RUNNING CIRCLES AROUND THE OL' BOYS CLUBS

The Unsung Competitive Advantages of Gender-Diverse Leadership Teams

BY KAREN BROWN

BRIDGEARROW

Executive Summary

Diversity and inclusion initiatives abound to elevate women into leadership roles. However, in most industries the women in top leadership roles remain a distinct minority. Why is this the case? And does it matter?

This paper explains why it does. I point to rigorous studies conducted over the last two decades that show how having a greater than usual number of women in management roles has helped companies create more successful new products and services, maintain stronger bonds with key stakeholders (customers, investors, employees), grow in far healthier ways, and have more robust leadership pipelines.

These are outcomes of "gender equity" in leadership. In this paper, I explain what I mean by that, and illustrate it with examples of gender equity at several large companies (including Bank of America and Best Buy) and a number of small entrepreneurial ones. Collectively, they show how great things can happen when a much higher than usual percentage of women are steering a company with their male counterparts.

I also explain why I believe most diversity and inclusion strategies are not meeting their gender diversity goals. The reason is simple: They try to make their case largely on a moral or legal basis. I show why companies need to tie gender diversity in management to their most important mandates: to make an explicit case about how gender equity can help them achieve their most important goals. Finally, I lay out four steps for making gender equity strategies succeed, and thus contribute substantially to a company's competitive standing.

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Karen Brown is founder of Bridge Arrow, a Chicago-based management consulting company whose mission is to make leaders more effective and businesses more profitable by linking diversity and inclusion to key business initiatives. She launched the firm following a career as an experienced operations executive with multicultural, global experience promoting diversity and inclusion within the corporate, non-profit, and academic sectors.

Karen has been a featured speaker on the organizational advantages of diversity and inclusion at conferences held by West Point, HR Vision, and other organizations. Her ideas have also appeared in leading publications, include a popular article she published in 2018 in the Harvard Business Review ("To Retain Employees, Focus on Inclusion – Not Just Diversity").

She has served as Global Chief Diversity and Inclusion Officer with Baker McKenzie, a $2.8 billion global law firm (and the world's second-largest). In addition, she has held senior diversity and inclusion roles at global firms Sodexo, Baxter Healthcare, Monsanto, and Rockwell Collins. She has advised numerous CEOs, divisional managers and other top executives on why they should accelerate initiatives for developing women for key leadership roles (and how to do it), how to improve company morale and productivity, how to overcome perceptions of gender and other minority biases and, thus, reduce job turnover of valuable employees, and other keys to nurturing and preserving an organization's talent.

In addition to her consulting work, Karen is a Governance Fellow with the National Association of Corporate Directors, whose more than 18,000 members include both corporate directors and C-Suite executives. She is also an active member of the Chicago Council of Global Affairs, a think tank, as well as a sought-after speaker for its events. Karen serves as a citizen diplomacy ambassador and board member of WorldChicago, a non-profit organization that promotes interactions among citizens from numerous countries to make the world a more peaceful and prosperous place. She has been an adviser to ICEDR-QUEST, Chicago United, and the National Organization on Disability (NOD). And she has been a board member of the Gay Lesbian Straight Educators Network (GLSEN) and Big Brother Big Sister, among others.

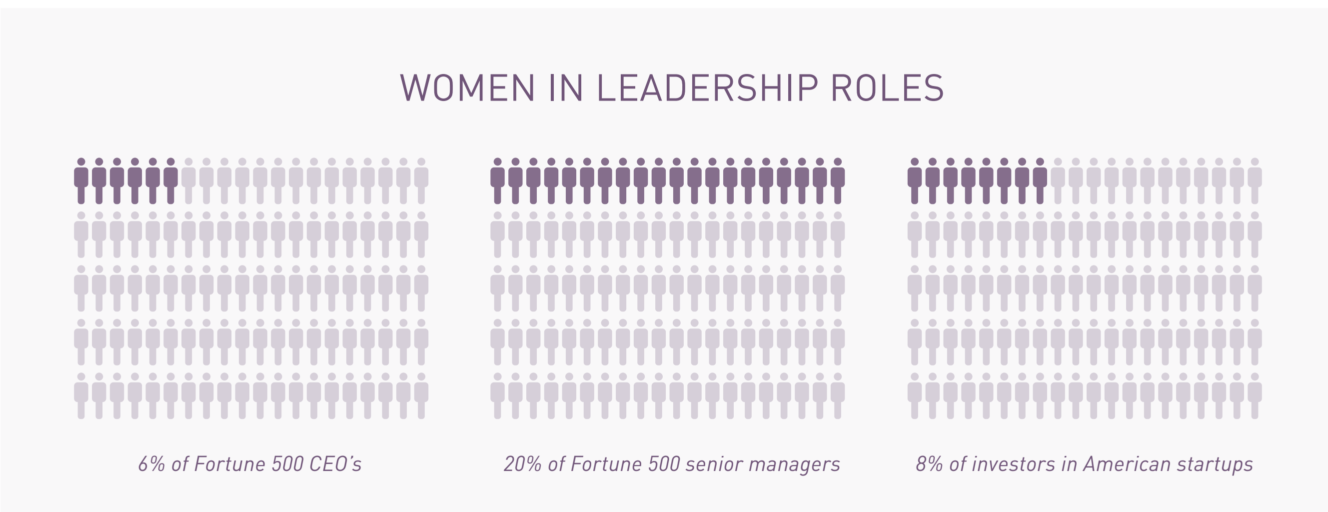
The Gender Equity Challenges

Leaders of most large companies around the world say a diverse and inclusive workforce is crucial to competing today and in the future. In a 2017 survey by Deloitte, 69% of more than 11,000 business and HR leaders rated diversity and inclusion as important, a 10 percentage point increase from just three years earlier.[1]

But such talk hasn't created much change in the ranks of senior management. Employment statistics show most diversity and inclusion initiatives fall far short of creating gender equity in management: that is, advancing deserving women and men into similar leadership roles at a similar rate. In the United States, for example, women comprise only 16% of corporate executive teams despite holding 40% of all management positions.[2] In the Fortune 500, the gap between the number of women and men in the executive suite is even more acute: as of 2017, 80% of senior managers and 94% of CEOs were men.[3] But the problem goes beyond large companies. Even startups suffer from an absence of women leaders. Only 8% of investors in American startup companies are women, according to recent Harvard Business School research.[4]

The lack of women in top management roles reflects the larger impotence of most corporate diversity and inclusion efforts, which broadly target women and other underrepresented employee groups. Advisory firm PwC recently benchmarked diversity and inclusion in 21 North American industries. Although 87% of companies consider diversity and inclusion to be a priority, 92% of them did not have mature programs they were actively executing.[5]

This is a problem because, as I will explain in this paper, companies that hire and promote talented women for leadership jobs are gaining competitive advantages over firms that don't. What's more, if companies do not elevate enough deserving women into leadership roles, many are likely to



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1 Deloitte's 2017 Global Human Capital Trends survey. https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2017/diversity-and-inclusion-at-the-workplace.html

2 U.S. Bureau of Labor Statistics data published in 2017, https://www.bls.gov/cps/cpsaat11.pdf

3 Fortune, http://fortune.com/2017/06/09/white-men-senior-executives-fortune-500-companies-diversity-data/

4 Paul Gompers and Silpa Kovvali, "The Other Diversity Dividend," Harvard Business Review, July-August 2018. https://hbr.org/2018/07/the-other-diversity-dividend

5 PwC survey. https://www.pwc.com/gx/en/services/people-organisation/global-diversity-and-inclusion-survey.html

> *Companies that do hire and promote talented women for leadership jobs are gaining competitive advantages over firms that don't.*

leave, robbing them of talent they need in the future. And rest assured that many will leave. Nearly 40% of tech industry employees surveyed by the Kapor Center for Social Impact and Harris Poll indicated that "unfairness or mistreatment played a major role in their decision to leave their company," with women reporting "significantly more" unfairness than men.[6]

Why Most Diversity and Inclusion Strategies Miss the Mark

From more than a decade of creating and managing diversity and inclusion strategies at global companies (including Rockwell Collins, Sodexo, Baxter, Monsanto and Baker McKenzie) and consulting to dozens of others, I believe the primary reason most strategies fall short can be summed up succinctly. They don't make an explicit and thus convincing case to senior executives (who, of course, are mostly male) about why having more female leaders could boost the top and bottom line. By "explicit," I mean explaining how a higher percentage of women in leadership roles can help their companies achieve business mandates such as spurring product and service innovation, strengthening relationships with key stakeholders (big customers, investors, etc.), growing responsibly (including making judicious investments), and maintaining a strong leadership pipeline.

To be sure, numerous studies over the last 15 years have correlated having women as leaders with stronger corporate financial performance. For example, a 2017 McKinsey study found that U.S. and UK companies in the top quartile of leadership team gender diversity had higher profit margins than their national industry median.[7] Catalyst, a non-profit that works with companies to advance women in the workplace, studied the performance of the Fortune 500 between 2004-2008 and found that companies with three or more women on their boards financially outperformed those with no women directors.[8]

This data is useful, but only to a point: It doesn't adequately explain exactly why or how having more women on leadership teams leads to better financial performance. These studies establish correlation but not causation.

In fact, such data have generated skepticism among some executives. A 2018 survey of more than 500 people in 30 countries (with the majority in the U.S. and UK) found 40% of the men believed gender diversity did not improve a company's financial performance, compared to only 12% of women.[9] In addition, 74% of all those surveyed said their top managements have not made the business case for

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[6] Kapor Center study. https://www.kaporcenter.org/wp-content/uploads/2017/08/TechLeavers2017.pdf

[7] McKinsey Global Institute report. https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity

[8] Catalyst, https://www.catalyst.org/system/files/the_bottom_line_corporate_performance_and_women%27s_representation_on_boards_%282004-2008%29.pdf[3] Fortune, http://fortune.com/2017/06/09/white-men-senior-executives-fortune-500-companies-diversity-data/

[9] Phaidon International report, "Gender Diversity: The Commercial Imperative," https://www.phaidoninternational.com/resources/Gender%20Diversity_%20The%20Commercial%20Imperative%202018.pdf

In a 2018 survey of more than 500 people in 30 countries:

40% ♂ VS **12%** ♀

believed gender diversity did not improve a company's financial performance.

gender-diverse leadership. "Organizations aren't supporting their arguments with empirical data," observed Oliver Cooke, director and head of the finance industry recruitment firm Selby Jennings, whose parent company commissioned the survey. "Therefore, it's no wonder so many respondents commented that they felt the drive to increase gender diversity in the workplace is due to a political or social agenda."

Other studies have come to similar conclusions. PwC found that North American companies' two biggest goals for their diversity and inclusion initiatives (as cited by 77% of respondents) were complying with legal requirements and attracting and retaining employees. Only 21% reported their main goal was achieving business results.[10]

Because they lack compelling evidence of how gender-diverse leadership can help their company innovate better, sell more, increase customer retention, improve the brand image and achieve other key mandates, I believe most senior executives see the rationale for their companies' diversity and inclusion efforts primarily as a moral or legal obligation. They thus ultimately view it as a compliance burden that gets only enough attention to keep lawyers and activists (including employees) at bay.

This is not surprising. Today's diversity and inclusion programs were largely spurred by sex discrimination lawsuits (some of which date back to the 1990s), notably in the investment banking industry.[11] As a result of one such suit, Merrill Lynch paid out almost a half-billion dollars over 15 years. "Firms have long relied on diversity training to reduce bias on the job, hiring tests and performance ratings to limit it in recruitment and promotions, and grievance systems to give employees a way to challenge managers," Frank Dobbin and Alexandra Kalev, sociologists at Harvard University and Tel Aviv University, wrote in Harvard Business Review. "Those tools are designed to preempt lawsuits by policing managers' thoughts and actions."[12]

WHAT IS GENDER EQUITY?

You have likely heard multiple terms referring to the work of advancing women in the workplace. *Gender diversity, gender balance, gender equality,* and *gender equity*—the term I prefer—sound interchangeable, but they aren't.

There are crucial differences in these terms – differences in their goals, how they can be achieved, and people's attitudes toward progress. Furthermore, each term may be

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10 PwC. https://www.pwc.com/gx/en/services/people-organisation/global-diversity-and-inclusion-survey.html

11 Frank Dobbin and Alexandra Kalev, "Why Diversity Programs Fail," Harvard Business Review, July-August 2016. https://hbr.org/2016/07/why-diversity-programs-fail

12 Ibid

interpreted differently in different venues. And the terms have technical meanings for equal opportunity compliance. Those meanings may be different from how most people talk about them or understand them from reading company websites, academic journals, social media, or press articles.

Here, briefly, is how I think about these terms:

***Gender equity* is about fairness.** From a legal perspective, gender equity is a state in which people's rights or opportunities are not affected by their gender.[13] As I talk about gender equity this paper, I mean that top leaders recognize the barriers women face that men do not and take steps to remove them so that women and their contributions become as visible and valued as those of men. Only when companies provide the same opportunities, experiences, and exposure to all genders can deserving women and men advance into senior roles at similar rates.

For a simple example of how to promote equity, consider the popular cartoon showing three children of different heights watching a baseball game from behind a fence. If the children are each given a crate of similar height to stand on, the shortest child still can't see over the fence. But the tallest child doesn't really need the crate. The equitable solution, giving the shortest child two crates, and the second shortest child one crate, allows all three of them to see.[14]

***Gender diversity* on the other hand, is ultimately about numbers—increasing the proportion of women to men in roles where women are underrepresented.** It's certainly true that some firms—and whole industries—still mainly employ men. But on the whole, it's become increasingly difficult to argue that women, who comprise half the population and half, or nearly so, of corporate employees, are underrepresented in leadership. What's more, counting people is often interpreted as filling quotas. When it comes to hiring and promoting women, this perception alienates employees—both women and men—whether they fear that women's success will be attributed to their gender, rather than their abilities, or they mistakenly conclude that diversity programs give jobs to undeserving people. The term gender balance is similarly fraught, evoking, among many interpretations, the idea that women and men should be employed in a company, or in certain roles, in equal numbers.

When women and men have equal status and value—that is, every person is judged according to merit, rather than viewed as inferior or superior based only on their gender, we will have *gender equality*. In a gender-equal world, individuals' rights, responsibilities and opportunities will not depend on whether they are born women or men. In a gender-equal workforce, women and men in the will have the same access to resources and opportunities for advancement.

We won't achieve gender equality unless we pursue gender equity. Companies that do will capitalize on all their talent, finding the best leaders to achieve their business objectives. They will have leaders who are better at crafting effective strategies, and executing them. By achieving gender equity, they will gain a leadership advantage.

When companies invest in developing all their talent, they are more likely to create a pool of ready leaders with strong ideas and effective solutions. In this way, giving women and men the same opportunities, experiences, and exposure will go a long way toward ensuring the future prosperity of their business.

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[13] Traditionally female or male, but also includes people who identify as non-binary—that is, neither or both. Although this book focuses on women, my thinking about gender equity applies to all genders.

[14] Craig Froehle, "The Evolution of an Accidental Meme," Medium.com, April 14, 2016. https://medium.com/@CRA1G/the-evolution-of-an-accidental-meme-ddc4e139e0e4

Most senior executives see the rationale for their companies' diversity and inclusion programs primarily as a moral or legal obligation.

In Some Companies, a Backlash

Not only are many male executives skeptical about the need for more women in leadership positions, some are downright distrustful and dismissive of gender equity initiatives. A 2017 E&Y survey found that about a third of men believed they were excluded in their workplaces, blaming corporate programs to increase diversity as one factor.[15]

This is not a new trend. A 2008 paper by Sodexo diversity executive Rohini Anand and consultant Mary-Frances Winters analyzed four decades of diversity training initiatives. They concluded that many programs angered the people they were intended to educate: white men. "Many interpreted the key learning point as having to walk on eggshells around women and minorities—choosing words carefully so as not to offend," Anand and Winters wrote.[16] "Some surmised that it meant white men were villains, still others assumed that they would lose their jobs to minorities and women, while others concluded that women and minorities were simply too sensitive."

Other research has identified negative male reactions to corporate gender equity practices. In a hiring simulation, three psychologists found that white male recruits who were told about a fictional company's pro-diversity policies were more likely to believe the firm would discriminate against whites, compared to the white males who didn't get pro-diversity messages in their recruiting materials. These beliefs affected how the men performed in interviews, and they behaved as if they were threatened. "Importantly, diversity messages led to these effects regardless of these men's political ideology, attitudes toward minority groups, beliefs about the prevalence of discrimination against whites, or beliefs about the fairness of the world," the study concluded. "This suggests just how widespread negative responses to diversity may be among white men: the responses exist even among those who endorse the tenets of diversity and inclusion."[17]

The absence of a clear business case for gender equity, combined with often-negative attitudes about it, make diversity and inclusion a low priority for executives. This especially appears to be the case in the technology industry, where the pressure on startups to grow rapidly can reinforce a traditionally male-dominated culture that discriminates against women, African Americans and Latinos. Lawsuits and exposure by outsiders of discriminatory behavior have focused the tech industry's attention on how minorities and women are hired, promoted, and treated in the workplace. It has led many companies to start publishing statistics. Yet few are making steady progress.

Arguing for diversity and inclusion on a largely legal or moral basis, therefore, can undermine even the best-intended and most heavily funded strategies. When the case revolves around doing what's legally or morally right, or checking off boxes, companies often wind up with training sessions filled by scores

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[15] E&Y, https://www.ey.com/us/en/newsroom/news-releases/news-ey-studies-race-gender-and-exclusion-the-top-takeaways

[16] Rohini Anand and Mary-Frances Winters, "A Retrospective View of Corporate Diversity Training From 1964 to the Present," http://www.wintersgroup.com/corporate-diversity-training-1964-to-present.pdf

[17] The research was conducted by psychologists Tessa L. Dover, Brenda Major, and Cheryl R. Kaiser. Their study was mentioned in a 2016 Harvard Business Review article. https://hbr.org/2016/01/diversity-policies-dont-help-women-or-minorities-and-they-make-white-men-feel-threatened

of disaffected managers who resent being told what to do and what is wrong with them. In fact, I've heard from many women who are also turned off by their companies' gender-focused diversity and inclusion initiatives, believing their advancement will be attributed to their gender rather than to their abilities.

WHY STATISTICS ALONE WON'T SWAY THE SKEPTICS

If you look at what it takes to persuade people of any argument, it isn't surprising that studies correlating having more women in top management with positive corporate financial performance are not enough to make the case. In a 2013 book, Joseph Grenny and four co-authors described six major influences on individuals' behavior that have nothing to do with facts: personal motivation (making the undesirable desirable), encouragement (harnessing peer pressure), personal ability (teaching people new skills so they can surpass their limitations), assistance (finding strength in numbers), creating incentives for change, and changing people's physical and social environments.[18]

To get people to change, they write, you need to have preferably all six but at least four of the six influences in play. The first four have an important role in convincing executives to make gender equity a corporate priority:

PERSONAL MOTIVATION: A big reason why some executives don't see the need for more women leaders is that they have not been shown exactly why it would help them run their business better. Studies demonstrating that greater employee and management diversity improves companies' overall financial performance don't answer senior leaders' questions about how gender equity can improve their companies specifically or, perhaps more importantly, how to go about it. They may agree it's a problem—and even understand that addressing it has potential benefits. But if they are not shown how it would help them achieve their business objectives and key performance indicators (KPIs), it's hard to get them motivated to take action. The payroll processing company ADP has incorporated diversity metrics into the strategic objectives of its executives' compensation plans. The company also sets goals for increasing the number of women and minorities in executive roles.[19]

ENCOURAGEMENT (OR PEER PRESSURE): Executives can seek out role models of other companies they admire or compete against that are putting more women in leadership roles and succeeding because of that decision. Organizations that work with companies to improve gender equity can provide these role models, peer pressure, and support. Although executives are often reluctant to publicize their firms' diversity numbers, in 2016 10 male CEOs agreed to report their progress toward gender parity as part of the United Nations HeForShe Campaign, an effort to engage men and boys to fight for gender equality. Not only did these CEOs (who included the leaders of Unilever, Vodaphone and Barclays) plant a marker that could be used to hold them accountable, their decision to go public with it at the World Economic Forum annual meeting in Davos also aimed to prompt other executives to join them.[20]

PERSONAL ABILITY: Motivation isn't enough to create sustained action. Grenny and his co-authors observe that top performers get better when they set goals to improve "behaviors or processes rather than outcomes." Executives

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[18] "Influencer: The New Science of Leading Change" https://www.amazon.com/exec/obidos/ASIN/B00BPO7710/thbosh-20/#reader_B00BPO7710

[19] ADP, *Corporate Social Responsibility Report*, February 2018, p. 35. https://www.adp.com/about-adp/corporate-social-responsibility/-/media/ED7CA74E0359401EBC55042B5738772D.ashx

[20] http://fortune.com/2016/01/22/heforshe-impact-champions/

and managers frequently have to learn new skills and behaviors—and introduce these to their organizations—to increase gender equity. Spencer Rascoff, CEO of the $1 billion (revenue) online residential real estate firm Zillow Group, says his company began improving pay equity when it stopped asking job candidates about their current salaries. "Unsurprisingly, this introduces bias into hiring, but we overlooked this for a long time because it was just always something you did when recruiting a candidate," Rascoff wrote in Inc. magazine.[21] "It turns out that asking about salary is a loaded question. ... You not only inherit pay inequities from previous employers, but you also introduce negotiating expertise into a salary discussion (which, according to research, often favors men)."

ASSISTANCE: Leaders who want a more gender-diverse and inclusive workplace will need cooperation from colleagues to propagate business practices that advance gender equity. Rascoff said that when Zillow dug into its hiring data, it learned that all-male interview teams were less likely to hire women, and the bias toward male candidates was particularly strong when hiring for technology roles. When the company added one woman to the interview teams for technical positions, hiring of females increased from 14% to 40%.

Effective diversity and inclusion initiatives, therefore, need a two-pronged approach. First, they must show how more gender-diverse management can improve the company's key business mandates. Second, they need to point top decision-makers toward the practices and processes—both personal and organizational—that will get them the results they seek.

Let's first go deep on that first point. On the following pages, I present research and case examples to show that when a higher-than-usual number of female leaders work productively with their male counterparts, a company has a better chance of accomplishing its key mandates.

Companies that pursue gender equity will capitalize on all their talent, finding the best leaders to achieve their business objectives.

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[21] Inc. https://www.inc.com/spencer-rascoff/want-to-further-gender-equality-at-work-do-these-3-things.html

Business Mandates for Gender Equity in Leadership

Making a compelling case for greater gender equity in management requires specifics, including examples that illustrate how it will help a company improve key operations and achieve strategic goals. This is the same type of evidence that public company executives deliver to Wall Street analysts on how their investments in new products, marketing campaigns, manufacturing plants and other areas will increase revenue and efficiency.

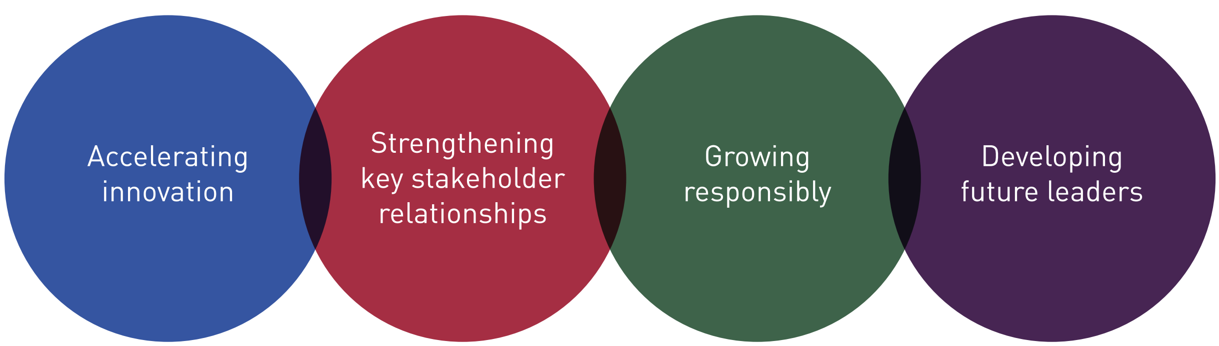
Today's CEOs are focused on generating growth, reducing costs, forming strategic partnerships and making acquisitions, as well as building and maintaining trust with key stakeholder groups. And they are highly concerned about managing a wide range of escalating risks. People who want the CEO to invest in diversity and inclusion, and elevate qualified women into leadership roles must sell, organize, and implement it on the basis of its top- and bottom-line impact.

Gender equity in top management can make a big difference in how well a company achieves those kinds of business mandates. They include (but are hardly limited to) innovation and product development, process efficiency and effectiveness, maintaining strong relationships with stakeholders, leadership development, and crisis management. In the section below, I look at four of these business mandates, supporting each one with research-based evidence on the value of gender equity, as well as company examples that illustrate such value.

MANDATE #1 Accelerating Innovation

Innovation is critical in a knowledge economy. It drives growth through new methods of delivering value to customers, whether through new products, services, processes or business models. U.S. companies spend $145 billion in-country on R&D each year, according to PwC.[22] And yet despite innovation's importance, cultivating innovative

4 BUSINESS MANDATES



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[22] PwC report on R&D. https://www.strategyand.pwc.com/media/file/2015-Global-Innovation-1000-Fact-Pack.pdf

leaders has been a key talent challenge for most organizations. A 2015 Conference Board survey of 943 CEOs ranked "human capital" and "innovation" as their top two long-term challenges to driving business growth.[23]

Having a greater number of female managers involved in innovation-related areas of the business has proven to be important for many companies. Diverse management teams generate more revenue from innovation, according to a Boston Consulting Group study.[24] The firm surveyed employees at more than 1,700 companies in the U.S., Europe, China, India, and Brazil. It measured six types of diversity: gender, age, national origin, career path, industry background, and education. Companies whose management teams had greater than average diversity generated significantly more revenue from their innovation initiatives than did companies whose diversity scores were less than average.

But the question to answer — to get a greater number of executives to understand why greater gender equity in R&D can lead to better innovation — is why?

Research has found that having more women on innovation teams tends to lead to more breakthrough innovations. In part, this happens because women are more likely to see decisions about product, service and process innovations as a team activity rather than as an individual one.

A study of 4,000 Spanish technology companies by Cristina Diaz-Garcia and others at the University of Castilla la Mancha found a positive relationship between gender diversity on innovation teams and radical innovation.[25] Interestingly, the researchers did not find a positive connection between gender-diverse teams and incremental publication, Diaz-Garcia said, "In this context, gender diversity fosters novel solutions leading to radical innovation, in companies as well as in the market."[26] Such diversity can generate a greater number of perspectives and thus variety of ideas. In other words, gender equity in R&D can lead to more creativity.

A study published in 2010 of nearly 700 people who worked in teams found that those with a greater percentage of women scored higher on measures of "collective intelligence"—the ability to work together effectively on a diverse set of problem-solving tasks.[27] Why? The researchers believe it was because of women's higher levels of "social sensitivity"—that

Research has found that having more women on innovation teams tends to lead to more breakthrough innovations.

they better read nonverbal signs and "make accurate inferences about what others are feeling or thinking." Also, the authors said, having more women on work teams resulted in "greater equality in conversational turn-taking, further enabling the group members to be responsive to one another and to make the best use of the knowledge and skills of members."

From my interviews with several dozen women who left big companies to launch and fund successful new businesses, one theme I heard frequently was that women can bring key skills in market research—

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[23] CEO challenge 2015: https://www.conference-board.org/retrievefile.cfm?filename=TCB_1570_15_RR_CEO_Challenge3.pdf&type=subsite

[24] BCG study, https://www.bcg.com/en-us/publications/2018/how-diverse-leadership-teams-boost-innovation.aspx

[25] Diaz-Garcia, C., Gonzalez-Moreno A., and F.J. Saez-Martinez. Gender diversity within R&D teams: Its impact on radicalness of innovation," published 2013 in "Innovation: Management, Policy and Practice," https://www.tandfonline.com/doi/abs/10.5172/impp.2013.15.2.149

[26] ScienceDaily article in 2014 about her research: https://www.sciencedaily.com/releases/2014/03/140319085430.htm

[27] Study by Anita Williams Woolley and four co-authors, published in Science magazine. http://science.sciencemag.org/content/330/6004/686

> *Having more women in leadership roles throughout a company can help create stronger bonds with customers (to improve the company's reputation), investors (to boost confidence in its stock), and with other stakeholders.*

specifically, to identify a wider variety of customer needs. Yet many times these insights are ignored by senior management or investors. Take the example of Heidi Lehmann, a serial entrepreneur and currently chief commercial officer of Kenzen, a healthcare startup. "There were a couple of businesses I've had that, when I was pitching them [to potential investors], I wasn't discriminated against because I was a woman. But most venture capitalists are men, and they just didn't understand the story," she recounts.

Consider Fenty Beauty, an inclusive makeup brand launched by singer Rihanna in 2017. The company reportedly reached $100 million in sales within 40 days of coming to market, surprising the mainstream cosmetics industry. The company was funded by Kendo Beauty Group, a division of French luxury conglomerate LVMH, where a woman (SVP Global General Manager Kristin Walcott) oversees brand development.

The $445 billion global beauty industry has for years ignored women with dark complexions. Beauty has been defined by a rigid set of ideals: thin, able-bodied, white, and tall. But Fenty Beauty ignored the conventional wisdom. Noted an article in fashion magazine *Elle*: "It was an unprecedented launch—brands often do shade extensions later—and makeup lovers sang her praises for creating a truly inclusive makeup line that catered to all women, even men, deeper skin tones, albino skin, and anyone who identified any way in between."[28]

MANDATE #2 Strengthening Relationships with Key Stakeholders

Companies are under increasing pressure to demonstrate their accountability to customers, employees, shareholders, and the public in a variety of ways. A 2017 World Economic Forum survey of millennials (who currently range in age from 20 to 37) in 186 countries found that close to half of individuals between the ages of 18-35 distrust institutions such as big companies, banks, and the news media, although most said they trust their own employers.

Individuals' expectations as citizens, consumers, and workers are being shaped by their values, the survey concluded. Fifty-one percent of respondents to the WEF survey said equal access to opportunity for all is important to feeling free. Nearly two thirds believe the gender gap in employment will become smaller while they are in the workforce. Notably, both women and men reported being more likely to be "extremely comfortable" with women in leadership roles. They are also attuned to corporate social responsibility: 60% look to corporate sustainability and social responsibility reports to learn about the companies whose products they buy.[29]

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[28] Kristina Rodulfo, Elle, May 31, 2018. https://www.elle.com/beauty/makeup-skin-care/a20967710/makeup-companies-40-foundation-shades-fenty-beauty-influence/

[29] http://www.shaperssurvey2017.org/static/data/WEF_GSC_Annual_Survey_2017.pdf

Having more women in leadership roles throughout a company can help create stronger bonds with customers (to improve the company's reputation), investors (to boost confidence in its stock), and with other stakeholders.

In many sectors, gender diversity is critical to establishing and maintaining better relationships with female customers. The financial services industry is a prime example, as research by investment giant Fidelity Investments has found. Fidelity is one of the world's biggest investment fund managers, with more than $2.4 trillion in customer assets under management. Its 2018 Fidelity Talent and Diversity Study surveyed 464 financial advisors in banks, independent broker-dealers, insurance firms, and other companies. A top concern: Half of today's financial advisors will retire in the next 14 years, creating a shortage.

> *Having a female director reduced litigation risk by 1.5%—the equivalent of saving an average $3.1 million in legal costs.*

At the same time, women will soon account for more than half of investors, and they will seek help achieving their goals and gaining peace of mind. The Fidelity study concluded that financial advisors in the future will need more than financial expertise and sales ability to work effectively with female customers; they will also need empathy and communication skills. A diverse team is more likely to meet these expanded customer needs, the study found. Respondents at diversity-focused firms were much more likely to say they had the right people to serve and connect with the next generation of clients than other firms.[30]

When it comes to corporate reputation, companies whose boards have a higher percentage of women directors were more likely to be included on "most ethical company" lists, according to a 2012 study by three Roger Williams University professors.[31] Another study, of nearly 1,900 environmental lawsuits against large U.S. firms from 2000 to 2015, found that having female corporate leaders made it less likely that firms fell afoul of environmental laws. Having a female director reduced litigation risk by 1.5%—the equivalent of saving an average $3.1 million in legal costs.[32]

Research has shown that having women in leadership roles can also lead to better merger and acquisitions. Studies have shown that having more women at the table leads to better choices of acquisition targets and more favorable deals for the acquiring company.

A 2015 study by two universities found gender diversity enhanced the way a company identified acquisition targets for several reasons. One was that diverse teams are better at assessing complex information due to the different ways women and men filter and interpret their environment. Another was that women and men have different networks, which expands the pool of potential targets. As well, because women tend to be more risk-averse than men, more diverse teams are less likely to pursue high-risk deals.[33]

One company I know of abandoned an acquisition after a team of junior women uncovered information that the target company had not disclosed. The

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[30] https://institutional.fidelity.com/app/literature/white-paper/9891883/the-impending-advisor-talent-crisis-how-diversity-can-create-opportunities-for-growth-within-your-firm.html

[31] The study was by Meredith Larkin, Richard Bernardi and Susan Bosco https://www.reputation-inc.com/our-thinking/more-women-in-top-jobs-will-enhance-corporate-reputations

[32] The study was conducted by Chelsea Liu at the University of Adelaide. Her research was explained in this article https://theconversation.com/female-corporate-leaders-make-firms-less-likely-to-fall-foul-of-environmental-laws-102342 and was originally published in the Journal of Corporate Finance. https://www.sciencedirect.com/science/article/pii/S0929119918301408

[33] Research by Heather Parola, Kimberly Michelle Ellis and Peggy Golden of the University of Evansville and Florida Atlantic University, https://www.researchgate.net/publication/272400520_Performance_effects_of_top_management_team_gender_diversity_during_the_merger_and_acquisition_process

> *Both research and case study evidence suggest that having a much higher than usual percentage of women at the top of a company can help it avoid bad growth strategies.*

women, who were participating in a development program for future female executives, recommended against the acquisition, a decision made by a team of mostly male executives.

MANDATE #3 Growing Responsibly

A business environment known for disruptive technologies, to use Harvard Business School Prof. Clayton Christensen's now-famous words, is also a brutal one. Once-stellar companies can go from shooting starts to bankruptcy court over a few decades. Just look at Sears, Toys R Us, Blockbuster Entertainment, and Kodak, to name a few.

And the odds of bouncing back appear to be getting slimmer. A Boston Consulting Group study of more than 300 large U.S. companies found that a third go through severe financial crises. However, only about 25% of them wind up outperforming their competitors in the short and long run. In other words, the success rate of corporate turnarounds—30% at the beginning of the 21st century—has declined for most big companies, the study's authors contend.[34]

But many companies are forced to make turnarounds after they grow in unhealthy ways: ill-fated acquisitions, highly risky strategic alliances, investments in lucrative-sounding but shaky "opportunities," and other profit killers. Both research and case study evidence suggest that having a much higher than usual percentage of women at the top of a company can help it avoid bad growth strategies. In other words, greater gender equity can help firms grow more responsibly.

Consider the factor of having a higher-than-usual number of female board directors. A study by Nick Wilson at the Leeds University Business School found that a company's likelihood of filing bankruptcy fell 20% when it had at least one woman director; having two or three further reduced the risk of insolvency.[35] "The negative correlation between female directors and insolvency risk appears to hold good, irrespective of [company] size, sector and ownership, for established companies as well as for newly incorporated companies," the study found.[36]

Several case studies show the value of having a higher than typical number of women leaders in turning a company around. And because turnaround CEOs need to think like outsiders, women and minorities can be ideal candidates for these positions.

The turnaround at consumer electronics retail giant Best Buy is a great case in point. CEO Hubert Joly has called women executives the company's "secret weapon" in its about-face this decade.[375] In 2012, when he took the helm, Best Buy earnings had swung from

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[34] Study written about in an April 2018 article in Management Today. https://www.managementtoday.co.uk/20-turnarounds-succeed-heres-why/leadership-lessons/article/1461027

[35] https://business.leeds.ac.uk/about-us/our-people/staff-directory/profile/nick-wilson/

[36] As cited in a 2012 Credit Suisse report, p. 19 Here. https://www.calstrs.com/sites/main/files/file-attachments/csri_gender_diversity_and_corporate_performance.pdf

[37] http://www.startribune.com/cfo-corie-barry-s-the-man-as-best-buy-surges/435908143/

$1.3 billion in profits the prior fiscal year to a $1.2 billion loss.[38] At the time, only three of the firm's 12 top executives were women.

Even before Joly arrived, Best Buy had focused on developing women leaders, forming a Women's Leadership Forum in 2007. The company had found that women influence 89% of all consumer electronics purchased and spend $68 billion a year on such gear.[39] Under Joly, the firm established a wedding registry and stocked items aimed at attracting women shoppers, such as phone cases from designers like Kate Spade. By 2016, six of the executives who reported to Joly were women.

Joly lured Sharon McCollam, a former COO and CFO of Williams Sonoma, out of retirement to be CFO. A turnaround veteran, she had helped to reverse the fortunes of Dole Food's vegetable products and brought Williams-Sonoma out of the Great Recession. McCollam fixed Best Buy's IT and supply chain operations, cut costs and layers of management, and got its stores to begin fulfilling online orders—engineering a holiday season turnaround in 2014. A 2015 Fortune article noted Joly's view that having women as leaders not only rescued the firm but also motivated staff to withstand the changes.[40]

Another illuminating case example of this is Bank of America. Back in 2011, a year after Brian Moynihan became CEO, there were rumors on Wall Street that the company was at risk of bankruptcy.[41] Insurance giant AIG had sued it for $10 billion, saying BofA misled it about the quality of the mortgage-based securities it sold to AIG. (BofA settled that suit in 2014, paying AIG $650 million.)[42] Two years earlier, BofA took a $45 billion infusion from the U.S. government during the financial meltdown.

A key element of Moynihan's turnaround strategy has been increasing the gender diversity of his leadership team, more than 40% of whom today are women. And more than 30% of its board directors are as well. Moynihan hasn't missed a single meeting of the bank's diversity and inclusion councils over the last 10 years.[43]

> *"When you have diversity, whether it's by gender or race, ethnicity, sexual—whatever the diversity is—it creates the need for engagement, because you're just not alike."*
>
> —ANNE FINUCANE

"I would suggest that our company and a lot of other companies would have done better in the financial crisis if we had 40% women managers and 30% of the board were women" in the last decade, Vice Chairman Anne Finucane, the bank's highest-ranking female, told CNN last year.[44] "I think women make sure they understand the full scope of an issue before they proceed," said

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[38] Best Buy annual report. http://s2.q4cdn.com/785564492/files/doc_financials/2012/annual/FY12-Annual-Report-on-Form-10-K.PDF

[39] https://www.retailwire.com/discussion/women-are-a-majority-in-best-buys-top-executive-ranks/

[40] http://fortune.com/2015/10/25/best-buy-turnaround/

[41] https://theweek.com/articles/482628/bank-america-brink-bankruptcy

[42] Wall Street Journal, July 16, 2014. https://www.wsj.com/articles/bank-of-america-to-pay-650-million-to-aig-in-mortgage-disputes-1405547611

[43] According to this recent Forbes interview with BoA CEO Brian Moynihan. https://www.forbes.com/sites/sheilamarcelo/2018/11/27/will-the-next-ceo-at-a-major-us-bank-be-a-woman-bofa-ceo-brian-moynihan-says-yes-and-heres-why/#4e7979e42f0e

[44] Bloomberg, Oct. 17, 2018. https://www.bloomberg.com/news/articles/2018-10-17/at-bofa-diversity-meetings-seen-as-huge-priority-for-moynihan

Even if a company doesn't have millions to spend on diversity initiatives, by increasing gender equity in managing key business mandates, it can make substantial financial and operation improvements.

Finucane, the bank's former head of global strategy and marketing. "I think when you have diversity, whether it's by gender or race, ethnicity, sexual—whatever the diversity is—it creates the need for engagement, because you're just not alike. So you ask a question, and the asking of the question releases everybody else to ask the question. Imagine if you could have asked a few more questions in 2006 and 2007?"

Since Moynihan has been CEO, "the management team has evolved to being almost half women," Finucane said. "I would say the dialogues are more robust. The conversational issues are both broadened on the one hand and delved into deeper on the other."[45]

Bank of America has bounced back strongly, growing through less-risky lending, and selling off its riskier businesses. The bank had net income of $28 billion in 2018, including record profits in the last quarter. [46]

As research and real-world examples illustrate, greater gender equity helps companies gain key competitive advantages: increasing the bottom line, improving brand reputation, and enabling the company to draw from a bigger pool of capable leaders. Even if a company doesn't have millions to spend on diversity and inclusion initiatives, by increasing gender equity in managing key business mandates, it can make substantial financial and operational improvements.

MANDATE #4 Developing Future Leaders

To grow over the long-term, companies must have a robust pipeline of capable leaders to execute key initiatives and guide them through a crisis like bankruptcy or economic recession. Consciously or not, companies that stock their leadership pipeline with far many more men than women are creating an unnecessary shortage of strong future managers.

This is an especially acute problem in industries facing imminent talent shortages. According to Korn Ferry, labor shortages will cost the global economy $8.5 trillion by 2030, "equivalent to the combined GDP of Germany and Japan."[47] Three sectors—financial and business services; technology, media, and telecommunications; and manufacturing—will account for more than a third of the unrealized economic gains, the report predicts. Meanwhile, 56% of executives surveyed by Deloitte in 2016 said their companies were not ready to meet their leadership needs.

Yet women are notably absent from the workforce in key industries, and thus unavailable for leadership jobs. In the U.S., women comprise 47.5% of workers.[48] But in the high-tech industry, which accounts for about one quarter of all U.S. economic output, women held only 36% of jobs and 20% of leadership roles.[49] In North American financial services firms, more than half of entry-level employees are women. However, only 19% of C-suite executives in the sector are female, according to research by LeanIn.org and McKinsey.[50]

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45 CNNMoney interview, Feb. 26, 2018. https://money.cnn.com/2018/02/26/news/companies/bank-of-america-anne-finucane/index.html

46 Forbes. https://www.forbes.com/sites/sylviaannhewlett/2011/06/09/the-key-to-bofas-success-more-women-at-the-top/#1b0c5df1279f

47 https://www.bizjournals.com/charlotte/news/2018/01/17/bank-of-america-execs-say-responsible-growth-is.html

48 Korn Ferry Institute report, "The $8.5 Trillion Talent Shortage," May 9, 2018. https://www.kornferry.com/institute/talent-crunch-future-of-work

49 https://www.census.gov/newsroom/blogs/random-samplings/2017/10/women-manufacturing.html

50 https://www.kaporcenter.org/wp-content/uploads/2018/02/KC18001_report_v6-1.pdf

In manufacturing companies, women recently held fewer than one third of all the jobs. Furthermore, many manufacturers and energy producers have no programs for recruiting women at any level, in contrast to retailers and life science companies, according to Deloitte.[51] Even sectors like healthcare services with a primarily female labor force have few female leaders. In the U.S., nearly 80% of healthcare services jobs are held by women, yet only 19% of hospitals are managed by them.[52]

The shortage of women managers is especially troublesome in countries such as Japan with declining birthrates and low percentages of women in management roles. Business leaders in these countries will need to work much harder to elevate women for leadership jobs. In a 2017 ranking by the World Economic Forum, Japan placed 114th of 144 countries, with only 13% of management jobs held by women, although half of college graduates in the country were women as of 2016.[53]

Bank of America has committed to developing female executives, and not only within its own ranks. Its diversity and inclusion council reports to CEO Moynihan. The company runs a women's executive development program with Columbia University and a global conference for its top 300 women leaders and their male advocates, among other initiatives. Meanwhile, BofA spends $2 billion per year with women and minority suppliers, and loans $40 million a year to female entrepreneurs.

"This focus on diversity is part of our effort to be a great place to work, which is one of the ways we drive responsible growth," Moynihan told Forbes in 2018. "To be a great place for teammates to work, it's pretty simple: We're saying anybody can join our company from whence they came, no matter their sex, race, economic background, geography background. They should be able to be themselves—that's an important point—and they have the power to make a difference."[54]

4 MANDATES RECAP

Having more women on innovation teams tends to lead to more breakthrough innovations.

01 Accelerating Innovation

Having more women in leadership roles throughout a company can help create stronger bonds with customers.

02 Strengthening Relationships with Key Stakeholders

Women and minorities can be ideal candidates for leaders in turning a company around.

03 Growing Responsibly

To grow over the longterm, companies must have the most capable leaders to execute key initiatives.

04 Developing Future Leaders

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[51] LeanIn.org and McKinsey study, "Closing the Gap," published September 2018. https://www.mckinsey.com/industries/financial-services/our-insights/closing-the-gap-leadership-perspectives-on-promoting-women-in-financial-services

[52] Deloitte study report, see page 10. https://www2.deloitte.com/content/dam/Deloitte/us/Documents/manufacturing/us-minding-the-manufacturing-gender-gap-final.pdf

[53] Korn Ferry Institute, https://www.kornferry.com/institute/healthcare-women-leadership

[54] https://asia.nikkei.com/Opinion/Let-s-get-real-about-female-equality-in-corporate-Japan2

A New Framework for Diversity & Inclusion

Most companies' gender equity initiatives are compliance-focused, rather than aligned with key business mandates of the type we've talked about in the previous section. Leaders who want their companies to become more competitive by increasing the number of women at top levels have to change both how they talk about advancing women and what they do about it.

To start, they need to consider gender equity in the context of their company's business mandates. In addition, they need data to make the case for action and report progress. Four steps can set a diversity and inclusion strategy in the right direction:

STEP 1 Review Your Business Mandates

Identify what your company wants to achieve in its next planning cycle. The mandates outlined in the previous sections—innovation, strengthening stakeholder relationships, growing responsibly, and developing future leaders—are among those for which having more women leaders can increase the odds of success.

Academic studies and the experiences of other companies can point you in the right direction. But they don't make the case for your company specifically. They can only support your argument by suggesting results that are possible or likely—if the study methodology is solid and the rationale behind the results is clear. Getting investment in diversity and inclusion for your company requires connecting these efforts with its stated business priorities.

But note that some business mandates may not, on the surface, appear to require higher levels of gender equity, so be prepared to look deeper. A few years ago, a senior executive came to me for help in increasing the number of women on his leadership team. His mandate was to become more customer-focused. His 11-member team included one woman. Knowing that 100% of his customers are men, I told him I didn't immediately see a business problem. Then he told me many of his customers preferred doing business with women because they found them to be more empathetic and better listeners. Having scratched below the surface, I advised him he had a strong business case for hiring more women to his team.

Know your numbers. Deep knowledge of the demographics that are important to your company is essential. It's not enough to know the gender ratio among employees and management. You need data on your customers, investors, and market, too. Depending on your industry and your business mandates, you may need to segment customers and employees further into ethnicity, geography, age groups and other

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categories. In addition, you may need to segment employees based on where they are in the company hierarchy, their tenure in their role, and the parts of the organization where they work.

Some firms bring deep rigor to their demographic analysis. The following example comes from an organization where I was global head of diversity and inclusion. It is not so much about gender equity, but the logic still applies. A divisional president of a healthcare company believed there were several factors preventing his unit (which served African American patients with a unique disease) from understanding the business case for diversity. Working with the marketing team, we conducted a study to better understand the target patients' demographics.

The study was designed to collect detailed data including the geographic and cultural diversity of the primary family caregivers, the company's market share and market potential for the treatment, the demographics of the company's sales and marketing team, the geographic origins of the medical practitioners administering the treatment, and how the medicine and treatments were managed.

We found medical practitioners fell into two significant categories: those born in the U.S., and foreign-born ethnic minorities with Western values. The foreign-born group lacked the cultural competence to treat patients whose cultures were different from their own (in this case, African-Americans). Most importantly they could not effectively discuss the treatment with patients and family members who played a significant role in caring for them.

In addition, the sales and marketing team members were predominately white and male. After collecting this demographic data, the company created a more diverse sales and marketing team. It also gave cultural insights to the medical practitioners. With those insights, those practitioners provided more effective coaching to the patients and their families.

STEP 2 Understand Stakeholders' Priorities

When you know the demographics of your employees, investors, and customers, you can begin to identify where to address any gender imbalance. For example, you can delve into the level of interest that investors have in diversity and inclusion, and how to respond to their questions and concerns. And the data will help to illuminate opportunities your firm has to engage female customers.

In 2014, several large Silicon Valley companies released their employee demographic data for the first time, under pressure from civil rights leader Reverend Jesse Jackson and his Rainbow PUSH Coalition. The data revealed workforces dominated by white and Asian males. Jackson went further, highlighting the absence of African-Americans, Latinos and women in technology companies before shareholders[55],CEOs[56],and other stakeholders. He has appealed to these companies' constant appetite for talent and fresh ideas, arguing that African Americans represent a significant portion of their customer base and that they are overlooking talent at all levels that can help these firms grow. More recently, Jackson has partnered with several other groups advocating for greater diversity in technology companies, demanding they disclose additional data and commit to goals and timetables.[57]

Such data is increasingly important to people who are deciding where to work. For example, a 2016 survey of U.S. adults by PR firm Weber Shandwick and the Institute for Public Relations found that 47% of

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[55] See previous note

[56] Shalene Gupta, "Jesse Jackson Talks Diversity in Silicon Valley," *Fortune* December 20, 2014. http://fortune.com/2014/12/20/jesse-jackson-talks-diversity-in-silicon-valley/

[57] Jessica Guynn, "25 tech companies meet to talk tech diversity," USA Today, December 9, 2014 https://www.usatoday.com/story/tech/2014/12/09/jesse-jackson-rainbow-push-coalition-intel-diversity/20159185/

> *By connecting your company's business mandates with increasing gender equity, you'll be able to show exactly how gender equity can accomplish key objectives without relying on abstract moral or legal reasoning.*

millennials factor diversity and inclusion into their job search decisions.[58] A CNBC story in mid-2018 cited this research as evidence that tech companies must address their workforce disparities to attract new employees.[59]

A tailored approach. By connecting your company's business mandates with increasing gender equity, you'll have rationale that is specific to your company and thus more powerful. You'll be able to show exactly how gender equity can accomplish key objectives without relying on abstract moral or legal reasoning.

Gender equity initiatives labeled and launched to achieve key company mandates are more likely to be perceived positively. The reason is not only because women and men on the team are working to achieve the same results, but also because they will experience the same success. "At the end of the day, we need to perform," says Matt Downs, co-CEO of Sandbox Industries, a venture capital firm that invests in agriculture and healthcare startups. "If you say, 'I need an African American in the room,' or 'I need a woman in the room,' you're missing it. I need a brilliant thinker with a different background than mine, who brings a different perspective, who will help us make effective decisions. And if you're established on that philosophy, then you're going to move in the right direction."

Along with creating and connecting gender equity plans to key business mandates, you will need to show, as with any initiative, how you will measure results and report progress. That's part of step 4.

STEP 3 Push Inclusion to the Max

When your new gender equity initiatives are successful, your company will be putting more women in leadership roles to achieve its key mandates.
But for women to stay, behavior in the company—especially that of male leaders—will also need to change. Simply increasing the ratio of women to men may not change the way they interact. And it may not increase recognition of strong female leaders or their importance in the long run.

To succeed, you also have to create a greater sense of inclusion. That means changing from a confrontational approach to a partnership between women and men who are committed to creating an inclusive corporate culture.

As you did for diversity, make the case for inclusion by focusing on your company's business mandates. Codie Sanchez, an executive with asset management firm First Trust who also runs a venture fund, recounts

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[58] https://www.usatoday.com/story/tech/2018/04/02/jesse-jackson-apple-amazon-facebook-google-redouble-diversity-efforts/474543002/
[59] https://instituteforpr.org/nearly-half-american-millennials-say-diverse-inclusive-workplace-important-factor-job-search/

a meeting she had with entrepreneurs. One of them, the top executive at an all-male advertising agency with a heavy "bro" culture, admitted that he was afraid to hire women for leadership positions because of a female executive who had quit and sued the firm. (The parties settled the lawsuit.) Two women in Sanchez's group of entrepreneurs were quick to judge him. But Sanchez engaged him in a conversation that genuinely interested him, prompting him to think in new ways about the issue.

The executive acknowledged to Sanchez that his advertising agency had a difficult time winning business from female-led companies in two important markets: consumer packaged goods and healthcare companies. She pointed out his two options as she saw them: (1) play in the "man-space" forever and watch his market share dwindle or (2) tackle the cultural issues and make it safe and comfortable for women to join and stay in the organization. In that moment, he was won over because he could see the win-win for his business and for women. By treating this male entrepreneur with dignity and respect, Sanchez created a situation where he could remain open to new ideas and set a vision for moving his company forward both financially and culturally.

Becoming more inclusive will require action on two fronts: ensuring that women get the same assignments and exposure that men do; and showing male leaders what they must do to achieve their company's diversity and inclusion goals.

Having a strong leadership pipeline isn't enough. Executives must promote women into jobs of increasing responsibility so they are ready to step into P&L roles and don't leave for bigger jobs at other companies. In the area of career development, one company identified 18 high-potential women to be sponsored by its executive diversity council. The council, which was chaired by the company's COO, sought feedback from supervisors and HR leaders about each protégé's development needs. The council also surveyed each protégé about her development needs and career aspirations. Ultimately, the women participated in workshops targeted to these needs. Within six months of piloting this approach, 60% of the women were promoted, moved laterally, or placed on international assignments.

Male leaders, meanwhile, need to become conscious of how their behavior may exclude women. Individuals—both women and men—can often constructively point out ways to be more inclusive while maintaining collegiality.

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The example of Aileen Casanave is instructive. She is a technology attorney, business executive, teacher, and board member of several nonprofit organizations in Silicon Valley. Early in her career at a major defense contractor, she was one of two women on a team of senior legal executives. Her female colleague traveled often, leaving Aileen as the only woman at their weekly staff meetings. She saw these as opportunities to learn by listening attentively, observing closely, and modeling her colleagues' behavior. For instance, when they argued and then invited each other to lunch, she did the same. She credits these experiences with helping her develop emotional intelligence.

However, Casanave observed one pattern of behavior that she could not model: their practice of continuing business conversations during bathroom breaks. One day she decided to follow her male colleagues to the men's restroom, talking the entire time to ensure they understood she was coming all the way in. "If you are going to continue the staff meeting in the restroom, I'm going to join you because it is a staff meeting that you're holding in there," she said. Assuming she was joking, they quipped that they were just talking about baseball. By going to the door and without needing to enter, she made it clear she knew that wasn't the case. The men got the message and stopped discussing business when she wasn't present. And from that moment forward, when it was time for a restroom break, the men would jokingly ask if she was coming.

Progress depends as well on male leaders becoming proactive. They can participate in environments where they will gain awareness of the value women bring to business and how to interact with them. And they can help women as well as other men manage their careers. Options include serving on the boards of women-focused companies, non-profits, or associations; speaking at diversity and inclusion-focused events; writing about the importance of diversity to company performance; and becoming sponsors to high-potential women. Executives can require that slates of candidates for leadership or board positions include qualified women, and that teams making presentations to customers (and vice versa) are diverse.

"I find a lot of men want to talk about what to do and about how they can play a role. But the most important thing for a man to do is take action," observes Star Cunningham, founder and CEO of 4D Healthware. "If every man in a position of power chose to personally help two women a year, that would make a difference. And when I say 'personally help,' I mean pick two women a year that you are going to be available for, make warm introductions for, and invite to play golf."

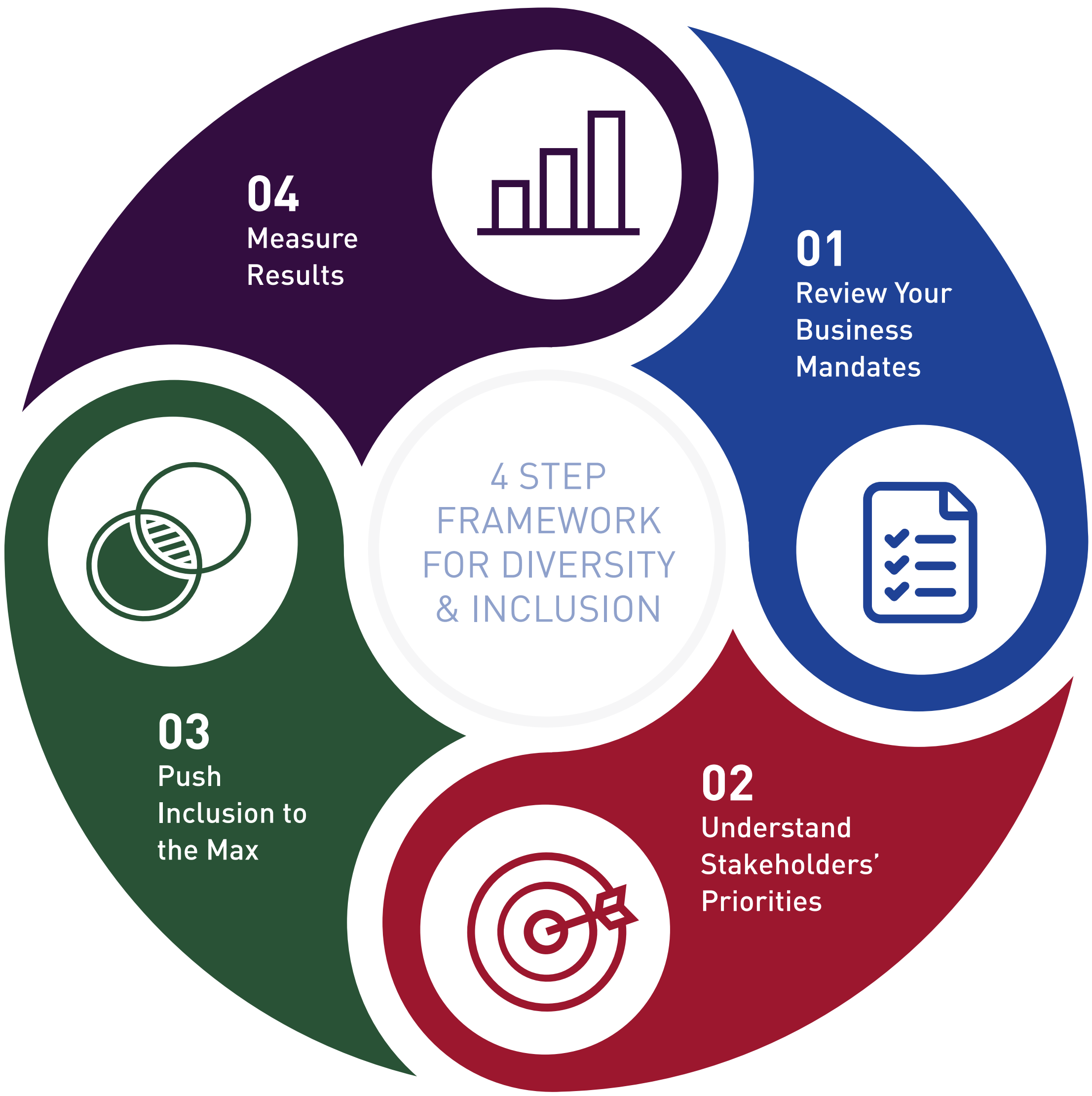
STEP 4 Measure Results

No business initiative will achieve sustained investment or attention without some proof that it makes a difference. Any diversity and inclusion initiative must include metrics that show not only the progress your company is making toward advancing more women into leadership roles, but also the impact they are having on the business. It's the only way to ensure executives don't revert to old ways when their initial enthusiasm for the effort has subsided.

The metrics will depend on the outcomes you are pursuing. But having data allows you to see where you have been successful and where you have not.

Consider a scenario in which a company is expanding and is competing for employees with a specialized set of skills. Senior leaders recognize they must attract women to fill all the open positions, which will be increasing over time, and they have taken steps to recruit, develop, and retain women at all levels. If the company uses employee engagement surveys to monitor job satisfaction, it can segment the results by gender to learn whether the women it has hired are less satisfied than men. If leaders correlate these results to employee turnover metrics, and they track these numbers over time, they can see whether their gender equity strategies are improving the work environment and opportunities for women, and reducing turnover. They will also be able to connect retaining women with achieving their expansion goals.

I worked with a company to incorporate metrics for diversity and inclusion into one of its key performance indicators: productivity. By breaking out the revenue per hour that women and men generated, the CFO was able to report that they were equally productive. Executives had evidence to counter beliefs that women in the company contributed less due to their perceived family obligations and desire for flexible work schedules. The data influenced the executives to change how they distributed work to women. It also helped them improve the company's work-life integration policies after seeing how it would help them to achieve their productivity goals.



01

Identify what your company wants to achieve in its next planning cycle. Innovation, strengthening stakeholder relationships, growing responsibly, and developing future leaders are among the mandates for which having more women leaders can increase the odds of success.

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03

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04

No business initiative will achieve sustained investment or attention without some proof that it makes a difference. Any diversity and inclusion initiative must include metrics that show the impact women in leadership are having on the business.

Get Moving Now

As the research we've cited shows, having a higher than typical percentage of female leaders can greatly improve the chances a company achieves key mandates and financial success. But at the current rate that women are joining top management teams, it will take 217 years to close the gender gap, according to the World Economic Forum.[60] Business leaders who want to accelerate and sustain progress need to completely rethink their diversity and inclusion efforts.

Companies need the best minds to compete. Yet talented women continue to be overlooked because diversity and inclusion strategies typically do not account for the influence that top executives have on the careers of individuals who rise through the management ranks and the slates of candidates who are considered for advancement.

Leadership development programs are vital for giving women the right experiences and building their competencies. But companies rely too heavily on them. Landing a top management position in a company is neither guaranteed nor accidental; merely participating in leadership development won't make it happen. People are chosen to advance because someone of higher rank is aware of their talent and career goals, includes them in groups where they can get to know other decision-makers, places them in roles where they can develop, and ultimately recommends and considers them for senior positions.

And yet, whether due to lingering stereotypes about women, thinking this is a win-lose proposition, ingrained social behavior, or simple inertia, the people whose careers are nurtured at the executive level continue to be predominantly men.

These deeply embedded patterns can change. However, senior leaders need to be convinced of their company's business mandates for undertaking what they may fear will be uncomfortable work, given the legal and social arguments for gender equity to date. With positive and pragmatic models for becoming gender equity champions, they can, in partnership with rising women, act decisively to build the leadership teams they need to compete.

Increasing gender equity is critical to competitiveness. Business leaders, starting with the CEO and board of directors, must waste no time in reinvigorating their diversity and inclusion efforts. Though there is no quick fix, a few concrete first steps will enable most companies to demonstrate progress in the short term, and set the stage for sustained action:

- **Put a qualified leader in charge, preferably someone with operations experience or proven track record of successfully supporting business mandates through diversity and inclusion.** You should treat this assignment as you would any other business imperative: Appoint a highly qualified leader to create an action plan with

> *People are chosen to advance because someone of higher rank is aware of their talent and career goals, includes them in groups where they can get to know other decision makers, places them in roles where they can develop, and ultimately recommends and considers them for senior positions.*

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[60] https://www.weforum.org/projects/closing-the-gender-gap-gender-parity-task-forces

measurements that matter to your business and key stakeholders, monitor it to ensure it is executed, and communicate progress consistently.

- **Develop a business case for gender equity that aligns with your company's business priorities for a specified timeframe such as a planning cycle.** Track progress in achieving these business mandates so you can tie gender equity to corporate performance. Then report the results with employees, customers, and investors.

- **Make it sustainable.** Integrate your gender equity plans directly into business unit and people plans, and the company's overall processes, policies and procedures. Incorporate it as well into individual performance goals.

While you're ramping up your gender equity efforts, you may still lose some ambitious, innovative and impatient future women leaders. Be prepared to let them go. However, find a way to stay connected to them, perhaps by funding their entrepreneurial ventures. When their new companies are ready to be acquired, you'll have a chance to bring these talented women back into your changed company. Whatever you do, don't delay, or you risk losing access to talent that will be essential to leading your company to the future.

With positive and pragmatic models for becoming gender equity champions, senior leaders can act decisively to build the leadership teams they need to compete.