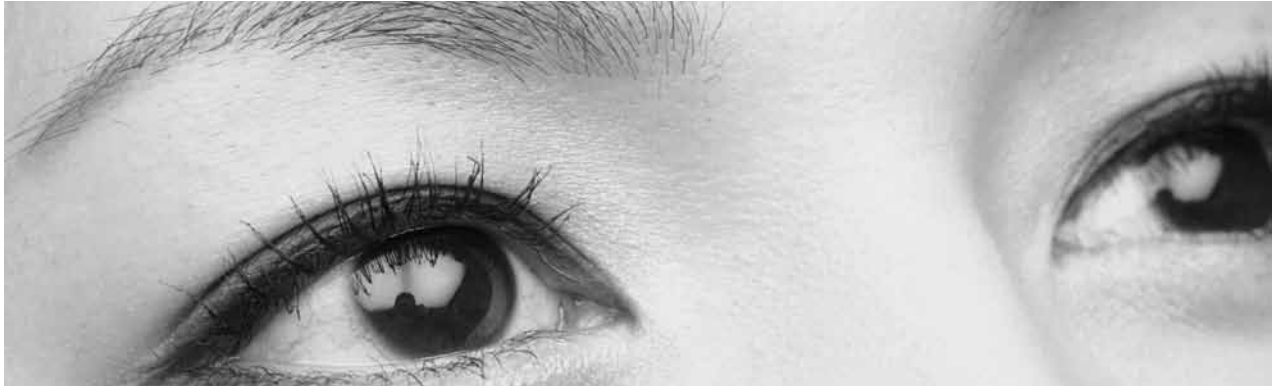


Women Matter



Women Matter: An Asian Perspective

Harnessing female talent to raise
corporate performance

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Women Matter: An Asian Perspective

Harnessing female talent to raise corporate performance

Introduction

Since 2007, McKinsey has been making the business case for raising the number of women in senior management positions. The issue is of particular concern in Asia, where a failure to recruit and retain able women can only exacerbate the acute talent shortage that many companies operating there face. In addition, our own research has shown that companies benefit from the different but complementary leadership styles that women bring to their work, to the extent that there is a link between the proportion of women in senior management positions and corporate performance.¹

To date, McKinsey's Women Matter research has largely focused on western countries in an effort to find out not only how women contribute to corporate performance, but also what companies are doing to change the status quo and which actions are most effective. This year, we have expanded our research in Asia. We took 744 companies from the local stock indices of ten Asian markets and looked at the gender composition of their boards and executive committees. We also surveyed some 1,500 senior managers in those markets with the aim of gauging the appetite for greater gender diversity, understanding the barriers that prevent it, and working out the best tactics for achieving it.

Asian cultures of course differ widely, so the picture is a varied one. Nevertheless, the survey results are a benchmark against which to assess both the current situation and likely future progress. Not surprisingly perhaps, the results show that women hold few of the top jobs in Asia. Moreover, although elements of a gender diversity program are in place in some Asian companies, for the most part the issue is not yet high on the strategic agenda.

We think this needs to change. It is a huge waste of talent, as half of Asian graduates are female. And it is waste that Asian companies can ill afford, given the severe shortage of senior managers in the region. Asian CEOs and their executives have had much to preoccupy

them at a time of such fast economic growth. But there is now a business imperative for hiring, retaining, and promoting more talented women.

This report aims to show how to address that imperative by outlining the elements of a corporate gender diversity program capable of delivering concrete results. To drive what amounts to a cultural change within their organizations, the visible commitment of senior executives will be essential. Their task will be to preach the business case for recruiting more women into senior positions, to lead by example by hiring more women and personally sponsoring them, to set targets to ensure the organization starts developing more women of the right caliber, and to take personal responsibility for tracking progress toward those targets.

Women's representation in top management in Asia

The proportion of women sitting on corporate boards and executive committees in Asian companies is strikingly low compared with Europe and the United States, even though women remain under-represented in those regions too. On average, women account for 6 percent of seats on corporate boards in the ten markets we studied, and 8 percent of those on executive committees. The comparative figures in Europe and the United States are 17 percent and 10 percent, and 15 percent and 14 percent respectively (Exhibit 1). There are, however, significant differences between markets in Asia (Exhibit 2).

Under-representation at every level

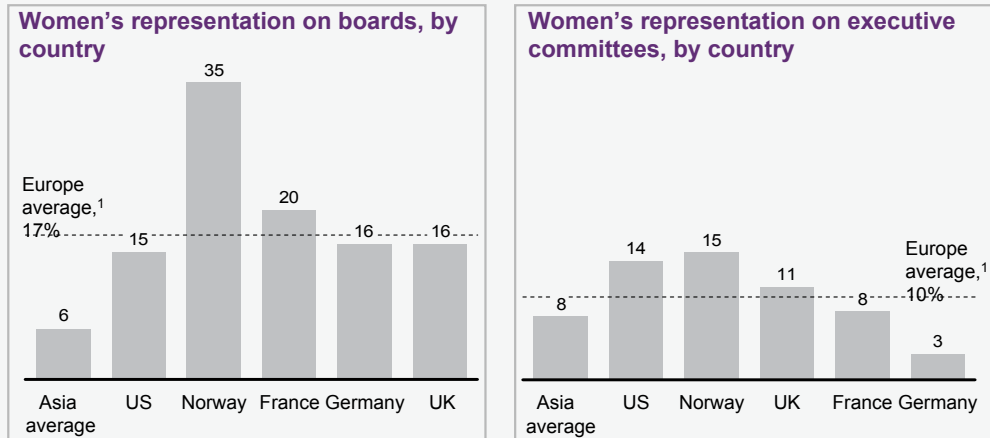
The narrow representation of women at the top of the corporate hierarchy is not the only problem. If more women are to reach senior positions, they have to be present in the pipeline that feeds those positions. In the West, female labor participation rates are reasonably high and women are well-represented in the work force overall (although some industries attract more women than others).² But the higher up the management hierarchy,

1. Women Matter 2010, "Women at the top of corporations: Making it happen," www.mckinsey.com/locations/paris/home/womenmatter.asp.

2. Women Matter 2012, "Making the breakthrough," www.mckinsey.com.

Exhibit 1

Female representation in Asia compared with western markets
2011, Percent

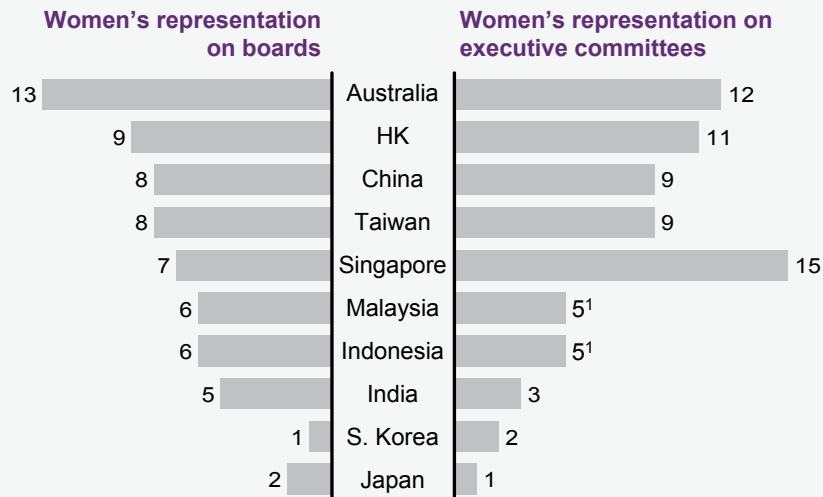


¹ Including Sweden, Norway, UK, Belgium, Netherlands, France, Czech Republic, Italy, and Germany, some of which are not shown on this chart

SOURCE: McKinsey proprietary database, 2011; annual reports

Exhibit 2

Variations in the proportion of women in top positions across Asia
2011, Percent



SOURCE: McKinsey proprietary database, 2011; annual reports; company websites

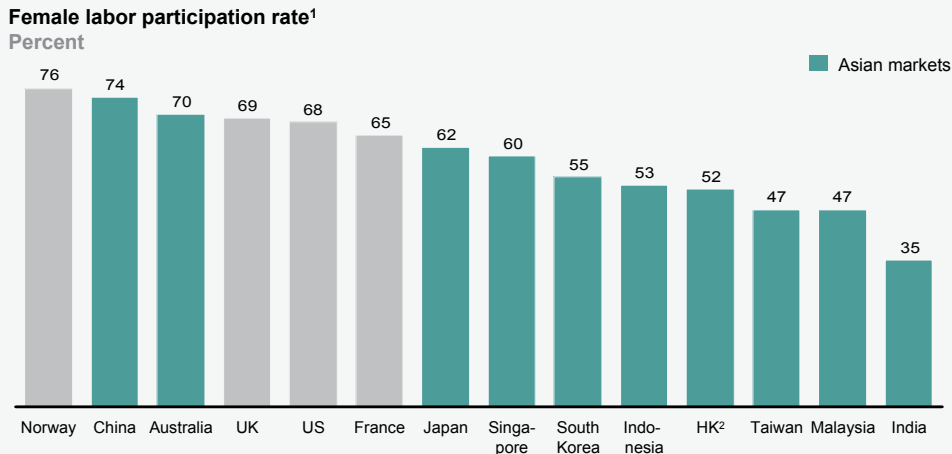
the less visible they become, either because they have decided to leave or because they have become stuck at a more junior level. The same is true in Asia in that, generally, the proportion of women decreases at each level of the hierarchy. But there are other points to note.

First, the rates of female participation in the labor force, while varying significantly from country to country in

Asia, tend to be lower than they are in the West (Exhibit 3). This means it can be difficult even to begin feeding the pipeline. In India, the female labor participation rate is 35 percent – one of the lowest in the world. In Taiwan and Malaysia it is also less than 50 percent. Yet even in those Asian markets where there is a high proportion of women in the labor force, women tend to fare no better in the corporate world. China, for example, has one of

Exhibit 3

Variations in female labor participation rates across Asia



1 The proportion of female population aged 15-64 that engages actively in the labor market, either by working or looking for work

2 Figures are for 2011 with the exception of Hong Kong, for which the figure dates from 2009

SOURCE: Press search; World Economic Forum Gender Gap Report 2010; World Bank

the world's highest female labor participation rates, but still only 8 percent of corporate board members and 9 percent of executive committee members are women.

Second, there is no shortage of female graduates. In many of the markets we studied, around half of graduates are women. In Australia, Malaysia, and Indonesia, the figure is 57 percent. There are striking exceptions. In India, the female literacy rate is much lower than that of males – 62 percent versus 85 percent, according to the government's 2011 census – and this affects the number of women entering higher education. For the academic year 2009-2010, only 10 to 15 percent of students admitted to the Indian Institute of Management, renowned for grooming many of India's CEOs, were female. But by and large in Asia, lack of education does not explain the scarcity of women in top jobs. Women's participation in the labor force is described in more detail in the sidebar, "Variations by country," on page 15.

Exhibit 4 shows how women, even though they account for half of Asia's graduate cohort, become increasingly under-represented at the senior levels of corporations – facing different obstacles in different

markets, at different stages of their careers. In China, for example, where labor participation rates are high, women account for more than half of all professional entry-level positions but fare much less well thereafter. In India, women are in the minority at university and in entry-level positions. In South Korea, a very small proportion of women move into middle management. A rare exception is Singapore, where, if women reach the senior management of a company, they appear to have a relatively good chance of joining its executive committee.

In many Asian markets in recent years, the numbers of women graduates and of women at entry-level positions in companies have increased. Thus some commentators argue that it will simply take more time for more of these women to arrive at the top. But our research, as well as experience elsewhere, suggests this is unlikely to be the case. A rise in female graduates in Europe has had only a marginal effect.³ If companies want to see more women in their leadership teams, they will have to address the cultural and organizational issues that prevent them moving through the corporate pipeline. That is no small challenge. Is it worth taking on?

3. Women Matter 2010, "Women at the top of corporations: Making it happen," www.mckinsey.com/locations/paris/home/womenmatter.asp.

Exhibit 4

Losses along the corporate pipelinePercentage women¹¹ Estimates

SOURCE: McKinsey proprietary database, 2011; government publications; literature search

Why female representation in senior management matters

The economic case

There is often a strong economic case to be made for increasing female participation at all levels of the labor force. In Japan – which has one of the lowest female labor participation rates among OECD countries – the labor force is predicted to shrink by 15 percent between 2010 and 2030, threatening GDP growth.⁴ Women could help to fill this gap. And in Malaysia, we estimate that raising the participation rates of women to match those of Singapore or South Korea has the potential to increase Malaysia's GDP by between RM6 billion and RM9 billion. But what is the business case for increasing the number of women in senior management positions? The answer is that, unless they do so, companies are surrendering two important sources of competitive advantage: having the best

talent in an age of talent scarcity, and capitalizing on the particular performance benefits that women in leadership positions bring to an organization.

Talent

Companies that fail to attract able women risk penalizing themselves by failing to attract the best talent possible. Ralph Norris, former CEO of Commonwealth Bank of Australia, put it like this, "Women in leadership. It's just good business. There's no difference in leadership potential between women and men; making sure you can capture a better share of high-performing women is better for the organization."⁵

Moreover, a 2011 study by executive search firm Heidrick & Struggles found that 32 percent of Asian executives were not confident their companies would be able to attract and retain the staff they needed in the next

4. Japanese Ministry of Internal Affairs and Communications.

5. "Our experiences in elevating the representation of women in leadership." A letter from business leaders; www.hreoc.gov.au/sex_discrimination/publication/mcc/mcc2011.pdf. Ralph Norris is one of 15 Australian senior executives who signed this letter.

two years, while 37 percent were not satisfied with the quality of those they had hired in the previous two years.⁶ Perhaps as a consequence, 60 percent of companies said they were devoting more resources to developing their own people. A separate McKinsey survey has shown that 44 percent of executives in 60 Chinese companies felt that lack of talent was the biggest barrier to their companies' global ambitions.⁷ In China, as in Japan, shifting demographics and an ageing population help to explain the shortage. Further evidence of the intense competition for the best people is seen in rising wages. A leading global bank said in its recent annual report that it now pays its most senior staff in China and India double what it pays their counterparts in the United Kingdom.

Women's contribution to corporate performance

The need to hire and retain the best can be reason enough to improve gender diversity within corporations. But there are other reasons. Some companies feel they need more women in order to sustain good relationships with female clients, or they want more female insight into consumer buying patterns. This is the case for Japanese cosmetics company Shiseido, which operates in 88 countries and emphasizes diversity as one of its key strengths. It says the strategic importance to the company of gender diversity is based in the fact that 90 percent of its customers are women. But balanced representation of women is equally valuable in less female-orientated industries. It matters to US high-tech company Cisco Systems, for example, not only because women are increasingly users and buyers of IT solutions, and because they form an increasingly large proportion of the IT talent pool, but also because diversity in teams leads to more innovation, more "out-of-the-box" thinking, and more collaboration, according to Sabrina Lin, vice president and managing director of the company's marketing organization in Asia Pacific, Japan, and Greater China. Other companies see gender diversity as necessary to their reputations as employers. And some point to the correlation that our own earlier research has highlighted between the proportion of women on a company's executive committee and the company's

financial performance, although the link is not necessarily causal. Exhibit 5 shows how the companies in that study with the highest proportion of women on their executive committees performed better in terms of return on equity and earnings margins than those which had no women at that level.

McKinsey has sought to understand the explanation for this link. We found that the particular ways in which female leaders behave, such as emphasizing people development and collaboration, can benefit a company's organizational health and financial performance. The research is described in detail in the sidebar, "Women's leadership and corporate performance," on page 16.

No immediate change to the status quo

Despite the business case for recruiting and developing more women, 70 percent of the executives we surveyed in Asia said greater gender diversity was not a strategic priority for their companies – that is, it was not among their top ten priorities. In Europe, the figure was 47 percent, as Exhibit 6 shows. In addition, only a minority of Asian executives – some 40 percent – expected that their companies would step up efforts to improve gender diversity in the next five years. South Korean executives were a notable exception: two-thirds foresaw the rapid introduction of more gender diversity initiatives (Exhibit 7).

These findings suggest that the status quo is not about to alter greatly. A minority of executives see the need for change and are trying hard to get more women on their teams, but the majority are still not giving the issue much attention. Moreover, given how few women have reached the top, the question arises of whether change is afoot even in those markets and companies where there appears to be wider awareness of the importance of gender diversity. As one South Korean executive put it, "Gender diversity has been a matter of public debate for years now. But there is really very little indication that

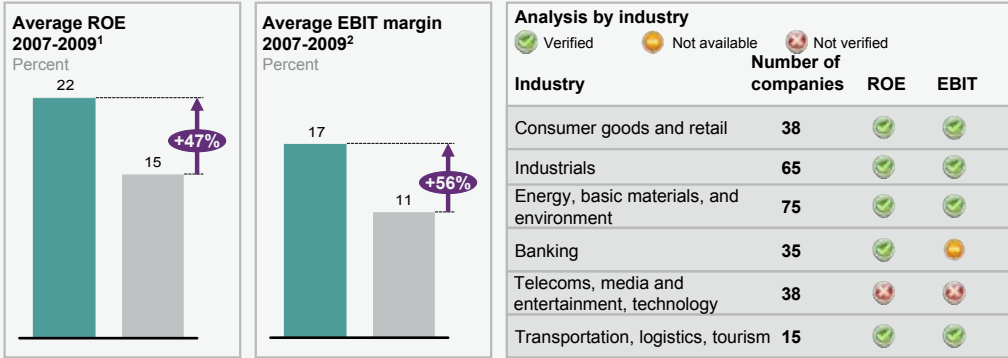
6. The Global Talent Index Report: The Outlook to 2015, www.globaltalentindex.com/pdf/heidrick_struggles_global_talent_report.pdf.

7. Kevin Lane and Florian Pollner, "How to address China's growing talent shortage," mckinseyquarterly.com, July 2008.

Exhibit 5

Correlation between proportion of women on executive committees and financial performance

■ Companies in the top quartile for women's representation on executive committees vs. sector ■ Companies with no women on the executive committee in that sector



1 ROE: Average calculated on 2007-2009 period for 279 companies
2 EBIT: Sample of 231 companies; banks, insurance, and financial services have been excluded
Scope: 6 European countries (UK, France, Germany, Spain, Sweden, Norway) and the BRIC countries (Brazil, Russia, India, China)

SOURCE: Company websites; Datastream; McKinsey analysis

Exhibit 6

Gender diversity as a strategic priority

"How important is gender diversity on your company's strategic agenda?"
Percent of respondents



SOURCE: Women Matter: An Asian Perspective, 2012; Women Matter 2012

much is changing at the top." In short, progress at senior management levels is likely to continue to be slow unless much more is done.

What holds women back

Companies need to understand where the obstacles to broader gender diversity lie. We therefore asked survey

participants to rank the difficulties women face in moving into senior roles.

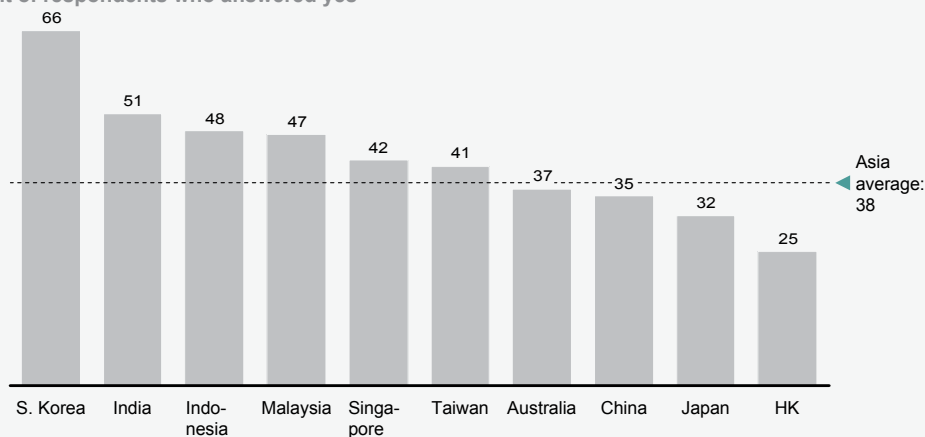
By far the greatest was the double burden of many working women in Asia: holding down a job while looking after their families – particularly in cultures in which women are expected to take sole responsibility for family and household duties (Exhibit 8). And on

Exhibit 7

Expectation of increase in gender diversity initiatives

“Looking ahead, do you expect your company to accelerate implementation of gender diversity measures?”

Percent of respondents who answered yes



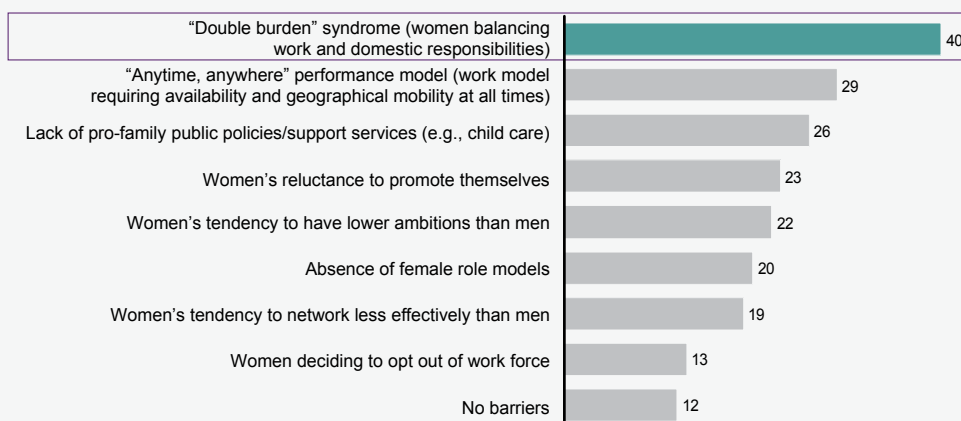
SOURCE: Women Matter: An Asian Perspective, 2012

Exhibit 8

Barriers to gender diversity within senior management

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

Percent of respondents who selected each measure



SOURCE: Women Matter: An Asian Perspective, 2012

average, 30 percent of business leaders surveyed said many or most women at mid-career or senior level leaving their jobs voluntarily did so because of family commitments (Exhibit 9). In certain markets, the level is much higher. In India, South Korea, and Japan, it is close to half, indicating the strength of the cultural views, held by many women as well as men, that hinder women’s progress. In Australia, China,

Hong Kong, and Singapore, family duties appear to exert less influence over women’s decisions about their working lives.

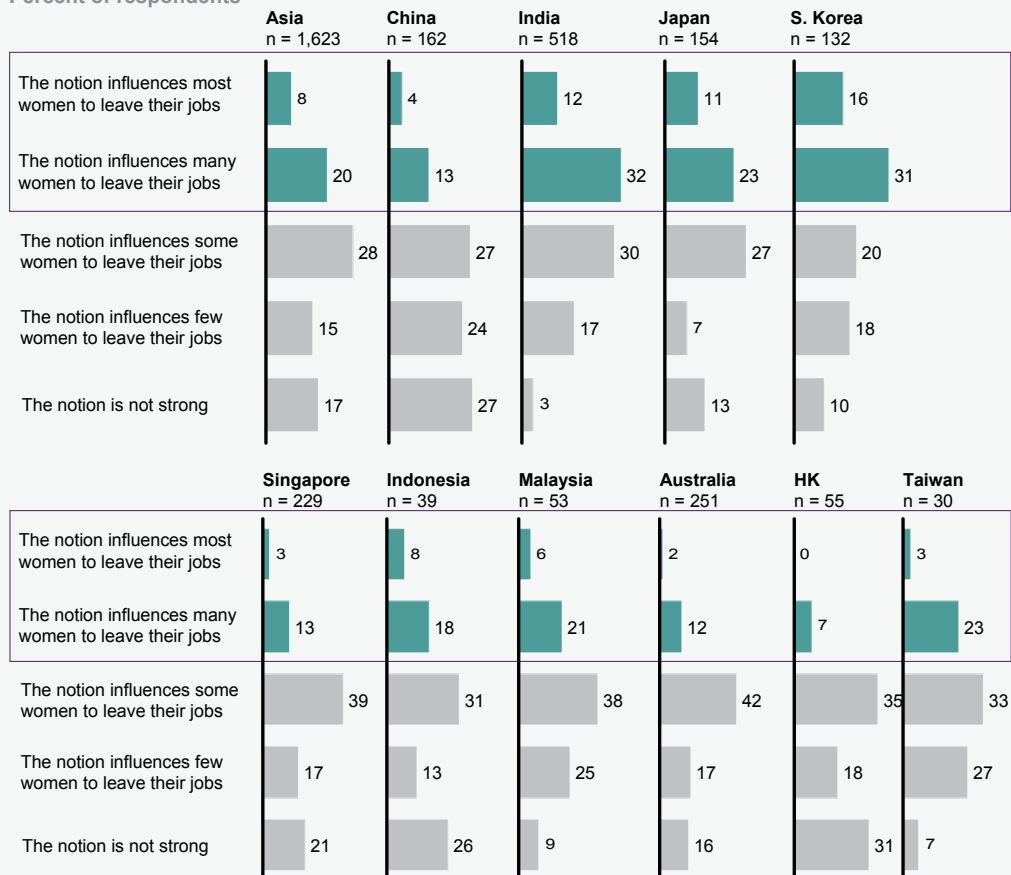
The double burden affects women in Europe too. But arguably, it is particularly heavy for Asian women – not only because cultural norms are different, but also because there is a lack of government support in areas

Exhibit 9

Influence of family commitments on women's decision to leave jobs

"If the notion that women must take care of the family is strong in your market, to what extent does it influence mid- to senior-level women to leave their jobs voluntarily?"

Percent of respondents¹



¹ Respondents who answered "don't know/prefer not to answer" are not shown.

SOURCE: Women Matter: An Asian Perspective, 2012

such as child care. (The absence of such infrastructure support was seen as the third-biggest obstacle to increasing gender diversity in Asia.) In Europe, by contrast, it is not considered a major barrier (Exhibit 10).

The impact of the double burden on female labor participation rates is shown in Exhibit 11. In the United States, women do not tend to drop out of the labor force when they have children. But in many Asian markets they do, or wait until their children are older before returning to work. This gives rise to the M-shaped curve in the exhibit for Japan and South Korea. In Taiwan, women start dropping out of the labor market in their late twenties, never to return.

If the goal is to feed the corporate pipeline with more potential female leaders, the double burden will have to be addressed – no easy task given certain deep-seated cultural views, often held by women as well as men. But it is not the only issue, as shown in Exhibit 8. A corporate culture in which a manager's commitment is gauged by whether he or she is available anytime, anywhere, makes it more difficult for women who want to balance work with family responsibilities to succeed. (This was identified as the second-biggest obstacle preventing women's advancement in Europe as well as Asia.)

So does a lack of female role models who can inspire and encourage other women, and a lack of the networks that

Exhibit 10

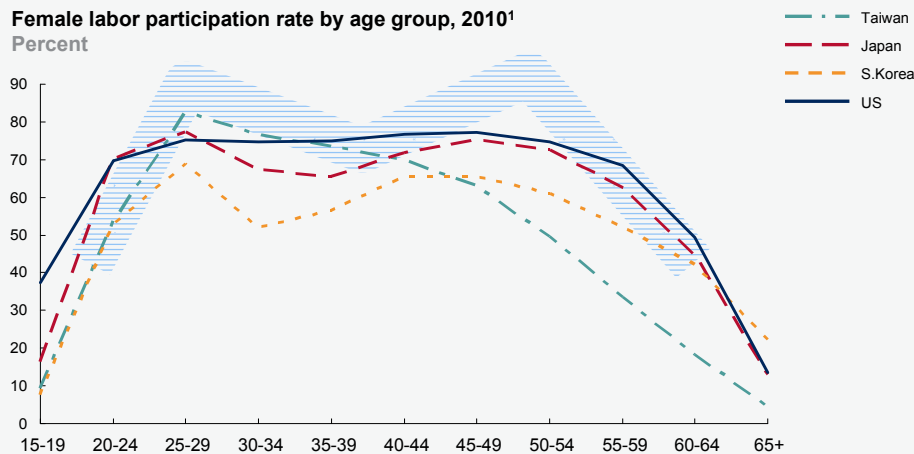
Lack of pro-family public policies a key barrier in Asia

Top 5 barriers in Asia		Top 5 barriers in Europe	
1	"Double burden" syndrome (women balancing work and domestic responsibilities)	1	"Double burden" syndrome (women balancing work and domestic responsibilities)
2	"Anytime, anywhere" performance model	2	"Anytime, anywhere" performance model
3	Lack of pro-family public policies or support services (e.g., child care)	3	Women's reluctance to promote themselves
4	Absence of female role models	4	Absence of female role models
5	Women's reluctance to promote themselves	5	Women's tendency to network less effectively than men

SOURCE: Women Matter: An Asian Perspective, 2012; Women Matter 2010

Exhibit 11

The "M-curve" in female labor participation rates



¹ The proportion of the female population aged 15-64 that engages actively in the labor market, either by working or looking for work

SOURCE: 2010 Statistic Digest of Labor Trend; International Labor Organization; Year Book of National Statistics

can be crucial to advancement. In addition, there is a long list of often unspoken or unrecognized biases, such as the fact that people are more comfortable with those who resemble themselves – which means that men often rate the performance of other men more highly than that of women. The fact that women can be reluctant to promote themselves only intensifies such biases.⁸ Corporations have a role to play in helping to remove or lower all of these obstacles, and more.

The formula for change

Progress toward higher female representation in senior management is likely to require action by governments, the wider business community, and individual companies.

Governments can raise awareness of the issue and introduce policies or support measures that help more

8. Women Matter 2007, "Gender diversity, a corporate performance driver," www.mckinsey.com/locations/paris/home/womenmatter.asp.

women to gain a footing in the workplace and more women to fill senior roles. Some have set quotas or targets. In 2004, Malaysia's government set a target of 30 percent for the proportion of women at decision-making level in the public sector.⁹ By 2010, more than 30 percent of people in that grade were women. And in 2011, plans were announced to extend the target to the private sector by 2016, a measure that the prime minister said would "strengthen companies' structure and future performance."

In South Korea, the government gives loans or subsidies to businesses to build child care facilities, and more than half of all businesses now provide these. It also pays subsidies to businesses that offer more than 30 days of child care leave a year, allow women to work less than full time, and re-employ women returning from maternity leave. The number of women at more junior levels in the work force has increased as a result. In Taiwan, women are entitled to six months of paid maternity leave at 60 percent of their salary, on top of eight weeks on full pay. This level of maternity provision is rare in Asia. Since its introduction in 2009, about 65,000 employees have applied for the allowance.¹⁰

The business community can also lead the way, setting standards and acting as role models in order to shift attitudes and build momentum for change. Australia provides a good example of this. In 2009, female representation at senior levels in Australian companies was low by international standards and not improving. The subject drew increasing attention in media, business, and political circles. In 2010, the Australian Sex Discrimination Commissioner recommended that the government should set a target whereby 40 percent of seats on the boards of public companies would be filled by women. Recognizing that an improvement in female representation at senior levels would improve the country's competitiveness, the Australian Stock Exchange ruled that all publicly listed companies set gender diversity targets by mid-2011, and report their progress. At the same time, the CEOs and chairs of 15 of Australia's biggest companies launched the Male Champions of Change initiative, aiming to use their individual and collective influence and commitment to ensure that women's representation received due attention. In addition to sharing best practice, this

initiative aims to increase dialogue among peers and even create peer pressure to take actions that will make a difference. As a result of such combined efforts, the proportion of women on Australia's boards rose from 8.3 percent in 2010 to 13.8 percent in March 2012, meaning that almost 30 percent of all board vacancies over that period were filled by women.

While acknowledging the influence of governments and the wider business community, the remainder of this report will focus on the role companies can play in raising gender diversity. A set of gender diversity initiatives, implemented in the right combination, will help greater numbers of talented women rise through the ranks and deliver commensurate business rewards.

The gender diversity ecosystem

McKinsey's Women Matter 2010 report showed that gender diversity was best supported within an ecosystem comprising three main elements.

- **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 help ease women's progress through the company. These include indicators to identify inequalities and track improvements, human resources processes and policies, and support mechanisms such as help with child care.

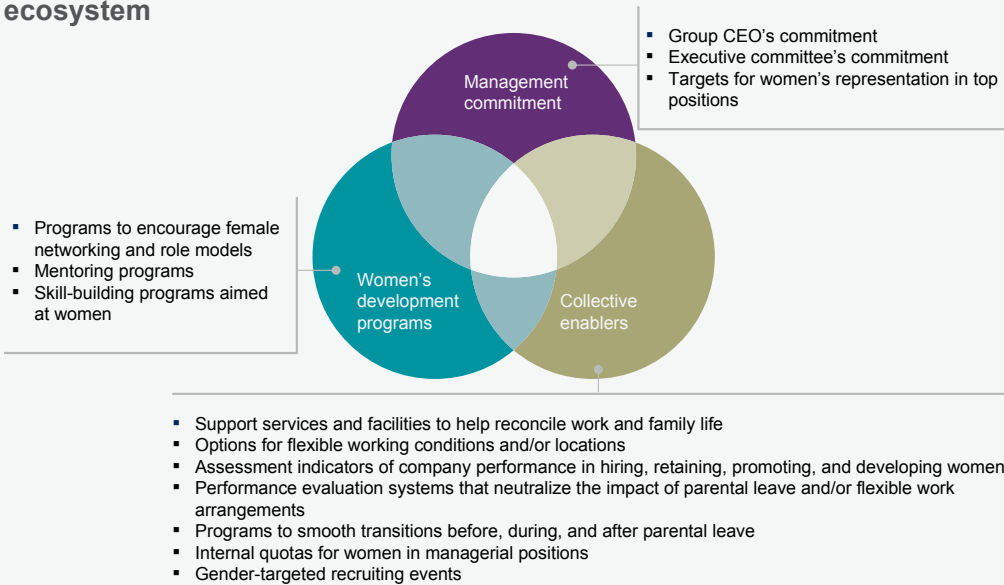
The report identified 41 initiatives that lie within these categories (listed in full in the Methodology). Exhibit 12 shows some of the most commonly used ones. Taking the gender diversity ecosystem as our guide, we put a set of questions to the Asian survey participants. The questions were aimed at finding out the types of initiatives that are currently in place in their organizations. The results are shown in Exhibit 13.

9. "JUSA" level, the premier grade in the public sector.

10. Based on data from Taiwan's Bureau of Labor Insurance.

Exhibit 12

Some of the most commonly used initiatives of the gender diversity ecosystem

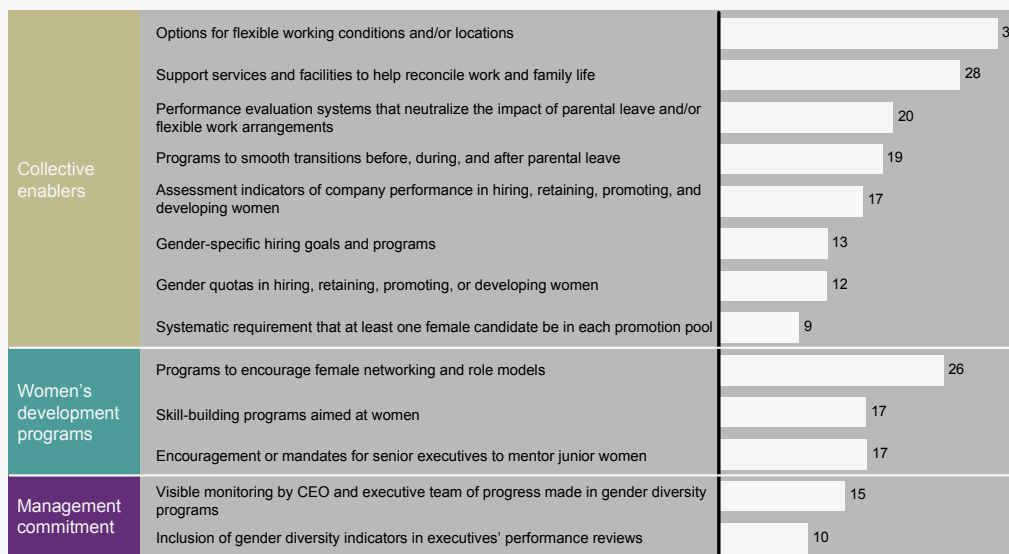


SOURCE: Women Matter 2012

Exhibit 13

The types of initiatives most commonly used by Asian companies

Percent of respondents who said the measure was implemented in their companies



SOURCE: Women Matter: An Asian Perspective, 2012

The “enabling” initiatives are the most frequently used: for example, 32 percent of respondents said their companies offer flexible working hours, while 28 percent offer support services such as help with child care. Some companies also offer women’s development initiatives, such as mentoring schemes. A few companies even run skill-building programs targeted specifically at women, recognizing that such initiatives help overcome certain difficulties women tend to face more often than men in their careers – such as an unwillingness to promote themselves, lower levels of ambition, or approaches to leading and communicating that are not always valued by men.

Shiseido recognizes that many Asian women, influenced by cultural norms, tend to show little desire to become more senior – although there are signs of change among the younger generation. To address this, Shiseido sees the need for more targeted women’s development programs for talented women, differentiating between those who are ambitious and those who are less so. The intention is to help the latter address mindsets such as “I don’t want to stand out,” or “I’m comfortable where I am.”

Low on the list of priorities of many companies in our survey are the kinds of initiative that fall into the category of top management commitment. Only 15 percent of participants said their top management team monitored gender diversity and made efforts to improve it, and just 10 percent said their companies included gender diversity indicators in executives’ performance reviews.

In addition, only 12 percent of companies had what we would describe as a well-balanced gender diversity program in place, in that they had implemented initiatives in each part of the ecosystem. In Europe, by contrast, where gender diversity has been on the corporate agenda for much longer, the overwhelming majority of companies we surveyed were tackling gender diversity: more than 90 percent had programs in place. And some 40 percent of all companies had built strong, well-balanced ecosystems.

Senior management commitment

A gender diversity program, like any other major corporate change program, depends upon there being

recognition throughout a company of the importance of the goal, and a rigorously planned and executed campaign to reach it. The precise nature of the campaign is likely to differ by country and company. But to be successful, it will contain initiatives that fall within each part of the ecosystem.

That said, our research shows the overriding importance of the CEO’s role in bringing about what amounts to a transformation of corporate culture. The ultimate aims must have the *visible* support of the CEO. In Europe, even companies with extensive gender diversity programs voiced frustration that those programs were not delivering results more quickly. Companies whose efforts were gaining traction 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, thus encouraging others to follow suit.¹¹

Signs of a similar correlation are already apparent in Asia, according to our survey results. In markets with the highest representation of women at senior levels, the visible monitoring of gender diversity by the CEO and the executive team ranks fairly high on the list of the most commonly implemented initiatives. In those where women fare worst, this occurs much less frequently (Exhibit 14).

Visible commitment from the CEO is therefore crucial for change to take place. Leaving a gender diversity program entirely in the hands of the human resources department is unlikely to shift the needle on the gauge. To that end, CEOs should take a number of steps, as follows.

Make the business rationale for gender diversity clear. CEOs will need to develop a compelling business rationale, supported by facts, to explain why it is important to increase the number of women in top jobs. Some are already clear in their own minds, but need to broadcast their views more loudly.

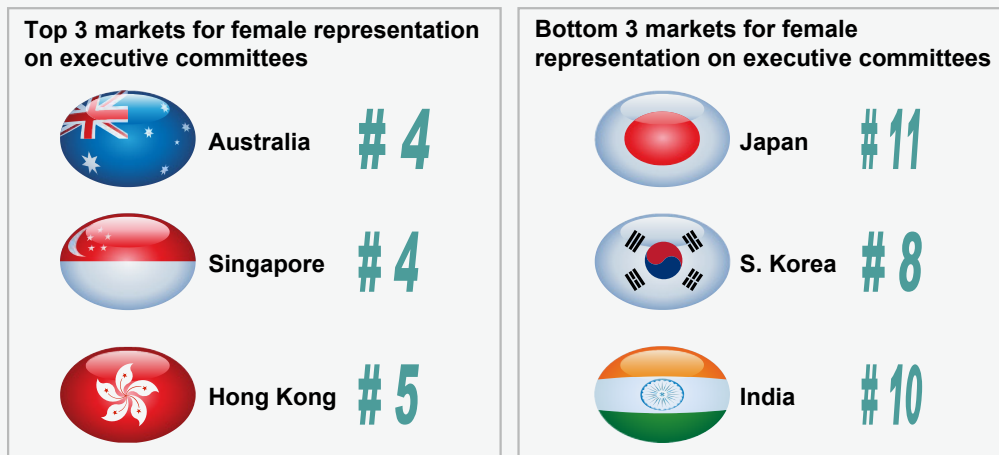
Lead by example. Companies that have made discernible progress say that momentum took hold when the executive team made visible its support for women by, for example, appointing women to top positions or ensuring they were among the candidates.

11. Women Matter 2012, “Making the breakthrough,” www.mckinsey.com. The research showed that companies in which the CEO and top management demonstrated a high level of commitment, clear throughout the organization, had a higher proportion of women in senior management roles.

Exhibit 14

Correlation between CEOs' monitoring of gender diversity and women's representation at senior level

"Visible monitoring by CEO and executive team" ranks higher¹ among gender diversity initiatives in markets where women's representation at senior levels is higher



¹ In terms of how frequently it is used by companies, on average, out of the list of 13 initiatives in Exhibit 13
 SOURCE: Women Matter: An Asian Perspective, 2012; McKinsey proprietary database, 2011

Nissan CEO Carlos Ghosn, who has publicly made gender diversity a priority, appointed Fumiko Hayashi as head of auto sales in Japan in 2008, for instance. She is one of the few women in Japan to make it to CEO level.

At Cisco, meanwhile, Karen McFadzen, vice president of technical services in Asia Pacific, Japan, and Greater China, is credited with driving the company's efforts to improve gender diversity in the region—changing hiring practices and improving development to bring more talented women into the IT industry. Today, some 50 percent of her executive team are women. As Cisco's Lin points out, grass roots efforts by women themselves are important to build momentum for change, but they will need to be supported by clear, senior management action if cultural resistance is to be overcome.

Sponsorship, as opposed to mentorship, is one such signal. It entails senior executives taking personal responsibility for creating opportunities for women and acting as their champions. One company found that once its board members became sponsors, senior managers

were eager to follow suit and take on what came to be seen as a prestigious role. Goldman Sachs Asia Pacific introduced a sponsorship scheme when it recognized that women who were top performers within their functions often lacked broader recognition. The scheme assigned its female executive directors two managing directors as sponsors. The program delivered positive results in its first year.¹²

Set targets and track progress. Target setting by the CEO both flags the importance of a gender diversity program and helps make more people take personal responsibility for making change happen, rather than leaving it to human resources. Targets need to be set for the proportion of women in senior roles in each part of the business, but in a way that ensures only the best are selected. Incentives can help, and some companies partly match line managers' bonuses to broad targets for promoting women. Citi Australia set a simple, achievable goal: that each executive who reported directly to the CEO and whose division had less than half of its senior management roles filled by women, should hire at least

12. "Our experiences in elevating the representation of women in leadership." A letter from business leaders; www.hreoc.gov.au/sex_discrimination/publication/mcc/mcc2011.pdf.

one woman into an approved, open role over a certain time frame. This goal was embedded in performance reviews. As a result, the company saw a 9 percent increase in the proportion of women in the top two management levels below the CEO from 2010 to 2011, while more than 75 percent of the business units and groups met their target early.

Target setting also encourages companies to monitor women's presence throughout the pipeline, for unless women are well-represented at every level they will struggle to appoint women at the top. This analysis will help to uncover where the leaks and blockages in the pipeline are, and the reasons for them – be it failure to recruit women in the first place, the departure of mid-level women because of the difficulty of balancing work with family commitments, or the fact that able women are being overlooked. Companies then need to instigate initiatives to target these problems.

It is also the role of the CEO to track progress toward the company's targets and so evaluate the effectiveness of its initiatives. In Shiseido's Japanese operations, the percentage of women in leadership positions increased from around 5 percent in 2000 to

22 percent in 2011, and stood at more than 55 percent in its global operations in 2010.¹³ These ratios are not only tracked as an important metric for the CEO and senior management team, but are also communicated to all employees so that everyone remains focused on their importance. If initiatives do not appear to be delivering the desired results, they have to be adjusted. Experience elsewhere has shown that having a set of initiatives formally in place is one thing, but making sure they are well-implemented is quite another, as managers lower down the organization may not be easily persuaded of their worth.¹⁴ Who better to change their minds than the CEO?

□□□

CEOs in Asia have a lot on their plates but business conditions dictate that they now turn their attention to gender diversity too. It could be one of their hardest challenges, given certain cultural norms. Yet it is one they need to address. A well-balanced gender diversity program will support change. But its impact will be limited unless the CEO drives the changes, leaving no one in any doubt as to the importance of bringing more women into senior management.

13. Leadership position is defined as management level and above.

14. Women Matter 2012, "Making the breakthrough," www.mckinsey.com.

Variations by country

China. Among Asian countries, China has one of the highest female labor participation rates, owing to the influence of the communist party. Women usually do not drop out of the work force when they have children because child care is relatively available and affordable. Women still face limitations in winning promotions and there is a significant falling-off in female representation at senior levels. Gender diversity is not yet a strategic imperative for Chinese companies, with the proportion of respondents citing it among their top ten priorities about 10 percent below the Asian average.

India. Gender gaps in basic literacy and in the numbers entering higher education mean that India has one of the lowest female labor participation rates in Asia, and the world. The fundamental issue is educational opportunity. Only about 30 percent of the work force at junior level is female (compared with 55 percent in China). In addition, the notion that women must take care of the family is particularly strong. About 45 percent of survey respondents said this is what influences most or many senior women to leave the workplace (compared with the Asian average of 28 percent).

Japan. Traditional thinking has been that women should stay at home after marriage. Accordingly, about 60 percent of married women quit or change their job. Although there are signs of improvement in terms of education and wages parity, gender stereotyping is still common in Japan and women themselves express lower levels of ambition to reach executive level. Japan thus has one of the lowest levels of female representation on boards and executive committees in Asia.

South Korea. While deep-rooted cultural biases against working women still prevail in South Korean society, there are signs of improvement in terms of labor participation and college enrolment. The government has also pushed measures to create and sustain jobs for working mothers. The impact has yet to be fully realized as South Korea has one of the lowest levels of female representation in senior roles, but the majority of executives are optimistic about the future – a rare finding in Asia.

Australia. Levels of female representation on boards and executive committees are approaching those in the United States and the United Kingdom.

But this has not long been the case. It is only in the past few years that government and business have stepped up their efforts to broaden gender diversity, with impressive results. In 2010, the Sex Discrimination Commissioner recommended that the government set a target whereby 40 percent of seats on the boards of public companies should be filled by women. The Australian Stock Exchange soon responded by implementing a new listing rule requiring companies to set and report on gender diversity targets. In addition, the Male Champions of Change group, which now includes 22 corporate and public service leaders, lobbies for female representation and helps share best practice. The Australian Institute of Company Directors runs a mentoring program for potential women board directors. And the Chief Executive Women organization, a group of more than 200 leading businesswomen, continues to shape public debate and support the development of female talent. Although there is still scope for improvement, Australia is an example for Asia of how to make change happen.

Singapore. Female representation on executive committees is higher in Singapore than in any of the other markets we surveyed. Although many women do cite the need for more flexibility and time with their families as reasons for leaving jobs, the traditional view of women's roles does not seem to be a major influence on senior women who give up their jobs voluntarily. The tendency for women to be self-limiting and reluctant to promote themselves is acute in Singapore, and will need to be systematically challenged.

Malaysia. A high percentage of college graduates are female and women are well-represented at junior corporate level in Malaysia. In response to dwindling numbers at mid-to-senior management level – as women leave the workplace to take care of their families – the government announced quotas in the public sector in 2004 and extended them to the private sector in 2011.

Indonesia. Many women undertake casual work or are employed in family businesses, so official figures underestimate female labor participation rates. Nonetheless, gender diversity is not yet a widely recognized issue in Indonesia, with 77 percent of companies saying that it is not on their strategic agendas, compared with an Asian average of 70 percent.

Women's leadership and corporate performance

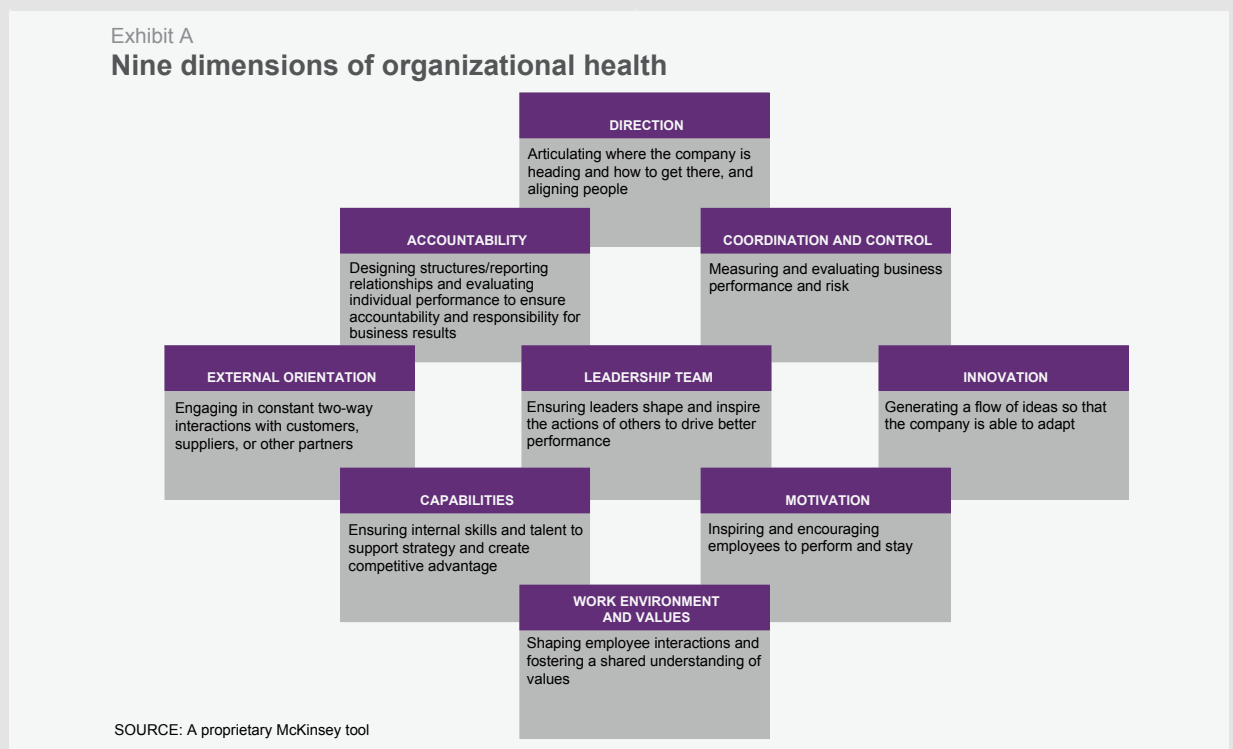
In 2007, McKinsey research showed that companies with the highest proportions of women in senior management positions reported enhanced organizational and financial performance.¹⁵ We investigated why this might be.

McKinsey has previously conducted extensive research into the relationship between a company's organizational and financial performance. It shows that companies with the highest scores on nine important dimensions of what we call "organizational health"—such as quality of the leadership team, accountability, and motivation—are likely to enjoy higher operating margins. The nine dimensions are shown in Exhibit A. But why might the presence of more women in senior management lead to better performance?

Drawing on other academic research, we looked at how managers' different leadership behaviors

might influence the health of an organization on these nine dimensions.¹⁶ The results are shown in Exhibit B. Those who prefer a participative decision-making process help to promote a healthy working environment and support corporate values, for example, while those who like to define expectations and rewards help to promote a culture of accountability.

We then looked at which of these behaviors women tend to use more often than men, and vice versa. The results showed women were dominant in three areas: people development, setting expectations and rewards, and acting as role models. Hence, women's and men's different leadership behaviors tend to bring about improvement on different dimensions of organizational health (Exhibit C). The finding helps to explain the importance of gender diversity in top management.



15. Full details about the research can be seen in Women Matter 2, "Female leadership, a competitive edge for the future," www.mckinsey.com/locations/paris/home/womenmatter.asp.

16. Joanna Barsh and Lareina Yee, "Changing companies' minds about women," mckinseyquarterly.com, September 2011. Women Matter 2007 also reviewed why women's ambitions might be constrained. See www.mckinsey.com/locations/paris/home/womenmatter_french.asp.

Exhibit B

Influence of different leadership behaviors on the nine dimensions of organizational health

Leadership behaviors...

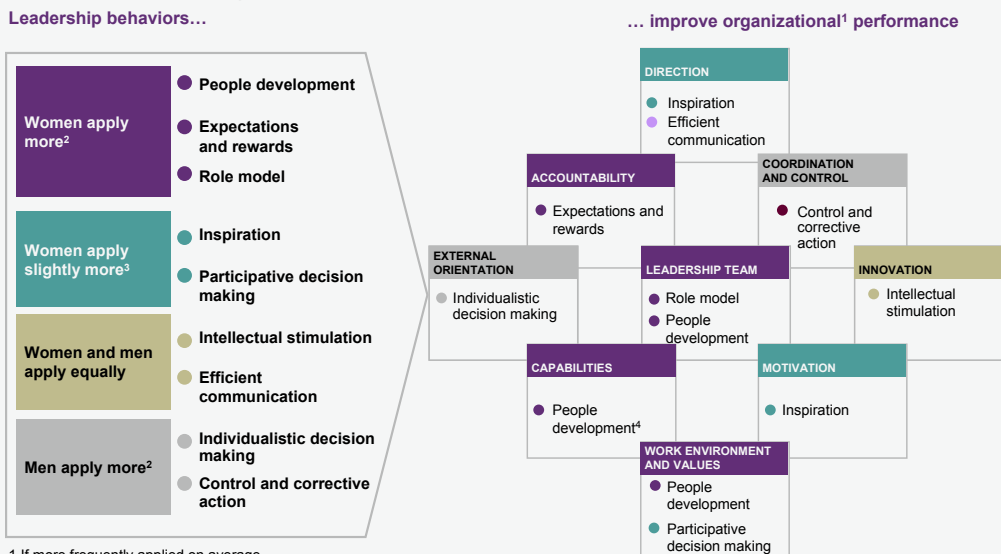


1 If more frequently applied on average
 2 Indirect impact
 SOURCE: Bass & Stogdill's Handbook of Leadership, B. Bass, 1990; McKinsey analysis

Exhibit C

Influence of men's and women's different leadership behaviors on the nine dimensions of organizational health

Leadership behaviors...



1 If more frequently applied on average
 2 Frequency gap ≥ 4%, statistically significant (t-test; p<0,05)
 3 Frequency gap of 1%, statistically significant (t-test; p<0,05)
 4 Indirect impact on organizational performance driver
 SOURCE: Alice H. Eagly, Johannesen-Schmidt, and Van Engen, Transformational, Transactional, and Laissez-Faire Leadership Styles, 2003; McKinsey analysis

Methodology

The survey is based on primary and secondary research. It includes:

- A proprietary database, collated in 2011, of the numbers of women on the boards and executive committees of 744 companies, drawn from the leading stock indices of ten Asian markets¹⁷
- A 2012 survey of some 1,500 senior managers in the same ten markets.¹⁸ In collaboration with *McKinsey Quarterly*, the web-based survey consisted of 17 questions focusing on female representation and the gender diversity measures being taken to improve it.

The gender diversity ecosystem

McKinsey's Women Matter 2010 report showed that gender diversity was best supported within a three-part ecosystem and identified a total of 41 measures and initiatives that fell within that ecosystem. They are listed below by category.

Management commitment

- Secure place on the group CEO's strategic agenda
- Get CEO's commitment
- Get executive committee's commitment
- Get senior management's commitment
- Set quantitative targets for women's representation in leadership positions
- Instil consistency of company culture with gender diversity objectives
- Act to increase men's awareness of gender diversity issues

Women's development programs

- Networking events/programs
- Leadership skill-building programs
- External coaching programs
- Mentoring programs with internal mentors
- Programs to increase proportion of potential women leaders

Collective enablers

Indicators

- Gender representation overall and at certain job levels
- Gender distribution at different stages of the recruitment process
- Salary differences in equivalent positions
- Gender representation in promotion rounds
- Promotion rates by gender at different levels of seniority
- Work satisfaction levels by gender
- Participation rates in training programs by gender
- Participation rates in mobility programs by gender
- Attrition rates by gender

Human resources processes and policies

- Processes that overcome gender biases in recruiting
- Gender-targeted recruiting events
- Actions to improve share of women applying for and accepting positions
- Processes that overcome gender biases in appraisals
- Evaluation systems adapted so that flexible working is not penalized
- Evaluation systems that recognize different leadership styles
- Internal quotas for women in managerial positions
- Processes to retain top performers who may want to leave
- Logistical flexibility (for example, remote working)
- Career flexibility (for example, leave of absence, option to alternate periods of part-time and full-time work)
- Policy to schedule meetings only during business hours
- Program to smooth transition before, during, and after maternity leave
- Guarantee to keep similar or better position when returning from leave of absence
- Regular, individual contact with human resources department or management to define career path

Infrastructure

- Office concierge service
- Office-sponsored home concierge service
- In-house or external child care facilities
- Services for sick children (for example, nurse in attendance at home)
- Mobility support (for example, finding schools for children)
- Job search program for spouse or partner

17. "Executive committee" as defined in their annual reports.

18. A respondent was classified as a senior manager if holding one of the following job titles: owner/partner/principal, vice president, director of, managing director, general manager, senior vice president, executive vice president, controller, chief of, general counsel.

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