McKinsey & Company

Women Matter

Taking the lead for inclusion

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Content

79%

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Introduction

It has been over a decade since McKinsey published its first *Women Matter* report back in 2007.[1] This pioneering study highlighted the correlation between the presence of women at board and top-management level and companies' organizational and financial performance. Since then, this link has been confirmed many times, and we have come a long way in establishing the business impact of women at the top of corporations.

Numerous reports have followed this theme globally, looking at the main barriers to female representation at a regional and country level, how best to promote change within organizations and wider society, and how to achieve lasting results. Studies by the McKinsey Global Institute (MGI) have explored the impact of increased gender parity at both the macro and micro level and sought to quantify the benefits to the economy.

Yet, while organizations have made undeniable progress over the decade since we began our research, in 2019 women are still underrepresented at the top. This is not due to any lack of ambition; women around the world want to succeed. Female executives demonstrate similar levels of personal commitment to their careers as their male colleagues. Our research[2] indicates that both genders are essentially equal in their desire to reach top positions and both are willing to make the efforts necessary to get there: a global survey of 1,400 executives found that 79 percent of senior and mid-level management women have the desire to reach a top management position versus 81 percent of men; and that 61 percent of women are willing to sacrifice some aspects of their personal life to advance in their careers—a similar figure to that reported by men (64 percent).

But that's where the equality stops. Ambition does not necessarily translate into women getting to the most senior positions because their career progression remains far more uncertain. There is no single "glass ceiling" that women have to break through; the flow of women to the top runs along a "leaky pipeline" at all stages of their career progression. For instance, male senior managers and vice presidents are twice as likely to become members of the executive committee than their female peers.[3] Then, even when they get to the executive committee, male members are five times more likely to become CEO than their female peers.[4]

In this memo we have focused on the concept of inclusion, one of the key foundations of an ecosystem that organizations must implement if they are to be successful with their diversity initiatives. We define inclusion as the mindsets and processes that ensure all colleagues feel they belong, are treated fairly, and can be successful as their true selves.

As part of our effort, we conducted a survey among the Women's Forum 2019 global meeting participants, alongside qualitative interviews with 15 international organizations across a variety of sectors.

Based on our analysis, we see that mature organizations in terms of gender diversity start to embrace broader diversity and inclusion topics:

— They adopt a wide definition of diversity for the scope of their transformation to include not only gender, but also ethnicity, sexual identity and orientation, religion, disability, and variety in educational background and experience.

— To achieve a truly diverse culture, they have embarked on an inclusiveness journey embracing the three dimensions of openness, equality, and belonging.

Such transformations require time and sustained effort but are necessary to address the diversity challenges. In particular, for gender diversity, women's perception of the level of inclusiveness within an organization has a clear and direct impact on their career progression. Embedding inclusive behaviors, while also working on systems and processes, can help organizations make a quantum leap toward true diversity.

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1   *Women Matter: Gender diversity, a corporate performance driver*, McKinsey, 2007, McKinsey.com.
2   *Women Matter 2013: Gender diversity in top management: Moving corporate culture, moving boundaries*, 2013, McKinsey.com.
3   *Women Matter—Time to accelerate: Ten years of insights into gender diversity*, October 2017, McKinsey.com.
4   Ibid.

Despite advances in diversity, progress is patchy—The pace must now accelerate

Over the past five years there has been progress, with different regions advancing at their own speed. In Northern America, the representation of women in the C-suite has indeed increased by four percent since 2015, from 17 to 21 percent.[5] This progress has been achieved as organizations have increasingly put diversity at the top of their strategic agendas: today, 87 percent of North American organizations declare that gender diversity is a high priority compared to 56 percent in 2012.[6]

In Europe, headway has also been made regarding women's representation at the top of corporations, on company boards, and in parliamentary roles—but it remains patchy. The overall situation has improved, with European countries on average now reaching 20 percent female representation in executive committees and 35 percent in corporate boards; however, the picture varies from one region to another. Some countries are making fast progress—for example, France (women's representation in executive committees is up twelve percentage points in six years, from 9 to 21 percent) along with Sweden and Norway, (28 percent of women's representation in both countries' executive committees)—while others are progressing at a much slower pace—for example, Germany (women's representation in executive committees is up seven percentage points in six years, from 7 to 14 percent) along with Belgium (up three percentage points, from 14 to 17 percent)[7] (Exhibit 1).

So how can we move gender parity on to the next level?

> "The CEO made a personal commitment to have a board with 50 percent men and 50 percent women, which is already achieved. ExCom is currently comprised of 60 percent men, but we are aiming at arriving at parity soon. Another CEO commitment is to have pay equity between men and women and parental leave paid to a full salary level: we are compensating the salary decrease."

SBF 120 organization

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[5] *Women in the Workplace 2019*, Lean In and McKinsey, 2019, McKinsey.com.
[6] Ibid.
[7] 2019 McKinsey analysis.

"If we don't make diversity a collective accountability,
it is not going to happen, so HR teams have concrete
discussions with the managers on how they are
going to make things change in their pipeline,
how they will grow people… We are reviewing
all our internal policies to ensure there is nothing
contradictory with our inclusion principles."

CAC 40 organization

Exhibit 1

Women remain underrepresented in the top management of corporates

○ Evolution since 2013, in pp

	Executive committees[1] % of total, 2019		Corporate boards[1] % of total, 2019	
Sweden	28	7	35	8
Norway	28	14	37	3
Belgium	17	3	36	18
Netherlands	17	15[2]	30	9[2]
Italy	12	6	32	17
Germany	14	7	36	17
France	21	13	42	15
UK	20	5	32	11

Ø 20   Ø 35

1. Analysis based on websites and 2018 annual reports of companies listed on each country's main index: CAC40, FTSE100, FTSE MIB, AEX BEL20, GDAX supervisory boards, OMX, OBX; *Women Matter* report 2013
2. 2012 figure, not available in 2013 analysis
Source: McKinsey analysis

Inclusiveness, diversity, and performance go hand in hand for companies

As previous McKinsey *Women Matter* reports have highlighted, it takes an entire ecosystem to successfully implement and embed diversity initiatives. Experience shows that this ecosystem needs to be founded on five key pillars if it is to take root (Exhibit 2):

— CEO and management commitment,

— Transparency and indicators tracking,

— Women's leadership development,

— Diversity-enabling infrastructure,

— Inclusive working culture.

Additionally, we see that organizations that have significantly progressed on gender diversity are expanding this initial scope to diversity at large and are thus working on the concept of inclusiveness:

— Our research has highlighted how diversity at large does correlate with better financial performance: on average, organizations positioned within the first quartile in terms of ethnic diversity have a 59 percent likelihood that their financial performance will be above the national industry median—a 33 percent increase compared to those organizations in the fourth quartile.[8] Diverse organizations embrace sexual orientation, employees with disabilities, religious beliefs, ethnicity, and educational background to name but a few of the dimensions of their efforts.

— Our research has also highlighted how inclusiveness translates into greater diversity: 68 percent of best-in-class organizations (organizations with 20 percent or more women in CEO or n-1 roles and which have implemented more than 25 diversity measures) actively support and nurture a gender diversity culture (versus 49 percent of other organizations).[9]

Overall, this shows that while gender diversity is still at the core of diversity policies and actions, organizations that have made progress on gender are also now addressing inclusive culture, mindsets, and processes to ensure that all employees feel that they belong, are treated fairly, and can be successful as their true selves. This approach constitutes the very definition of inclusiveness, translating into three dimensions within organizations:

— **Openness**—it is safe to express thoughts, ideas, and concerns.

— **Equality**—there is a perception of fairness, an equal chance for all employees to succeed.

— **Belonging**—employees share a positive connection to each other and the organization.

As one of the executives we interviewed said, "inclusion is a culture element thanks to which organizations get to true diversity."

For pioneering organizations, inclusiveness is fundamental to enhancing gender parity and overall diversity. But what is the more general picture today in terms of inclusiveness? And what are the mechanisms in play to impact diversity at the top?

> "We are now broadening the conversation—LGBT, generation mix, diversity of origins, international at the top—while keeping the focus on some segments (gender and LGBT)."

CAC 40 company

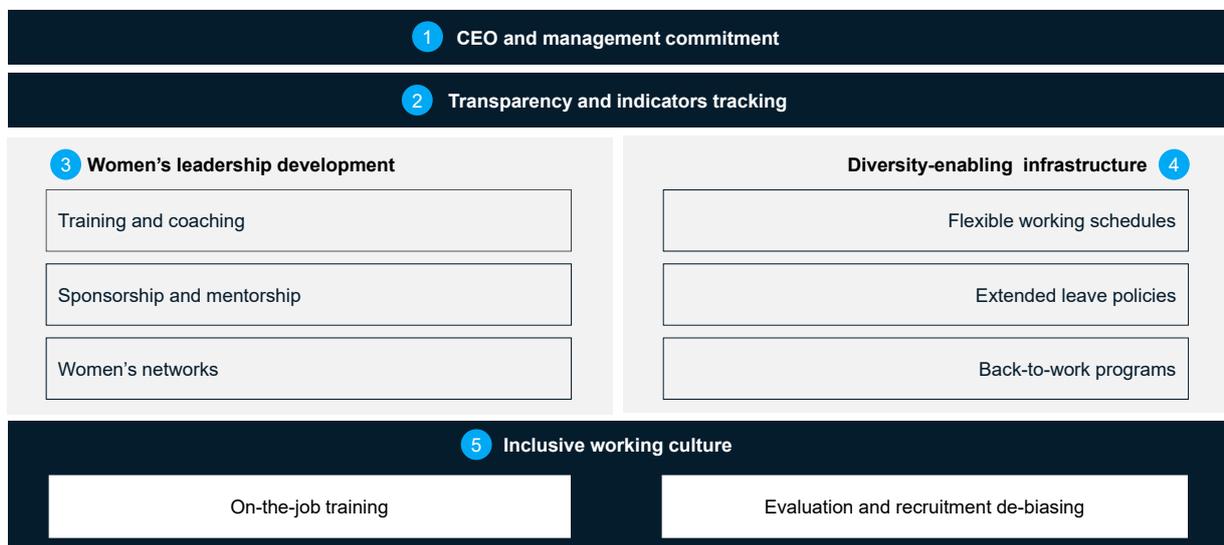[8] *Delivering through Diversity*, January 2018, McKinsey.com.
[9] *Women Matter 2016—Reinventing the workplace to unlock the potential of gender diversity*, December 2016, McKinsey.com.

68%

of best-in-class organizations actively support
and nurture a gender diversity culture

Exhibit 2

**The ecosystem that has been empirically shown to improve diversity comprises five
dimensions for action**

1 CEO and management commitment

2 Transparency and indicators tracking

3 Women's leadership development	Diversity-enabling infrastructure 4
Training and coaching	Flexible working schedules
Sponsorship and mentorship	Extended leave policies
Women's networks	Back-to-work programs

5 Inclusive working culture	
On-the-job training	Evaluation and recruitment de-biasing

Source: McKinsey

Ensuring a truly inclusive work environment is key to develop and retain women on their way to the top

Building an inclusive culture can make a big difference to gender diversity and diversity at large. Overall, based on the survey that we conducted with the Women's Forum participants—acknowledging this population might be slightly positively biased—people's perception of their organizations' inclusiveness seems to be at a good starting point overall, with one critical exception: equality of treatment. This survey also highlights significant differences between men and women's perception of inclusiveness, and illustrates once more how much an inclusive culture is critical for women's development.

Employees rate their organizations as inclusive overall

A key positive message that came out of the survey we conducted with the Women's Forum participants is that employees overall do feel that their organizations are inclusive. Among the three dimensions of inclusiveness, belonging particularly stands out: 84 percent of employees have a sense of belonging at their organization, and 88 percent of employees share a sense of community with their colleagues. With regards to openness, 76 percent of employees feel comfortable raising opinions or ideas that challenge the status quo in the organization. However, the critical dimension of equality of treatment lags behind, with only 67 percent of employees stating that people of different backgrounds have an equal chance of being promoted and 69 percent for an equal chance of being hired.

Women's perception of their environment's inclusiveness does differ significantly

We find that women generally score their organization's success in achieving the three dimensions of inclusiveness lower than their male colleagues do—particularly with respect to openness andequality. For example, with regard to openness, 18 percent fewer women than men feel comfortable sharing opinions or ideas that challenge the status quo in their organization (75 percent of women versus 93 percent of men),[10] while 14 percent fewer feel their organization has an atmosphere of healthy debate (65 percent of women compared to 79 percent of men).[11] In terms of equality, research indicates that fewer women than men feel people of different backgrounds have an equal chance of being promoted (66 percent of women compared to 89 percent of men),[12]

"**Women's confidence in their own capacity can be an obstacle for them to reach managing positions. A gender-balanced environment plays an important role in this confidence level.**"

CAC 40 organization

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[10]   2019 McKinsey survey on Women Forum participants.
[11]   Ibid.
[12]   Ibid.

while 9 percent fewer women feel people of all backgrounds are welcomed in their organization (77 percent of women versus 86 percent of men).[13] On average, 14 percent fewer women have a sense of belonging at their organizations compared to men (82 percent of women versus 96 percent of men).[14]

Women's lower perceptions of inclusiveness create twin problems for organizations

First, women can feel isolated at the top—a situation that similarly applies to technical roles. Due to the underrepresentation of women along the length of the talent pipeline, many end up being the only, or one of the only, women in the room at work. About 20 percent of women overall say they are often an "only" and this experience is about twice as likely for senior-level women and women in technical roles. By comparison, only 5 percent of men report that they are often the only, or one of the only, men in the room.[15] What's more, women who are "onlys" have a notably more difficult experience at work: they are more than twice as likely to be asked to prove their competence, over three times more likely to be mistaken for someone more

junior, and about twice as likely to be subjected to demeaning or disrespectful remarks (Exhibit 3).[16]

Second, the perceived lack of inclusiveness can cause a woman's career progress to stall and even stagnate. Women's lower perception of inclusiveness has a clear and direct impact on their career progression and on the success of organizations' diversity initiatives. On average, 10 percent more women than men opted not to pursue or accept a position because they believed the organization would not be an inclusive place to work (32 percent of men versus 42 percent of women).[17]

Overall, people with a low perception of inclusiveness in their organization state that they have already given up on career opportunities due to their environment—and this is particularly true for women.

Given this gap between men and women's perception of inclusiveness and impact on gender diversity at the top, how can we make change happen to promote inclusiveness?

Exhibit 3

Women are more likely to experience discrimination in the workplace than men, but being the only woman is an even worse experience

	Only woman or only man in office		Woman among other women or man among other men in office	
	Women	Men	Women	Men
Needing to provide more evidence of your competence than others do	51	20	24	13
Having your jugdment questioned in your area of expertise	40	30	32	26
Being addresses in a less-than-professional way	35	19	24	16
Being mistake for someone more junior	35	12	15	9
Hearing demeaning remarks about you or people like you	24	13	14	8

Source: McKinsey

[13] Ibid.
[14] Ibid.
[15] *Women in the Workplace 2019*, Lean In and McKinsey, 2019, McKinsey.com.
[16] Kevin Sneader and Lareina Yee, "One is the loneliest number," *McKinsey Quarterly*, January 2019, McKinsey.com.
[17] 2019 McKinsey survey on Women Forum participants.

Companies need to drive inclusiveness along all three dimensions of the framework to create a supportive culture of diversity

Women believe that more could be done to embed diversity and inclusion in organizations' culture. Data from the Unites States indicates that only 29 percent of women think senior leaders are held accountable for improving gender diversity (versus 36 percent of men)[18]; only 18 percent of women think progress on gender diversity is measured and shared across their organization (versus 26 percent of men)[19]; and only 31 percent of female employees recognize diversity and inclusion as being priorities on their organization's strategic agenda, despite 87 percent of North American organizations and 59 percent of their managers declaring that gender diversity is a high priority.[20]

As one CAC 40 organization executive told us, "Diversity and inclusion topics are not moving fast enough because there is no strong incentive/disincentive when inclusion is not managed at the right level." However, organizations can seek to do more along the three dimensions of openness, equality, and belonging to foster inclusiveness and gender diversity at all levels. Here are a few suggestions to consider:

— **Openness**. Nurture a non-judgmental, caring, and safe work environment to empower women. This can be done by enhancing awareness of trainings about inclusion and unconscious bias among men and women—28 percent of men disagree that women have many more difficulties than men (with equal skills and qualifications) in achieving top-management positions; by contrast only 5 percent of women disagree with this assessment.[21]

For example, one SBF 120 organization told us: "We are organizing trainings on unconscious bias to fight against stereotypes but also ensure that day-to-day deviations

are reported and addressed. This needs to be an everyday attention." At the same time, an S&P 500 organization described the effectiveness of such trainings in boosting female representation at the top level of the organization. "Men need to conduct a self-examination, and we need to go behind the superficial. A large proportion of managers went through a program that goes in-depth to understand the dynamics of privileges that men have, unconscious biases, and what is the way to partner with women to create equality. This has proven to be significantly effective and had direct repercussions on our female representation at higher level management."

These trainings, if thoughtfully designed and delivered, can be a key lever in creating the right environment for women and ultimately removing the openness barrier. In general, significantly more women than men encounter situations that potentially exclude them from their working environment during the course of their career.

— **Equality**. Organizations can make greater efforts to ensure a level playing field with regard to the policies they put in place: for example, in the areas of parental leave, flexible working (including working from home) to support employees who are primary caregivers, programs to support employees returning to work after a period of parental absence, and equal pay. One SBF 120 organization explained its approach: "Diversity initiatives should not be reduced to a number of women versus men at certain levels but should focus on initiatives that enable these numbers to be reached, such as salary equity, equal parenthood support, equal opportunities for men and women in promotion cycles."

[18] *Women Matter—Time to accelerate: Ten years of insights into gender diversity*, October 2017, McKinsey.com.
[19] Ibid.
[20] *Women in the Workplace 2019*, Lean In and McKinsey, 2019, McKinsey.com.
[21] *Women Matter—Time to accelerate: Ten years of insights into gender diversity*, October 2017, McKinsey.com.

Organizations can broaden their leadership codes to better integrate those more frequently followed by women, in order to bridge the leadership gap and provide women with the framework to navigate the organization's leadership style with an equal chance of success. A leadership code is defined as a set of leadership competencies and behaviors displayed when leading self, others, or business. Women and men tend to follow different leadership codes in their day-to-day work, with the male approach often more aligned to the organization's key leadership characteristics. Whereas men consider entrepreneurship and team work to be the most important competencies in their everyday work, women focus on organizational awareness and agility (understanding and navigating complex organizational landscapes and situations). Today, teamwork, entrepreneurship, and striving are the critical leadership competencies required by organizations, which align with men's competency priorities in their everyday work, but less so with women's. This will have to change going forward—to the benefit of both organizations and women—as different leadership and management practices will be required in the organization of the future.

— **Belonging.** Internally, organizations can encourage a sponsorship culture designed to strengthen women's connection to their leadership and their sense of belonging within the organization. A key differentiating factor for women's professional advancement is the support of sponsors (especially by longer-tenured colleagues), introducing them to the right circles and providing them with the right visibility. Today, however, 34 percent of women feel they don't have equal access to sponsorship. A CAC 40 organization explained how it is rolling out its own sponsorship program. "We implemented a senior sponsorship programs in 2012, which for us is a key lever to get more women at the top. We have management committee members who are sponsoring women across the organization and we are cascading this sponsorship program across the group. We are now trying

to replicate this sponsorship program at a more junior level, to target women in their 30s—this is much more effective at that age and can be a real differentiator."

Externally, employers can connect with women—especially students—to spark their interest and engagement with industries and organizations in order to start building the pipeline at an early stage. One European bank told us how it is reaching out to women at university to widen the candidate pool. "We realize that the recruitment process still shows a gender gap that we wish to address. We participate in career guidance initiatives, both for university students and graduates and for high school students about to choose their university, with the aim of attracting women candidates and encouraging the success of women in our external selections."

Day-to-day micro-habits can make a big difference

Making change stick means shifting day-to-day behaviors. Organizations can consider applying the science of "nudges" to their implementation efforts. Nudges are simple prompts on daily actions that create more inclusive working experiences for those around you. Examples for managers include sharing the spotlight, curiously seeking out the opinions of others, or speaking up when you see someone withdrawing from a conversation or being interrupted. [22]

These practical, everyday behaviors can be shared across an organization:

— Saying thank you at the end of a meeting

— Listening and not interrupting colleagues who are speaking

— Reflecting on personal actions and behavior—Have I ever sponsored a colleague coming from a minority? Am I staffing a gender-diverse team?

These little habits are "moments of truth" which can really make a significant difference to the organizational culture in the long run.

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[22] Kevin Sneader and Lareina Yee, "Remedies for early-career gender gap are already in companies' hands," *Wall Street Journal*, October 15, 2019, wsj.com.

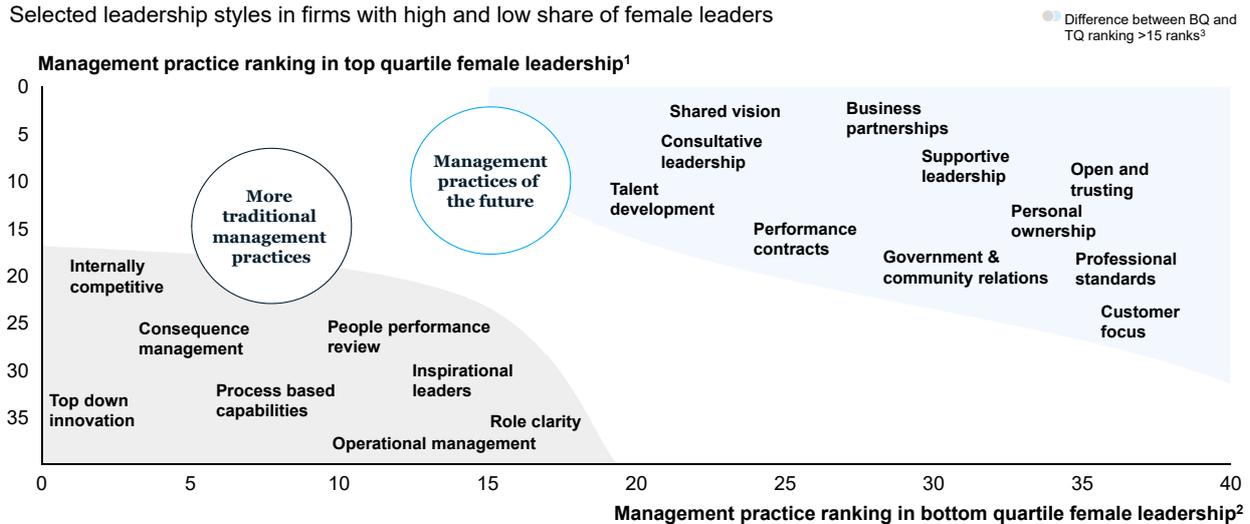# Towards the organization of the future

In our 2017 *Women Matter* report, we identified that not only do *more women at the top contribute to better organizational and financial performance but women's leadership styles are also well-suited to the organization of the future*. Indeed, the survey shows that organizations with a greater proportion of women on corporate boards and executive committees display more inclusive management practices that will be required more often in the years ahead: supportive and consultative leadership, creating open and trusting environments, and developing talent (Exhibit 4).

The path to inclusion, with gender diversity as its building block, is absolutely necessary for organizations to thrive in the future, both to capture the evolving expectations of consumers and also to attract new generations of employees.

Exhibit 4

Companies with a high share of female leaders are characterized by management practices of the future

Selected leadership styles in firms with high and low share of female leaders

Difference between BQ and TQ ranking >15 ranks[3]

Management practice ranking in top quartile female leadership[1]

Management practice ranking in bottom quartile female leadership[2]

1. Top quartile: The companies in the top quartile in proportion of women in leadership positions
2. Bottom quartile: The companies in the bottom quartile in proportion of women in leadership positions
3. Each of the 37 managerial practices (that impact a company's financial and operating performance) is ranked according to its level of importance in the company. The highlighted practices are the ones showing the largest ranking difference between the two groups (more than 15 ranking grades between TQ and BQ companies, in absolute values of rank difference)

Source: McKinsey, Organization Health Index database

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While undeniable progress has been made towards achieving gender parity—as organizations put in place equality initiatives and more women join executive committees and boards every year—the journey toward a truly diverse and inclusive working environment can sometimes seem frustratingly slow. Progress remains patchy and organizations need to step up their efforts if they are to reap the benefits in terms of performance and corporate culture.

They can make progress by striving to promote openness, equality, and belonging through initiatives such as trainings to address nconscious bias; policies to promote equity at work such as flexible working and support for caregivers;

through mentorship programs and outreach efforts to recruit from a more diverse talent pool; and through simple everyday actions that make a genuine difference to an organization's culture over time.

The business case for inclusion is pretty clear: not only does it help drive performance today but it will benefit organizations that adapt as they strive for success and relevance in the future. Organizations that continue to build on the critical foundation that represents gender diversity and that also ensure to build a truly diverse culture will be the winning organizations of the future.

Authors

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Project team and contributors

The project team comprised Elodie Goblot, Tanina Sehl, and Céline Joly.

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