Achieving gender balance in leadership
Why and how

February 20, 2019
5 key topics for today

1. Why is gender balance in leadership important
2. Where Portugal stands in the European context
3. How to achieve gender diversity
4. Implementation at company level
5. Priorities going forward
Globally, women represent 50% of the world’s working-age population, but generate only 37% of GDP.

$12 trillion could be added to global GDP by 2025 by closing the gender gap.

240 million workers would be added to the world’s labor force in 2025 by closing the gender gap in the economy.

Note: Number of workers to be added to labor force calculated in a scenario where all countries would match the progress toward gender parity of the country in their region with the most rapid improvement on gender inequality.
The “business case” for gender balance in leadership

### Net margin
Percentage points, 2016

- **No female leaders**
  - Current status
- **>30% women in ExCos**
  - Adding one woman to management

- **+6 p.p.**

Studying >21,000 public companies in 91 countries

### ROA
Basis points, 2016

- **Current status**
  - No women in ExCos
- **Adding one woman to management**
  - Top quartile in female representation in ExCos

- **+8-13 b.p.**

Analyzing >2 million firms across 34 European countries

### ROE
Percentage points

- **No women in ExCos**
- **Top quartile in female representation in ExCos**

- **+7 p.p.**

Considering ~250 firms in 6 European countries and BRICs
How gender diversity correlates with financial performance

Likelihood of financial performance above national industry median by diversity quartile

<table>
<thead>
<tr>
<th>Diversity Quartile</th>
<th>Profitability</th>
<th>Value Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th</td>
<td>45</td>
<td>18</td>
</tr>
<tr>
<td>1st</td>
<td>55</td>
<td>23</td>
</tr>
</tbody>
</table>

N = 991

Companies in the top-quartile for gender diversity on executive teams were 21% more likely to outperform their national industry median on EBIT margin and 27% on EP margin.
Diversity of styles matters to performance

Which of the nine leadership behaviors would be most effective in addressing the challenges of the future?

<table>
<thead>
<tr>
<th>Types of leadership behavior</th>
<th>Top executives’ ranking behavior as most effective in addressing future challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Women and men apply equally</strong></td>
<td>Intellectual stimulation</td>
</tr>
<tr>
<td><strong>Women apply slightly more</strong></td>
<td>Inspiration</td>
</tr>
<tr>
<td></td>
<td>Participative decision making</td>
</tr>
<tr>
<td></td>
<td>Expectations and rewards</td>
</tr>
<tr>
<td><strong>Women apply more</strong></td>
<td>People development</td>
</tr>
<tr>
<td></td>
<td>Role model</td>
</tr>
<tr>
<td><strong>Women and men apply equally</strong></td>
<td>Efficient communication</td>
</tr>
<tr>
<td><strong>Men apply more</strong></td>
<td>Control and corrective action</td>
</tr>
<tr>
<td></td>
<td>Individualistic decision making</td>
</tr>
</tbody>
</table>
Improving, but still lagging far behind

% of women, main companies per country, 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Board of Directors</th>
<th>Executive committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>44</td>
<td>17</td>
</tr>
<tr>
<td>Norway</td>
<td>40</td>
<td>24</td>
</tr>
<tr>
<td>Sweden</td>
<td>36</td>
<td>24</td>
</tr>
<tr>
<td>Italy</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td>Germany</td>
<td>34</td>
<td>14</td>
</tr>
<tr>
<td>UK</td>
<td>30</td>
<td>19</td>
</tr>
<tr>
<td>Spain</td>
<td>24</td>
<td>14</td>
</tr>
<tr>
<td>Portugal</td>
<td>22</td>
<td>10</td>
</tr>
</tbody>
</table>

EU-28 average: 27% (Board of Directors), 17% (Executive committee)

SOURCE: European Commission Gender Database
There are clear leaks in the "career pipeline"

% of women in each stage of the corporate ladder in Portugal, 2017

Probability of advancement for men vs women

1 Source data from 32 major corporations in 2015; entry and middle level data updated from smaller sample in 2017; C-level and CEO data fully updated with public data in 2017

SOURCE: Women Matter, McKinsey & Company; European Commission Gender Database
Multiple roadblocks are keeping women from achieving leadership roles

**Corporate barriers**
- Only 24% of interviewees believe their CEOs consider diversity one of their top-10 strategic priorities
- 52% of women have a female leadership role model, and 31% have a mentor

**Cultural & lifestyle dynamics**
- 31% of Portuguese women favor their personal life over a career
- 57% of time working-women spend at home is committed to housework and family. For women with children, this number increases to 82%

**Personal attitudes**
- 79% of women interviewed aspire to reach leadership positions (vs. 87% of men)
- 88% of women interviewed are confident they would be successful in those roles (vs. 95% of men)

*SOURCE: As mulheres em Portugal, hoje (FFMS, 2019); Women Matter, McKinsey & Company; GESIS ISSP Research Group 2012, International Social Survey Programme*
While there is no clear-cut recipe for success, some countries are leading the way.

### Gender Parity Score (labor)

<table>
<thead>
<tr>
<th>Country</th>
<th>Gender Parity Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>0.72</td>
</tr>
<tr>
<td>Norway</td>
<td>0.70</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.66</td>
</tr>
<tr>
<td>UK</td>
<td>0.66</td>
</tr>
<tr>
<td>France</td>
<td>0.62</td>
</tr>
<tr>
<td>Germany</td>
<td>0.61</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.56</td>
</tr>
<tr>
<td>Spain</td>
<td>0.55</td>
</tr>
<tr>
<td>Italy</td>
<td>0.50</td>
</tr>
</tbody>
</table>

**Private initiative**
- Business practices and infrastructures
- Advocacy and shaping attitudes

**Government measures**
- Laws, policies and incentives
  - Regulation
  - Incentives

Example best practices

**Business practices**
- Board commitment, with ambition, metrics and follow-through
- Training, coaching and sponsoring programmes
- Flexible labor schemes

**Advocacy and corporate cooperation**

**Laws, policies and incentives**
- Childcare support via subsidies and parental leave
- Voluntary parity goals
- Transparency about the pay gap
- Quotas
We assessed the quality and quantity of corporate initiatives through 41 indicators across 3 dimensions:

- **Management commitment**
  - CEO commitment
  - Executive committee commitment
  - Consistency of company culture with gender diversity

- **Gender diversity indicators**
  - Pay gap metrics
  - Promotion rates by gender

- **Skill development programs**
- **Collective enablers**
- **Infrastructure**
  - Childcare services
  - Geographic mobility support

- **HR processes and policies**
  - Career flexibility
  - Actions to improve share of women applicants
  - Networking programs
  - Mentorship programs
  - Leadership skill building programs

Total number of initiatives assessed:

- Portugal 2017 vs. Europe 2012

1 Analysis conducted from a sample of 21 Portuguese corporations in 2015, updated with a smaller sample in 2017.

SOURCE: Women Matter, McKinsey & Company
While 25% of surveyed companies are making significant progress, most are still struggling to bring impact.

### Women representation

<table>
<thead>
<tr>
<th>N-2 to CEO, %</th>
<th>0</th>
<th>5</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
<th>35</th>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating with a diversity advantage</strong></td>
<td>15%</td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited diversity practices</strong></td>
<td>30%</td>
<td>30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Quantity of measures in place**

**Number**

*NOTE: Analysis conducted from a sample of 21 Portuguese corporations in 2015, updated with a smaller sample in 2017*

*SOURCE: Women Matter: A way forward for Spain, McKinsey & Company*
4 measures will be instrumental in moving forward

I. Ensure top level management commitment

II. Address the main pipeline “leakage points”

III. Improve lifestyle for both men and women in management roles

IV. Promote advocacy and corporate collaboration
5

Addressing pipeline “pain points”: target initiatives at the particular challenges each company has

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Possible actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>“Unable to Enter”</strong></td>
<td>▪ Proactive promotion of the company</td>
</tr>
<tr>
<td></td>
<td>▪ Gender-specific recruitment events</td>
</tr>
<tr>
<td></td>
<td>▪ Promote top executive role modeling beyond company</td>
</tr>
<tr>
<td>Automotive</td>
<td>▪ Proactive promotion of the company</td>
</tr>
<tr>
<td>Construction</td>
<td>▪ Gender-specific recruitment events</td>
</tr>
<tr>
<td>Energy</td>
<td>▪ Promote top executive role modeling beyond company</td>
</tr>
<tr>
<td>Engineering</td>
<td>▪ Top talent and development plans for female talent</td>
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<tr>
<td></td>
<td>▪ Ensure that performance evaluation integrates women leadership skills</td>
</tr>
<tr>
<td>Logistics</td>
<td>▪ Flexible policies for executives</td>
</tr>
<tr>
<td>Healthcare</td>
<td>▪ High levels of mentoring and role modeling from Top executives</td>
</tr>
<tr>
<td>Consumer</td>
<td>▪ One-to-one coaching sessions</td>
</tr>
<tr>
<td>Retail</td>
<td>▪ Minimize “Anytime, anywhere” practices</td>
</tr>
<tr>
<td></td>
<td>▪ Retention policies</td>
</tr>
<tr>
<td>Finance</td>
<td>▪ Proactive promotion of the company</td>
</tr>
<tr>
<td>Technology</td>
<td>▪ Gender-specific recruitment events</td>
</tr>
<tr>
<td>Telecom</td>
<td>▪ Promote top executive role modeling beyond company</td>
</tr>
<tr>
<td>Media</td>
<td>▪ Top talent and development plans for female talent</td>
</tr>
<tr>
<td></td>
<td>▪ Ensure that performance evaluation integrates women leadership skills</td>
</tr>
<tr>
<td></td>
<td>▪ Flexible policies for executives</td>
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SOURCE: Women Matter: A way forward for Spain, McKinsey & Company
Scale up diversity initiatives in Portugal: start with collaboration between companies (advocacy)

**What**
- **Voluntary participation** of companies:
  - Setting **goals**
  - Communicating **commitment**
- **Mandatory gender parity reports** for listed companies
- **Commitment from all levels of the organization, society** (e.g. universities, associations) and the government

**How**
- **Set a new level of common ambition** for the companies involved
- **Give recommendations and promote initiatives**
- **Share business practices**
- **Regular follow-up** by a Comittee

**Who**
- Companies
- Talent search
- Universities
- Public organizations
- Associations
Final conclusions: how to mobilize for change

- Raise **awareness** from company leaders
- Make a **compelling business case**
- Scale up and align initiatives **between companies**
- Visibly lock-in **commitment to change** from company leaders
- Articulate an **"All In" effort** of individuals, companies and governments, and corporate groups