McKinsey&Company

NOVEMBER 2015
McKinsey Quarterly

A CEO's guide to gender equality

The case for gender equality is strong. Why is progress so slow?

Progressive executives know that gender equality is not only the *right* thing to do but also the *smart* thing. That's why more CEOs, heads of state, and university leaders are committing themselves to gender-equality goals for the institutions they lead.

But gender equality is proving difficult to achieve. How can companies and public institutions move more quickly? This CEO's guide synthesizes multiple sources to make quick sense of a complex issue.

The promise of gender equality

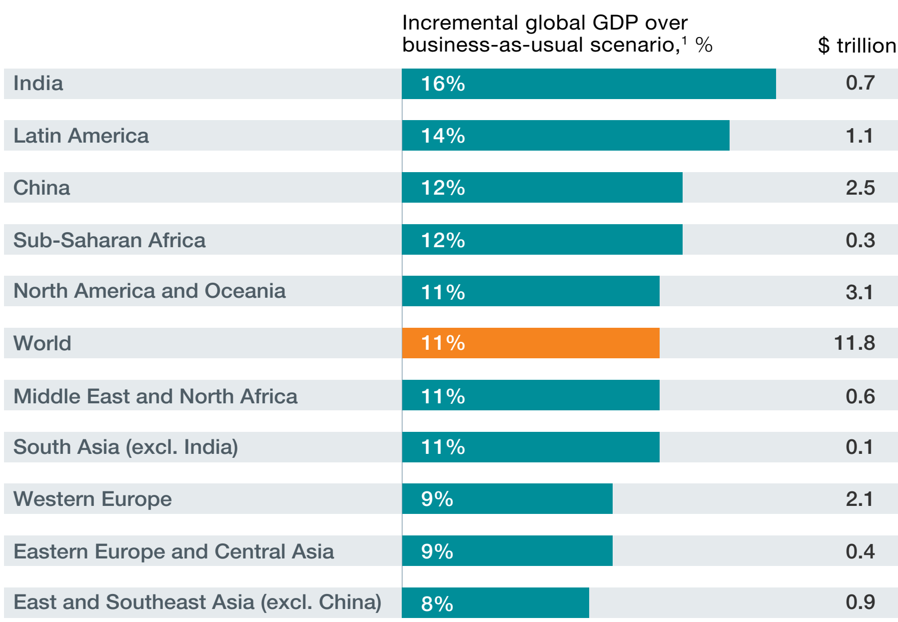
Gender equality gets a lot of attention these days, and for good reason: it is not only an issue of fairness but also, for companies, a matter of attracting the best workers, at least half of whom are women. There is also considerable economic value at stake for companies and nations.

A new study by the McKinsey Global Institute finds that the world economy could add trillions of dollars in growth during the next ten years if countries met best-in-region scores for improving women's participation in the labor force (Exhibit 1). Countries in Latin America, for example, would aim to achieve Chile's annual rate of increase, 1.9 percentage points, while East and Southeast

Asian countries would try to match Singapore’s improvement of 1.1 percentage points a year.

Exhibit 1

If every country matched the progress toward gender parity of its fastest-moving neighbor, global GDP could increase by up to $12 trillion in 2025.



[1]Sample = 95 countries.

Source: IHS; ILO; Oxford Economics; World Input-Output Database; national statistical agencies; McKinsey Global Institute analysis

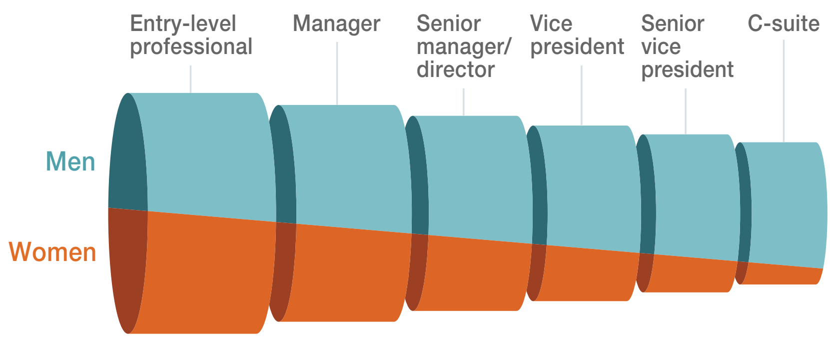
The difficulty

Big as the prize may be, gender equality still eludes companies around the globe. Despite modest improvements in the past few years, women are underrepresented at every level in the corporate pipeline—especially the senior level (Exhibit 2).

Exhibit 2

Women are underrepresented at every level of the corporate pipeline.

Corporate-talent pipeline by gender



Women in the pipeline, %

	Entry-level professional	Manager	Senior manager/ director	Vice president	Senior vice president	C-suite
2012	42	33	28	23	20	16
2015	45	37	32	27	23	17

Source: Data for 2012 are from *Unlocking the full potential of women at work*, in which McKinsey examined the employee pipeline of 60 US corporations. Data for 2015 are from *Women in the Workplace*, in which LeanIn.Org and McKinsey examined the employee pipeline of 118 US corporations.

Why is progress in gender equality so hard to achieve? A number of factors are involved, but one leading reason is undoubtedly unconscious bias. Film actress Geena Davis believes that it results, in part, from lopsided male representation in television and film—a long-standing trend observed by the Institute on Gender in Media that she founded. “When we present the data to studios and content creators,” she says, “their jaws are on the ground. In family films, the ratio of male to female characters is 3:1. Shockingly, the ratio of male to female characters has been exactly the same since 1946. Of the characters with jobs, 81 percent are male.”

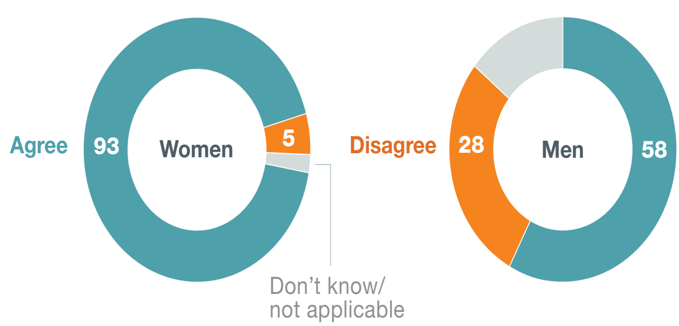
Perception gaps may also be an obstacle. McKinsey research on diversity shows that fewer men than women acknowledge the challenges faced by female employees at work. For instance, when asked whether "even with equal skills and qualifications, women have much more difficulty reaching top-management positions," the gender divide was striking: 93 percent of women agreed with the statement, but just 58 percent of men. And while just 5 percent of women disagreed with the statement, some 28 percent of men did (Exhibit 3).

Exhibit 3

Fewer men acknowledge the challenges female employees face at work.

% of respondents[1]

"Even with **equal skills and qualifications, women have much more difficulty** reaching top-management positions."



[1]Responses for "strongly agree" and "agree" are combined, as are those for "strongly disagree" and "disagree." Female respondents = 797; male = 624.

Source: 2013 McKinsey Global Survey of 1,421 global executives on gender diversity

What's more, women hear mixed messages about their own careers. "Think of a career like a marathon," says Facebook chief operating officer and Lean In founder Sheryl Sandberg. "Long, grueling, ultimately rewarding. What voices do the men hear from the beginning? 'You've got this. Keep going. Great race ahead of you.' What do the women hear from day one out of college? 'You sure you want to run? Marathon's really long. You're probably not going to want to finish. Don't you want kids one day?' The voices for men get stronger, ‘Yes, go. You’ve got this.’ The voices for women can get openly hostile. ‘Are you sure you should be running when your kids need you at home?’” (For more, see the full interview, “Facebook’s Sheryl Sandberg: ‘No one can have it all,’” on mckinsey.com.)

The solution

As top executives think about pressing forward with their own gender initiatives, they can start with four prescriptions.

Get committed. The first might seem self-evident: change initiatives must be a strategic priority to have any chance of success. Yet gender equality was a top-ten strategic priority for only 28 percent of companies in 2010, when a third didn’t have it on the strategic agenda at all. The situation improved somewhat by 2015, but there’s still a long way to go—especially given the clear link between leaders’ role modeling and time allocation—and the success rate of transformations, as Exhibit 4 shows.

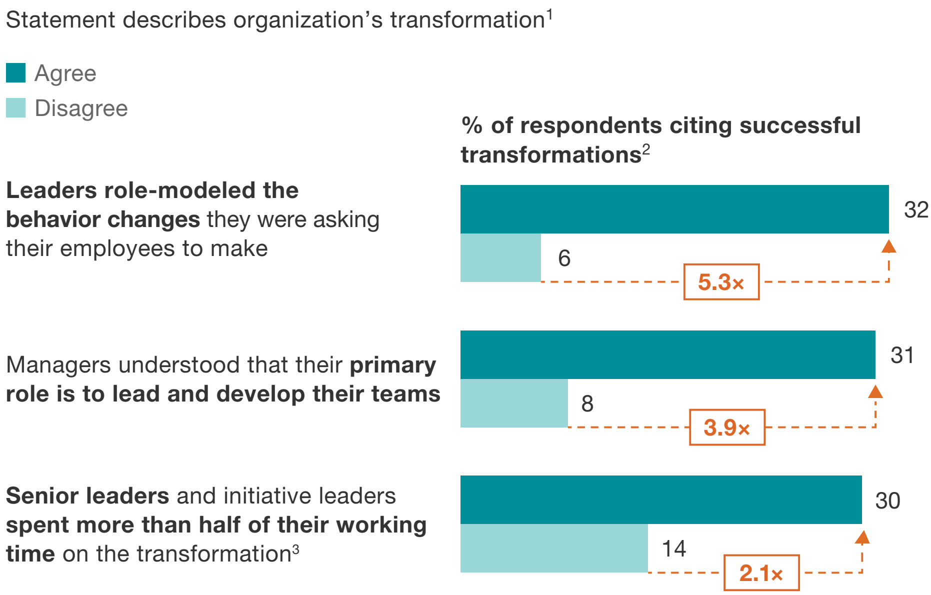
Broaden your action. Our research shows that gender equality requires executives to intervene across a broad range of factors, setting in motion disparate resources and people for years at a time. The focus in these interventions must be to help women become better leaders—and to design conditions under which they can. Crucial aspects include sponsoring (and not just mentoring) women, neutralizing the effects of maternity leaves on career advancement and wage increases, and evolving the criteria companies use for promotions to include a diversity of leadership styles. To learn how eBay embarked on a journey to bring more women into its top ranks, see “Realizing the power of talented women,” on mckinsey.com.

Hold challenging conversations. Companies that make progress tend to hold a series of challenging conversations about gender issues among their executive teams. The following five questions can help spur these discussions:

1. Where are the women in our talent pipeline?
2. What skills are we helping women build?
3. Do we provide sponsors as well as role models?
4. Are we rooting out unconscious bias?
5. How much are our policies helping?

Exhibit 4

Transformations are more likely to succeed when company leaders are active and involved.



[1]Includes responses of "somewhat" and "strongly" agree or disagree; respondents who answered "don't know/not applicable" are not shown.
[2]Transformations were "very" or "completely" successful at both improving performance and equipping the organization to sustain improvements over time.
[3]Figures do not sum to total, because of rounding.

Source: Nov 2014 McKinsey Global Survey of 1,713 respondents on organizational transformations

Sweat the small stuff. Ian Narev, CEO of the Commonwealth Bank of Australia, notes that gender equality requires a bias for action. "I like focusing on processes because it helps us get past any 'warm and fuzzy' elements of diversity and into action levers. For example, we discovered we had an anachronistic process that classified women on maternity leave as 'over quota, unattached,' which, among other things, essentially meant they couldn't keep their cell phones or laptops. This policy may not have been initiated by anyone still at the bank, but it had gone unexamined and was preventing us from staying in contact with parents on leave and therefore [from] allowing us to work with them to create more flexible return options. Fixing it was easy; spotting it was harder.” (For more, see “Championing gender equality in Australia,” on mckinsey.com.)

• • •

Are we on the way to creating gender equality in the corporate world? Present trends may not be encouraging, but greater commitment from CEOs, combined with a willingness to stay the course on big transformational-change projects, could help finally resolve an issue that’s long overdue for fixing.