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Still looking for room at the top: Ten years of research on women in the workplace

What we know—and what everyone needs to know—about the quest for equality.

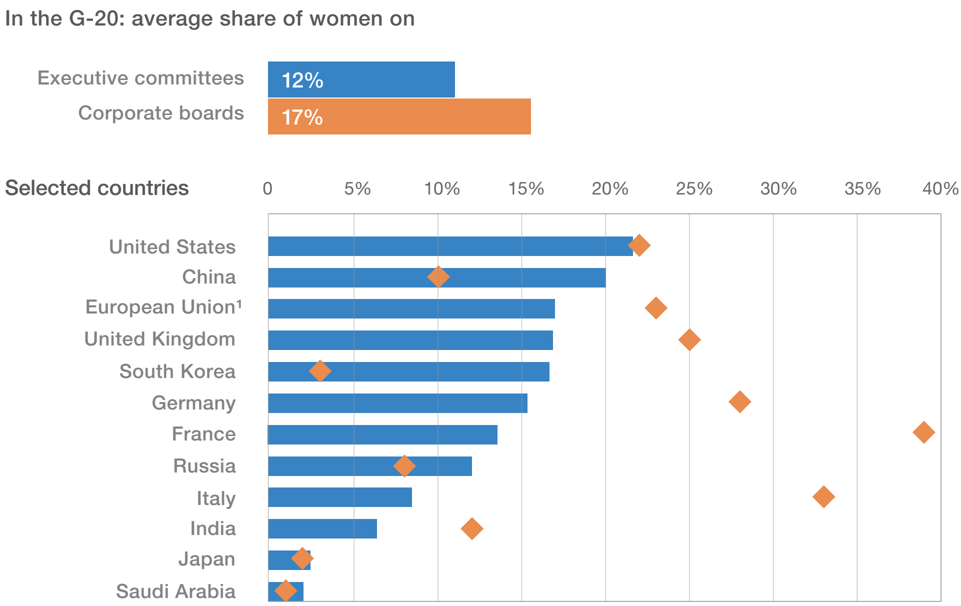
by Sandrine Devillard, Vivian Hunt, and Lareina Yee

In 2007, when women held 11 percent of seats on the executive committees of Europe's leading companies, McKinsey published its first *Women Matter* report. It not only argued for greater gender diversity in corporate management but also suggested how to achieve that goal.

Since then, we have vastly extended the scope of our research, publishing more than 20 reports that have shaped the debate on gender equality in the workplace around the world. But there remains an uncomfortable truth. While progress has occurred in the intervening years, it remains too slow. In 2017, on average, women accounted for 17 percent of corporate-board members and 12 percent of executive-committee members in the top 50 listed G-20 companies (Exhibit 1). Even more worrying, perhaps, is that many people are content with the status quo. According to our *Women in the Workplace 2017* study, conducted with LeanIn.Org and one of the largest of its kind, almost 50 percent of men think that it is sufficient when just one in ten senior leaders in their company is a woman. One-third of women agree.

Exhibit 1

In 2017, representation of women on corporate boards and executive committees is still far from parity, although it varies widely by country.



[1]Estimated based on G-20 countries.
Source: Top-listed companies of the relevant stock-market reference index; McKinsey analysis

Despite this slow progress, our understanding of the challenge has forged ahead. Of the lessons learned, at the top of the list must surely be how hard the problem is to crack. To help concentrate efforts and encourage the many companies striving to make progress on diversity, this article summarizes what our decade of research has taught us about the case for change, the barriers that prevent it, and the solutions required for achieving it.

THE CASE FOR CHANGE

Our research has examined both the impact of having more women in senior-management positions on business performance and the potential for greater female participation in the workforce to unlock growth in the global economy.

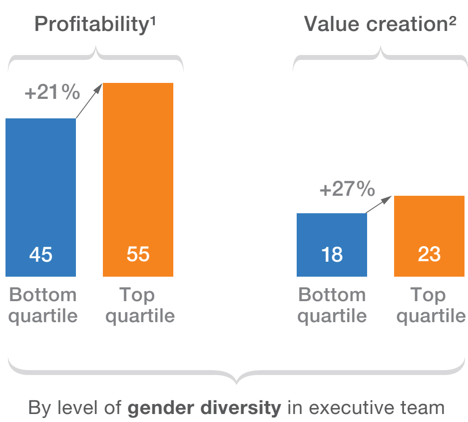
Correlations with company performance

Many companies strive for gender equality because it is the right thing to do, a point made most recently in our 2017 report *Women Matter: Time to accelerate—Ten years of insights into gender diversity*, by Janina Kugel, a member of the managing board of Siemens. "It is important to clearly state that discrimination is neither accepted nor tolerated, and to leave no room

Exhibit 2

Companies in the top quartile for gender diversity in executive teams were more likely to outperform on profitability and value creation.

Likelihood of financial performance above national industry median, %



[1]Average EBIT margin (earnings before interest and taxes), 2011–15.
[2]Average economic-profit margin, 2011–15. Sample = 991 companies.
Source: Company websites; McKinsey Diversity Matters database

for ambiguity," she says. But McKinsey also put forward a business case in its early research. A global survey of 279 companies conducted in 2010 found that those with the greatest proportion of women on their executive committees earned a return on equity 47 percent higher than did those with no female executive members.[1]

Of course, a correlation does not prove causation, and some academics have disputed what they regard as the intuitive appeal of a link between diversity and performance. Nevertheless, a growing body of research by McKinsey and others continues to strengthen that link. Our 2018 *Delivering through diversity* study of more than 1,000 companies in 12 countries found a correlation between diversity at the executive level and not just profitability but also value creation. Those companies in the top quartile for gender diversity were 27 percent more likely to outperform their national industry average in terms of economic profit—a measure of a company's ability to create value exceeding its capital cost—than were bottom-quartile companies (Exhibit 2). There was also a penalty for lack of diversity more

[1] See Georges Desvaux, Sandrine Devillard, and Sandra Sancier-Sultan, *Women Matter 2010: Women at the top of corporations: Making it happen*, October 2010, McKinsey.com.

broadly. Companies in the bottom quartile on both gender and ethnic diversity were least likely to record higher profits than the national industry average (Exhibit 3).

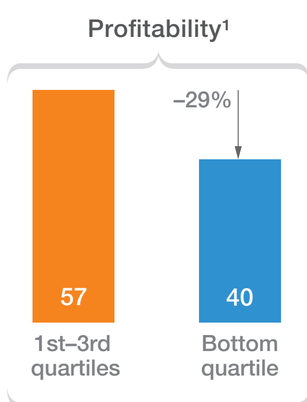
Women lead in different ways than men

Early in our research, we suggested that one of the reasons that companies with a higher proportion of senior women in their ranks might perform better was that men and women display different, but equally valuable, leadership behaviors. Drawing on research in behavioral psychology and what McKinsey calls the "organizational health" of a company, we showed that women tend to encourage a more participatory decision-making process, such as improving the "working environment" component of organizational health. Men, meanwhile, tend to take corrective action more frequently when objectives are not achieved to bolster the "coordination and control" component of organizational health. Not all women and men can fall into these categories, of course. Nevertheless, McKinsey has shown a strong correlation between the organizational health of a company and financial performance.

Exhibit 3

Lack of gender and ethnic diversity in executive teams was associated with relatively weaker profitability.

Likelihood of financial performance[1] above national industry median, %



By level of **ethnic[2] and gender diversity** in executive team

[1]Average EBIT margin (earnings before interest and taxes), 2011–15.
[2]Analysis of ethnic diversity based on 589 companies with relevant data.
Source: Company websites; McKinsey Diversity Matters database

The risk of our research into leadership behavior was that it would be seen as stereotyping women and men, unhelpfully accentuating differences at a time when many women were struggling to establish themselves in the workplace by emphasizing that they were no different. But the corporate world now embraces the notion of diversity and acknowledges the value of different perspectives, backgrounds, experience, and even leadership styles. Iris Bohnet, professor of public policy at the John F. Kennedy School of Government at Harvard University, puts it like this in our latest *Women Matter* report: "The evidence is very strong that diverse teams outperform homogeneous teams, whether these are all-male or all-female teams. This occurs across all kinds of different dependent variables, from creative problem solving to analytical tasks to communication skills. Diversity helps because we have a complementarity of different perspectives, or what we call 'collective intelligence.'"

Global economic potential

If women equally participated in the global economy, they could generate additional GDP worth $28 trillion by 2025. That amount is roughly equivalent to the size of the Chinese and US economies combined.

The McKinsey Global Institute made that finding in 2015, when it widened the lens and showed the enormous macroeconomic opportunity that lies in greater gender equality in the workforce. In a study of 95 countries, MGI found that women generated just 37 percent of the GDP, even though they accounted for approximately 50 percent of the working-age population. Lower workforce participation explained most of the gap. But the fact that women often work part time and in less productive areas of the economy, such as agriculture, also counts.

To be clear, the report recognizes that for a variety of reasons, not least cultural norms, women are unlikely to participate equally in the economy in the foreseeable future. But it nevertheless indicates the potential prize, even with only moderate progress. That prize is likely to be particularly valuable in countries where population aging threatens economic growth. A "best in region" scenario, where countries match the rate of improvement of the fastest-improving country in their region, could add as much as $12 trillion, or 11 percent, to the annual 2025 GDP.

THE BARRIERS TO CHANGE

What do we now know about why inequality persists in the workplace? The MGI study tracked ten indicators of women's position relative to men in society, such as education, health, safety, political voice, and financial and digital inclusion, as well as five indicators of equality in the world of work. Broadly speaking, the better their standing in society, the better their relative situation in the workplace. There is almost no country in the world where equality in the workplace outstrips that of women in society. This fact highlights the power governments have to instigate change, be it by introducing laws that protect women's rights, ensuring that girls have a good education, or offering financial support in the form of paid maternity leave, publicly funded childcare, or tax incentives to encourage both partners in a family to work. Much of McKinsey's work, however, has sought to understand the specific barriers to female leadership within business and hence the actions corporations can take to help lower them.

Not just a glass ceiling

Female representation, we have found, is not just a problem at the top. It remains an issue at each stage of the corporate pipeline, with the odds stacked particularly highly against Asian, black, and Latina women, as well as other women of color.

Early efforts by companies to improve female leadership focused on appointing more female board members. Yet our research quickly established that addressing women's absence at the top could only occur by looking at their career progression. It turns out that the underrepresentation of women is already a factor at the outset of their careers, and their representation diminishes with further progression along the pipeline. The odds of progression differ by industry. Some industries, such as technology, are particularly poor at hiring women in the first place. In others, women tend to get stuck at middle- or senior-management level. The overall picture is nevertheless clear. Our 2017 research on women in the workplace—which looked at 222 companies in the United States employing more than 12 million people in total—found that, on average, women held just 22 percent of senior vice president roles. No wonder the odds of reaching the very top are so slim. Disturbingly, women of color fare even worse (Exhibit 4).

Lack of promotion

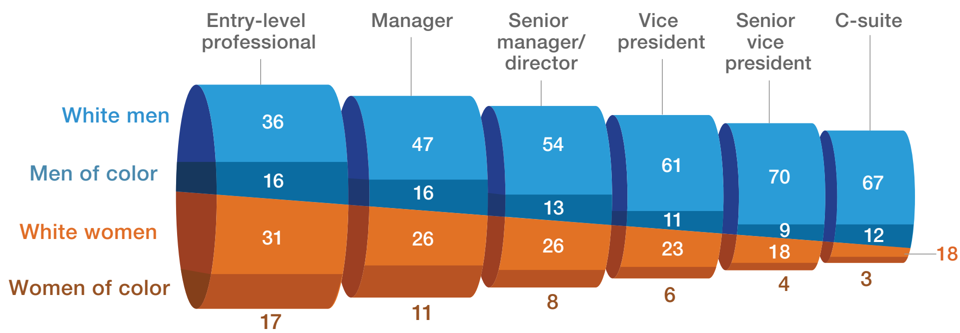
Some things change. In 2007, we cited research suggesting that women fail to make headway in their careers because they are less ambitious, do not seek promotion, or choose to drop out of the corporate pipeline. Subsequent research has quashed those ideas. In 2013, we found the great majority of mid- and senior-level women interviewed for a global survey (79 percent) were keen to reach a top-management position—much the same proportion as men. And our *Women in the Workplace 2016* report showed that in the United States, 74 and 80 percent of women and men, respectively, want promotion to the next level. That said, women are markedly less confident of fulfilling their ambitions, and perhaps justifiably so. They are less likely than men to receive promotions, even though they ask for promotions at similar rates. Getting on the first management rung is the hardest. Entry-level women are 18 percent less likely to receive promotions than are their male colleagues, according to the *Women in the Workplace 2017* report.

One kink in the more recent findings is particularly noteworthy: fewer women than men are interested in reaching the highest corporate echelons.

Exhibit 4

The odds of women reaching the very top are slim, and women of color fare even worse.

Corporate-talent pipeline by gender and race,[1] %



[1]Percentages by race and gender in each stage of the pipeline may not sum to overall corporate pipeline totals, as the percentages for race only include companies that were able to supply data on race. Figures may not sum to 100%, because of rounding.
Source: *Women in the Workplace 2017*, in which LeanIn.Org and McKinsey examined the employee pipeline of 222 US corporations

We can still only speculate why. Is the top job not appealing? Or is it too hard to get?

Domestic burden

Some things do not change. At the outset of our research in 2007, we highlighted women's double burden: their relatively greater responsibility for household chores while holding down a job. In Europe at that time, women spent twice as long on household duties as men. The women we interviewed stressed how this—coupled with the need to make themselves available anytime, anywhere to show they were serious about work—was a major barrier to their advancement. Their burden has not become much lighter. The *Women in the Workplace 2017* report found that more than half of the women surveyed do all or most of the household work. And women with children and partners are 5.5 times more likely to do all or most of the household work than are men in the same family situation. Not surprisingly, perhaps, we also found that women who do most of the housework have lower aspirations to climb to the highest rungs of the corporate ladder compared with women who share the responsibility.

Unconscious biases

In the "bad old days," many companies said a lack of high-caliber candidates explained their failure to recruit women or promote them to senior positions.

This excuse no longer washes. Most people now understand that biases can undermine women's success. Our work has examined some of them. The performance-evaluation bias, for example, means men tend to be evaluated more on their potential and women more on their achievements to date. Women also tend to receive less credit than men for success and more criticism for failure. For their part, women are often less assertive than men and underplay their contributions. The maternal bias triggers assumptions that mothers have less commitment to their careers; therefore, they are held to higher standards and receive fewer leadership opportunities.

ACCELERATING CHANGE

The insights previously described have fueled the many actions that companies, including McKinsey, are taking to advance equality in the workplace. These include offering bias-training courses; taking steps to ensure that recruiting, performance, and promotion processes are fair; working to help employees balance their work and home lives, such as offering extended parental leave, flexible working conditions, and childcare support; and looking hard at the data to understand where in the pipeline women get stuck. All these actions are important to promote the kind of inclusive culture in which companies thrive, although priorities can differ in different geographies depending on sociocultural context. At this juncture, two recommendations consistently made in our ten years of research stand out as vital to accelerate change.

Tracking and accountability

Results from the eight European countries that impose female quotas on corporate boards are instructive. Female board-member representation in them today ranges between 33 and 40 percent, compared with an average of 17 percent in G-20 countries. Some observers, however, fear that quotas promote tokenism and therefore fail to build female-leadership capacity. Others have come to see quotas as uncomfortable, but necessary, transitional steps. Barbara Dalibard, CEO of technology company SITA, told us progress was inadequate: "In some technical environments, women still face the same difficulties as 25 years ago. When I was young, I was absolutely against quotas; my belief now is that if you do not have quotas, things do not change. Change in France is happening on boards because of the law. It is not happening in executive committees, because quotas do not apply there."

In the absence of quotas, progress rests on measuring diversity, being open about progress made, and holding people accountable. Companies with the best records for female representation share their metrics with all employees, but such transparency is rare. While our latest *Women in the Workplace* study shows 85 percent of companies track female representation at each level, less than half that number say they hold senior managers accountable for improving gender metrics, and fewer still are bold enough to set targets of any description.

Leadership from the top

Senior-management leadership has been a constant theme of our ten-year journey. However, although 90 percent of companies proclaim a commitment to gender equality, the message is not getting through. Only half of the employees surveyed in the *Women in the Workplace 2017* report think their companies are highly committed to gender equality; the majority do not see senior managers taking steps to improve matters. This is bad news, as managers lower in the organization are most likely to influence women's career progression and ambition. It is they who determine how widely policies are adopted. And women are more likely to receive promotions when managers act as their advocates, give them assignments that stretch their roles, and advise them on career advancement. Given that so many managers are male, it is clear why senior leaders must encourage more men to invest in gender diversity.

The time for wavering is over; companies need leaders who are prepared to shout from the rooftops that gender diversity matters and make it happen. Q

Sandrine Devillard is a senior partner in McKinsey's Montreal office, **Vivian Hunt** is a senior partner in the London office, and **Lareina Yee** is a senior partner in the San Francisco office.

We would like to acknowledge the contributions made by numerous McKinsey colleagues in the course of our decade of research. They are too many to mention all, but their efforts in developing our understanding of gender inequality in order to promote change are deeply appreciated. Key to the latest research cited in this article include Georges Desvaux, Kweilin Ellingrud, Alexis Krivkovich, Eric Labaye, Anu Madgavkar, Kelsey Robinson, Sandrine Sancier-Sultan, and Irina Starikova.