

McKinsey Global Survey results:

Rethinking how companies address social issues

Many companies committed to addressing social issues in developing markets are overlooking a strategy for boosting their social impact—and perhaps their profits—a McKinsey survey suggests.

The vast majority of companies, according to the results of a recent McKinsey survey,¹ believe that economic growth in developing markets is important to the success of their business strategies. And more than two-thirds of those companies are engaged in various programs to encourage that growth, whether through education or private-sector development or technological advancement.

But many of these programs may be less effective than they could be, the survey results suggest. That's because only 19 percent of respondents say their companies' development programs focus on women, even though a great deal of recent research by the World Bank, the United Nations, and academic scholars indicates that programs focused on women generate better outcomes, in terms of specific program goals and overall development objectives. For instance, an extra year of secondary schooling has been demonstrated to increase women's future wages by 10 to 20 percent, significantly higher than the 5 to 15 percent return observed among men.² In addition, women who earn income are especially powerful catalysts of development because they reinvest a larger portion of their income in the health, education, and well-being of their families, compared with men.³

The survey asked senior executives from companies headquartered around the world if and how their companies operate in developing markets, whether they are addressing social issues tied to economic development, and whether any of their development programs focus on women. The survey also asked about whether and how focusing on women has affected profits at these companies and, for companies not focused on women, what might cause them to do so.

¹ The online survey was in the field from May 21, 2009, to June 3, 2009, and received responses from 2,245 senior executives from around the world, representing the full range of functional specialties and industries except health care.

² George Psacharopoulos and Harry Anthony Patrinos, "Returns to investment in education: A further update," *Education Economics*, 2004, Volume 12, Number 2, pp. 111–34. It is important to note that underlying wage gaps between men and women have been factored out of this analysis.

³ Phil Borges, *Women Empowered: Inspiring Change in the Emerging World*, New York: Rizzoli, 2007, p. 13. It is important to note that underlying wage gaps between men and women have been factored out of this analysis.



Jean-François Martin

It is particularly notable that most respondents to this survey whose companies focus their development programs on women say the focus has boosted profits or will do so soon. This is surprising because, in general, companies have great difficulty making financial assessments of the corporate benefits of social investments. Respondents’ ability to see a clear link to profits likely results from a combination of the issues companies are addressing (particularly education), the targets of their programs (most often current and future employees), and the multiplier effect of focusing on women.

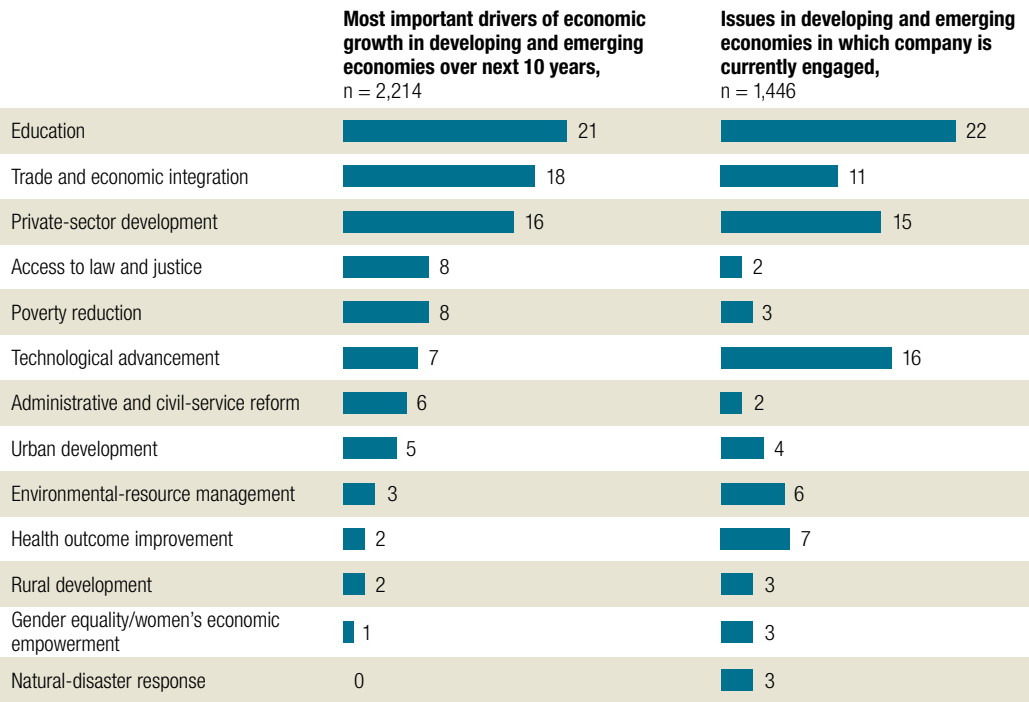
⁴ In this article, we use the term *developing markets* to refer to developing and emerging economies. Those are defined by the World Bank as countries classified as low or middle income that tend to have lower than average GDPs per capita, life expectancies, and literacy rates.

How companies are spurring development

Three-quarters of the companies represented in the survey are somehow active in developing markets,⁴ most often by making sales in those countries and having offices there. And the vast majority say economic growth in those markets is now and will continue to be important to the success of their business strategies. So, for most companies, there are clear business reasons to

Exhibit 1
Top drivers of economic growth

% of respondents who ranked given issue No. ¹



¹ Respondents who answered “other” are not shown.

support growth in developing countries. Indeed, the importance companies place on encouraging such growth is highlighted by the finding that, even during the past calendar year of economic crisis, most of the companies addressing issues in developing markets have at least maintained their previous levels of engagement, while 38 percent have increased it.

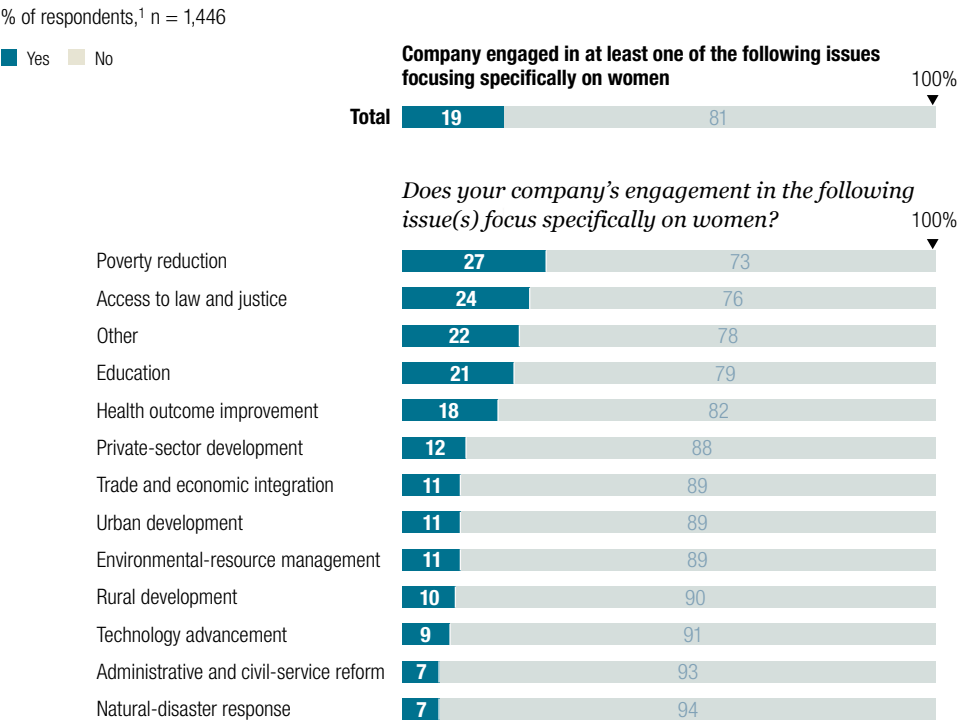
Survey respondents identify education, trade and economic integration, and private-sector development as the top drivers of economic growth in developing markets over the next ten years (Exhibit 1). These drivers overlap with the top three issues that companies are seeking to address in some way: education, technological advancement, and private-sector development.⁵

⁵ “Addressing” an issue was defined as making corporate financial contributions or supporting employee donations or volunteerism, as well as other corporate initiatives or company policies.

Focusing on women

Among executives at companies addressing one or more development issues, only 19 percent say their programs focus on women—that is, programs that specifically promote gender equality or

Exhibit 2
Where the focus is on women



¹Includes companies that are engaged in gender equality/women's economic empowerment in developing countries; figures may not sum to 100%, because of rounding.

women’s economic advancement or that make women the central focus of programs with other aims (Exhibit 2). Notably, in comparing responses from these companies with responses from companies that have not focused on women in their development programs, the same issues—education, trade and economic integration, and private-sector development—are seen as important and are most frequently addressed. What’s different is just the choice of a women-specific angle.

It must be noted that addressing these issues—even without a focus on women—often helps women’s economic position significantly. However, programs that focus specifically on women create more benefit for women and society as a whole, according to many studies over the past 15 years. Countries that have not achieved gender parity in education, for example, have been found to forgo 0.1 to 0.3 percentage points annually in per capita economic growth.⁶ Further, a one-year increase in schooling of all adult females in a country is correlated with an increase in GDP per capita of roughly \$700 and a 0.7 percent increase in the participation of women in the formal labor force.⁷ Compounding these effects is the fact that educated and employed mothers have a stronger positive influence on the health and educational outcomes of their children than do similar fathers.

⁶ Dina Abu-Ghaida and Stephan Klasen, “The costs of missing the Millennium Development Goal on gender equity,” *World Development*, 2004, Volume 32, Number 7, pp. 1075–1107.

⁷ World Bank, “Focus on women and development: Improving women’s health and girls’ education are key to reducing poverty,” worldbank.org, March 8, 2004.

Exhibit 3

How companies engage with women’s development

% of respondents whose companies are engaged with women in developing economies, n = 431

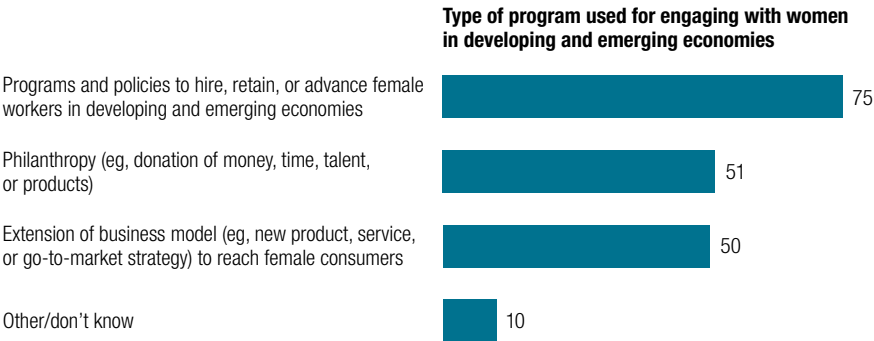
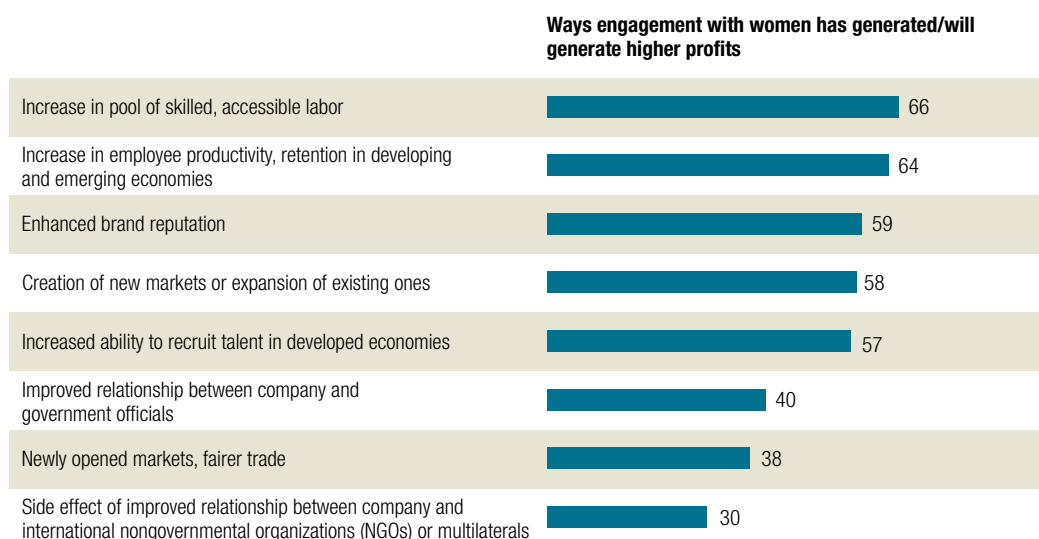


Exhibit 4

Profits from women

% of respondents whose companies are engaged with women in developing economies,¹ n = 431

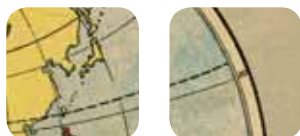


¹ Respondents who answered “other” or “don’t know” are not shown.

At the companies focused on women’s development, the most common reason for that decision is that the focus is consistent with company culture or tradition. These companies’ programs most often target current and future employees, closely followed by women in society at large. Consistent with a focus on employees, three-quarters of respondents describe their efforts as programs and policies to hire, retain, or advance female workers in developing economies (Exhibit 3).

Missing a chance for higher profit?

Among respondents whose companies are engaged with women on development issues, 34 percent say the engagement has already increased profits, and another 38 percent expect it to do so, most often by increasing the pool of skilled and accessible labor (Exhibit 4). Given how hard it can be for companies to assess the financial benefits they can gain from social programs, this finding is initially startling. However, it is less so considering the research measuring benefits from programs that focus on women and the fact that many respondents’ programs focus on education and generally target current and potential employees. Notably, executives at companies with programs that don’t focus on women say the same labor force benefits already reported by others would encourage them to adopt such programs (Exhibit 5).



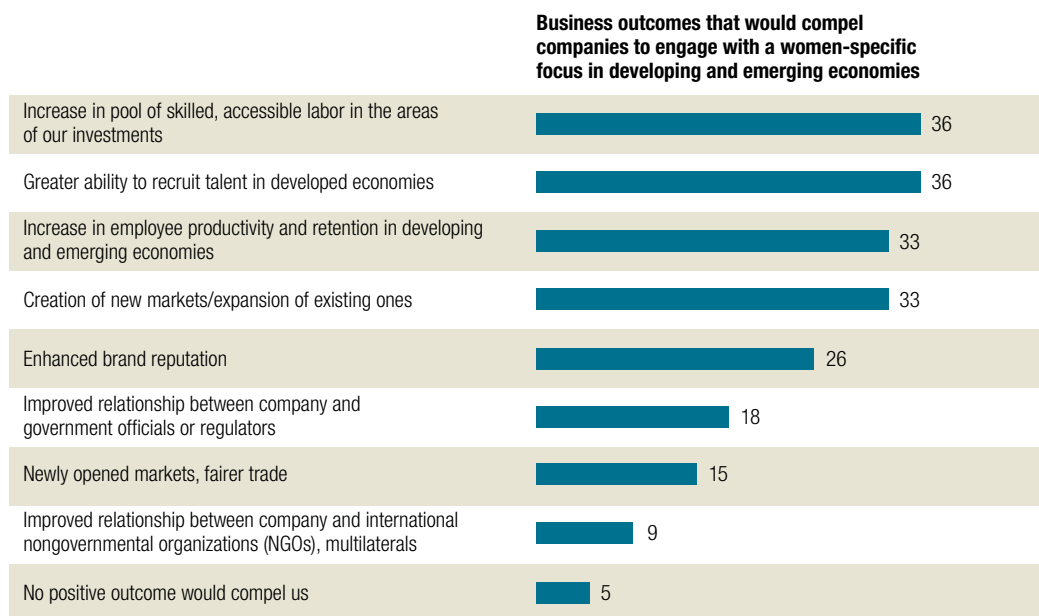
So why do relatively few focus on women? One reason is that many companies don't know that such a focus can increase the social impact of many programs. Two-thirds of respondents to this survey say that their companies have been unaware of the research or that they don't know whether the company is aware of it. Furthermore, respondents at more than half of these companies say they have never considered focusing on women as a distinct strategic or philanthropic priority.

Beyond that, companies are typically aware that addressing social issues can create hard business benefits beyond maintaining or improving reputation—particularly in improving employee morale

Exhibit 5

Compelling reasons

% of respondents whose companies are not currently engaged with women in developing countries, n = 1,050¹



¹ Respondents who answered "other" or "don't know" are not shown.



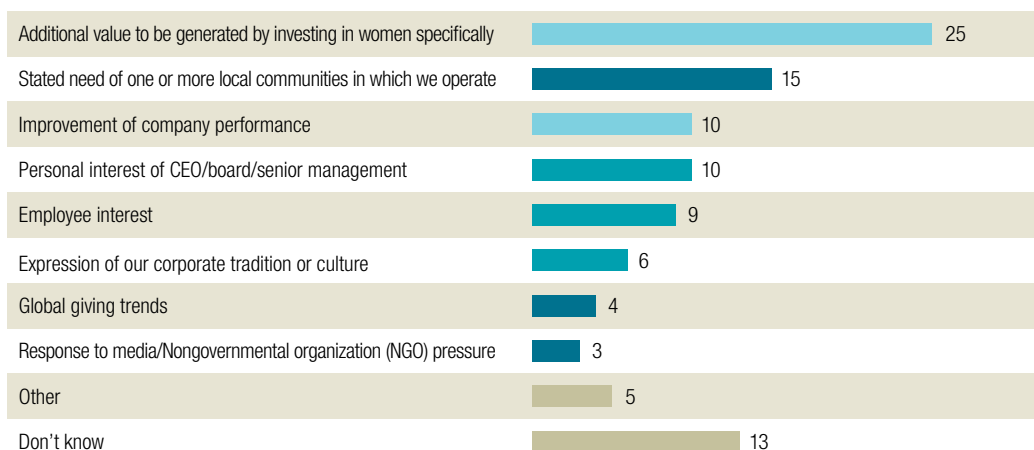
Exhibit 6

Money motivates—sometimes

% of respondents whose companies are not currently engaged with women in developing countries, n = 1,050

■ External motivation
■ Internal motivation
■ Financial motivation

Reasons most likely to compel companies to take a women-specific focus in developing and emerging economies




and retention.⁸ However, these effects can be hard to measure and often aren't considered when assessing social programs. For example, in a McKinsey survey from January 2009,⁹ three-quarters of CFOs and investment professionals said social programs make positive long-term contributions to shareholder value, but only 37 percent said that's true in the short term. For the most part, respondents to that survey said value comes from maintaining a good corporate reputation broadly, and most respondents were unable to fully integrate the effects of social, environmental, or governance programs into financial analyses. In common with those findings, 35 percent of respondents to this survey say they would most likely focus development programs on women if such a focus would generate additional value or improve corporate performance, while nearly half say they would do so in response to internal or external pressure of other kinds (Exhibit 6).

As long as these attitudes persist, both the potential to create short-term financial benefits from social investment and the multiplier effect of focusing on women are unlikely to occur to most companies.

⁸ For example, see "The state of corporate philanthropy: A McKinsey Global Survey," mckinseyquarterly.com, February 2008.

⁹ "Valuing corporate social responsibility: McKinsey Global Survey Results," mckinseyquarterly.com, February 2009.

Looking ahead

- If they do not already do so, companies can likely make many programs—such as those in education—more effective for communities and themselves simply by incorporating a focus on women.
- Companies appear to see investing in education as a way to address many social issues; the fact that doing so also builds a larger, more qualified labor force is a clear additional benefit. 

Contributors to the development and analysis of this survey include **Kameron Kordestani**, a consultant in McKinsey's New Jersey office, and **Irina A. Nikolic** and **Lynn Taliento**, an associate principal and a principal, respectively, in the Washington, DC, office.

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