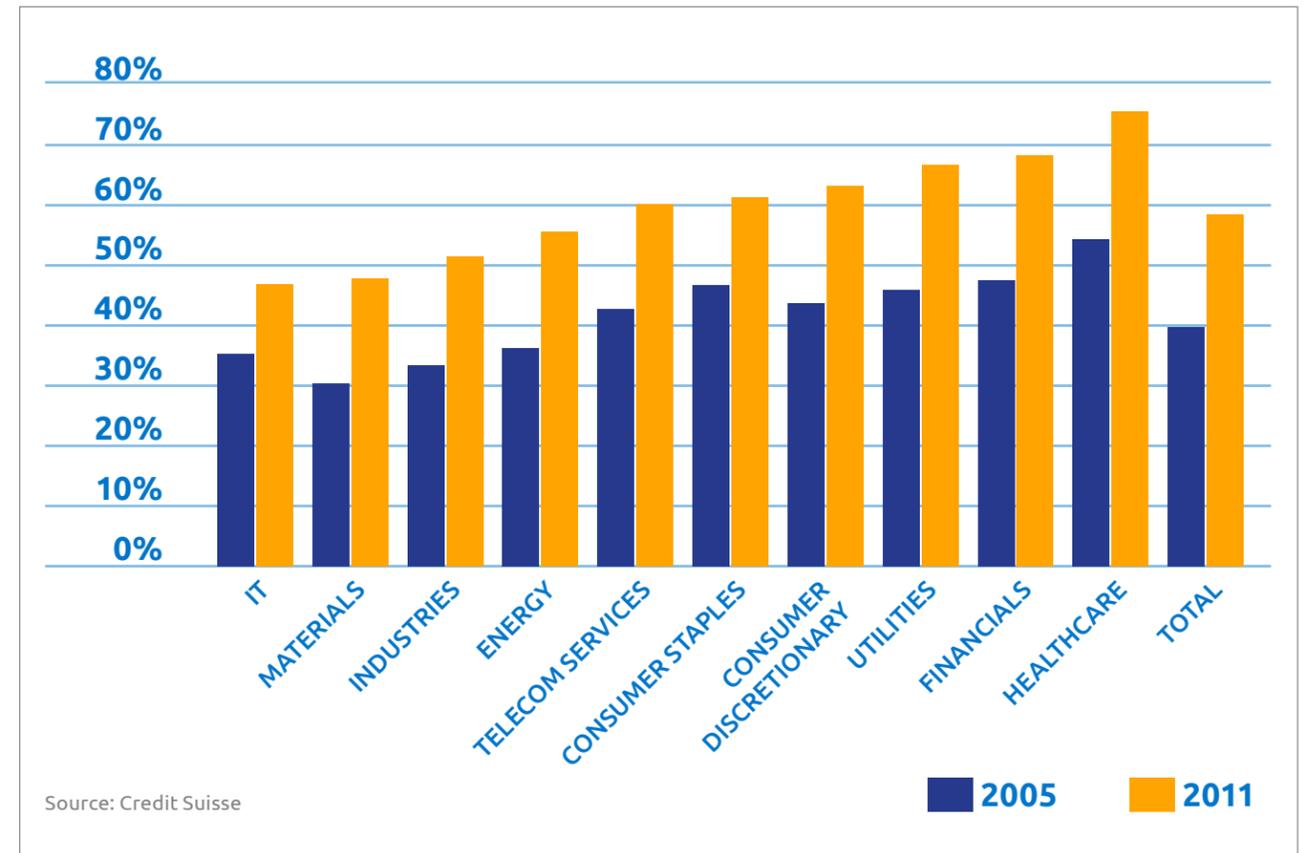
Gender mix at
the board level

>3   2   1   0

SOURCE: Credit Suisse 2012, Gender Diversity and Corporate Performance

PROPORTION OF COMPANIES WITH ONE OR MORE WOMEN ON THE BOARD
(END 2005 VS. END-2011) BY SECTOR

Source: Credit Suisse

2005   2011

SOURCE: Credit Suisse 2012, Gender Diversity and Corporate Performance

The figures above are based on a database of the current constituents of the MSCI AC World index, detailing how many women were on the board of each constituent company at the end of each year since 2005 as compiled by Credit Suisse. This encompasses data for 2,360 companies and over 14,000 data points.

CREDIT SUISSE'S
Key observations FROM THIS SET OF DATA
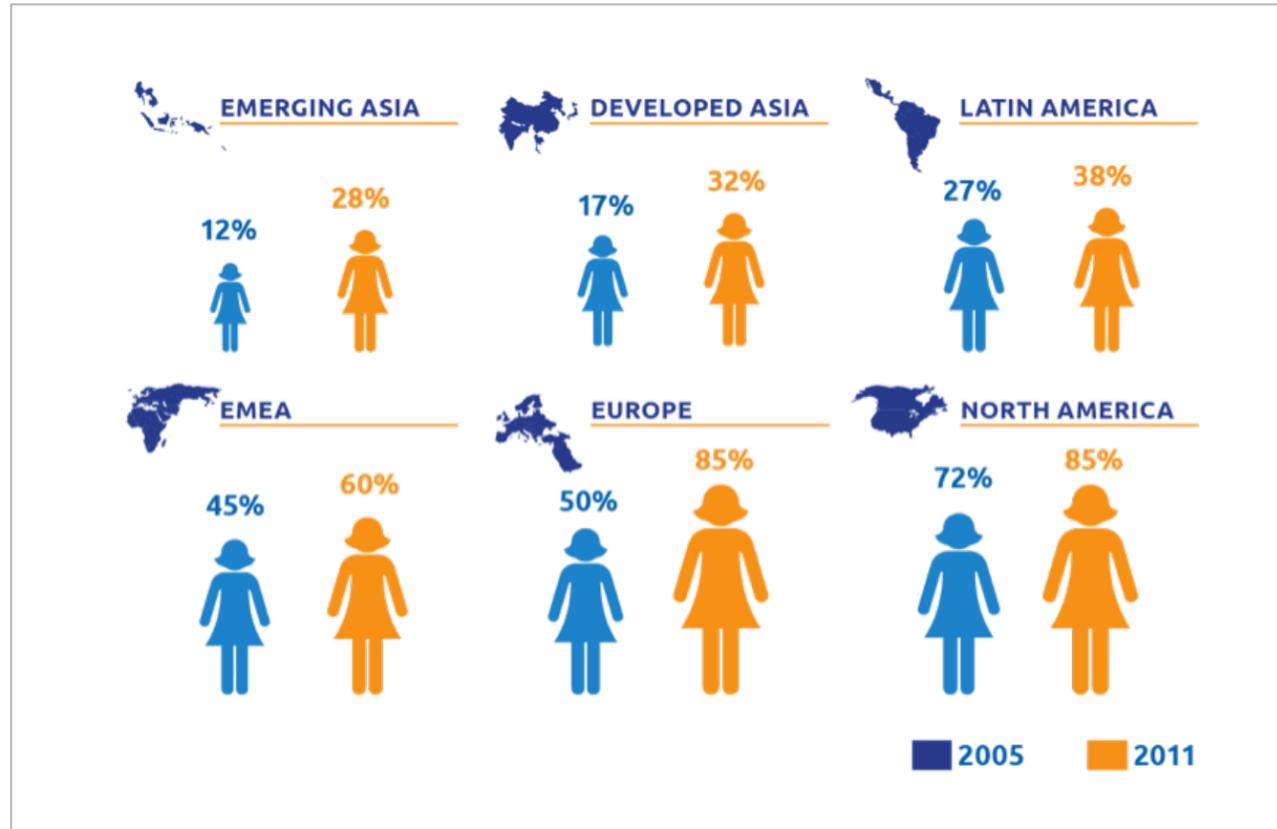
SOURCE: Credit Suisse 2012, Gender Diversity and Corporate Performance

1. Sectors that are closer to final consumer demand have a higher proportion of women on the board. Sectors closer to the bottom of the supply chain tend to have a much lower proportion of women on the board.

2. Certain regions (e.g. Europe) and countries (e.g. Norway) tend to have relatively high ratios of women on the board, for others the numbers are extremely low (e.g. Korea).

3. Larger companies are much more likely to have women on the board than smaller companies.

4. Over the past six years, the fastest rates of change in female representation have come from European companies.

Wage equality and female labor force participation
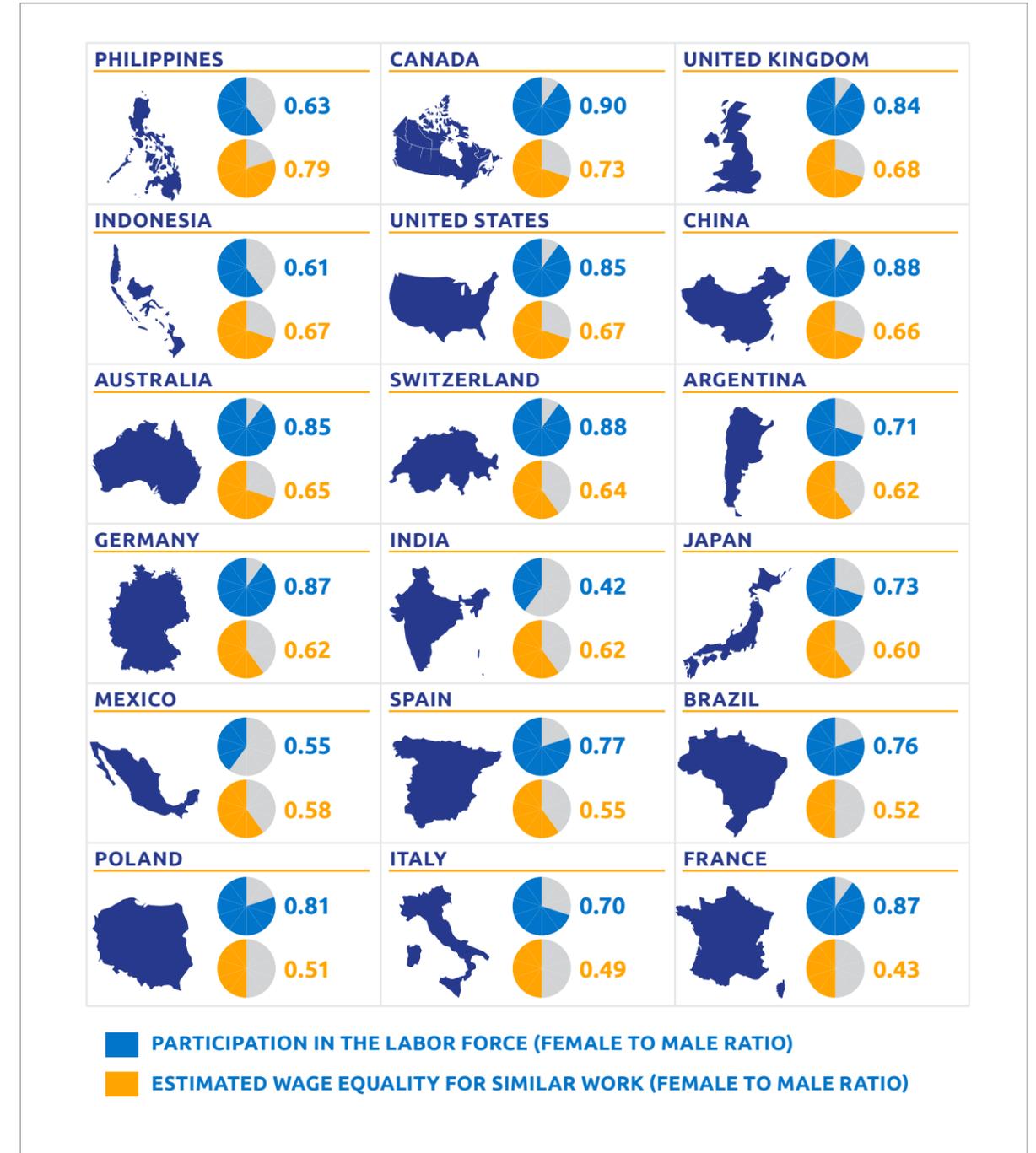
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About

EDGE is the only global assessment methodology and business certification for gender equality in the workplace.

EDGE was developed by The Gender Equality Project (TGEP). It came out of the work conducted in 2009 and 2010 by TGEP with gender experts from leading Academic Institutions and a group of forward-looking multinational companies to identify key drivers for change and key outcome indicators for gender equality in the workplace.

EDGE is currently used in 18 countries on 5 continents and across 11 industries.

For more information about EDGE contact Aniela Unguresan aunguresan@genderequalityproject.org www.genderequalityproject.org