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Can women fix capitalism?

Joanna Barsh

Gender equality at the top of business has stalled, and trust in business is alarmingly low. Putting more women in charge could well be the key to a better future for business and society alike.

Fifty years ago, women in the United States won a major achievement: Title VII of the 1964 Civil Rights Act listed sex as one of the characteristics that employers couldn't discriminate against. American women began to enter the workforce in larger numbers across sectors, paving the way for social and economic change.

Yet I'll admit that for much of my career, I wasn't thinking about the societal or business impact of gender equality. I had graduated from Harvard Business School among its first 1,000 women students, joined McKinsey, and advanced to senior partner with 19 others—all men. At age 50, I looked up and realized that there were too few women leaders in business and that I didn't feel much like one myself. Troubled, I set out to discover their secret sauce. That effort was the beginning of "centered leadership," an approach that, in its simplest terms, joins feminine archetypes with masculine ones, anchored in purpose.[1]

Recently, this journey has taken me back to those bigger socioeconomic themes. As America's trust in business and government has dwindled, my dreaming took a new direction: imagining a world led by women who replace capitalism's relentless push for ever-increasing short-term profits with long-term value for all stakeholders. Or—better yet—a world where women and men together lead as equals, delivering meaningful impact over the long term.

By the way, I'm not alone here. Many others are talking about feminine archetypes of leadership—and, specifically, the role of meaning in companies: building on strengths, leading with purpose, achieving fulfillment. If the women and men who rise to the top embodied these capabilities, they might advance a new paradigm for capitalism too and get us out of the tough place we're in today, with levels of income inequality worryingly high in many countries and trust in business and government disturbingly low.[2]

[1] See Joanna Barsh and Susie Cranston, *How Remarkable Women Lead: The Breakthrough Model for Work and Life*, New York, NY: Crown Business, 2009; and Joanna Barsh, Josephine Mogelof, and Caroline Webb, "How centered leaders deliver extraordinary results," *McKinsey Quarterly*, October 2010, mckinsey.com.

[2] See the *2014 Edelman Trust Barometer Executive Summary*, on edelman.com.

Simply put, putting more women in charge is a key to a better future for business.

What 50 years can do for women

We can all agree that women have come far. In the United States, 40 million more women work today than did in 1970—we're half the professional workforce. We hold more than half the college diplomas and Fortune 500 entry-level professional jobs. We occupy 16.9 percent of the board seats at Fortune 500 companies. Only 13 percent of Fortune 1000 boards in the United States remain "men only" clubs. But 19 percent of Fortune 1000 companies have three or more women on their boards. And that's just the United States.[3]

The business case for women in leadership gets better every year: women bring improved decision making at the top, more creativity and innovation, and better problem solving, stemming from greater cognitive diversity. Women also improve the ecosystem, because company leaders better match the profile of customers and employees. And when three or more women make it to the top team, a company's organizational health appears to improve on every one of the nine dimensions McKinsey tracks. Moreover, women propel economic growth. To quote the International Monetary Fund's Christine Lagarde, "All economies have savings and productivity gains if women have access to the job market. It's not just a moral, philosophical, or equal-opportunity matter. . . . It just makes economic sense."[4]

Dozens of companies are leading the way in advancing women to the top, but even these leaders confide that their organizations are not where they need to be. It's true; we've reached a plateau. Only 24 women lead Fortune 500 companies, and the share of female senior executives at these companies hasn't significantly budged in the past three years. The barriers—among them cultural factors and entrenched mind-sets—are well known. Often, the women who make it to the top win by playing the game better than men. Female winners cite grit, perseverance, hard work, and toughing it out as key factors. No wonder: our research in Europe and the United States finds that it is two to three times harder for women than men to advance at each stage. Most men just don't see those obstacles, even though they are visible to most women.

Structural and often controversial interventions, such as quotas (at the country level) or targets (at the company level), can counter biases and improve outcomes. Take the United Kingdom, where the Davies Review recommendations—not a quota but a 25 percent target—were approved in 2011, to be achieved by 2015. They have already increased the proportion of women on FTSE 100 boards to almost 21 percent, from 12.5 percent. The intervention is working: it focuses on a discrete group of leading companies, offers a framework of "what good looks like," sets a voluntary but achievable target, is led by six chairmen willing to stand in the spotlight, leverages the fear of scarcity and leadership's competitive spirit, and is actively monitored in the public eye. Today, not one FTSE 100 company has a men-only board.[5]

[3] In 2013, levels of female participation on corporate boards in France, Norway, and Sweden reached 18 percent, 40 percent, and 27 percent, respectively, as reported by Catalyst.

[4] See "IMF's Lagarde: Women in workforce key to healthy economies," *The Changing Lives of Women*, NPR, March 28, 2014.

[5] I spoke with Denise Wilson White, one of the founders of the Davies Review and an active supporter from its start, on August 12, 2014. Denise leads the ongoing monitoring activities of the Steering Group.

The detractors of quotas, however, argue that they aren't meritocratic, impair competitiveness, and are unfair to senior women who fought hard to make it. Most leaders reject targets linked to compensation for the same reasons. Agree or disagree, this sentiment is a reality, and it's one reason progress for women at many companies is slow and incremental.

Another way forward

So have we reached the point of diminishing returns for female participation in senior management? We know that most women on the leadership track opt for staff roles, limiting their advancement potential. Others explicitly slow down, preferring more interesting roles or greater control. Some express distaste for company politics at higher levels. But don't jump to conclusions yet. When I began interviewing women as part of the centered-leadership research,[6] I singled out women leaders who loved working at the top—and life outside work too. These women paved the way for us to shape a new leadership approach that values feminine qualities. Centered leaders:

- *lead from a core of meaning* by tapping into strengths and building shared purpose, with a long-term vision for positive impact

- *reframe challenges as learning opportunities* by shifting underlying mind-sets to replace reactive behavioral patterns

- *leverage trust* to create relationships, community, and a strong sense of belonging

- *mobilize others through hope*, countering fears to take risks and to act boldly on opportunities

- *infuse positive energy and renewal* through deliberate practice to sustain high performance

Our research found these to be the minimum capabilities of a distinctive leader (though not the only ones). We also found quantitative evidence that this leadership approach resonates strongly with men. That's significant because it suggests that if approaches like centered leadership deliver striking benefits for the leaders who embrace them, there's a good chance to change the game.

If that happened, would this shift spill over into business more broadly and into society? We can't say for certain, but in companies where centered leadership is taking hold, we've seen remarkable results.[7]

[6] Since the publication of *How Remarkable Women Lead*, we have been continuing to help women *and* men build the core capabilities of centered leadership, as well as looking for practical actions for leaders to take. For more, see Joanna Barsh and Johanne Lavoie, "Lead at your best," *McKinsey Quarterly*, April 2014, mckinsey.com; and Joanna Barsh and Johanne Lavoie, *Centered Leadership: Leading with Purpose, Clarity, and Impact*, New York, NY: Crown Business, March 2014.

[7] See Aaron De Smet, Johanne Lavoie, and Elizabeth Schwartz Hioe, "Developing better change leaders," *McKinsey Quarterly*, April 2012, mckinsey.com.

Changing the game

I retired from McKinsey last year but continue to research and speak about centered leadership. After meeting thousands of women and men in places as distant from each other as Brazil, Malaysia, Saudi Arabia, and Sweden, I am struck by the feeling that an enormous global wave is building. Also part of that wave are leaders of "conscious capitalism," a concept that John Mackey and Raj Sisodia advanced in their 2013 book of that name. Raj and I recently caught up on conscious capitalism, which like centered leadership puts purpose at the core. Raj observes that purpose-led companies with genuine respect for people will win their stakeholders' support, achieving superior financial results. Citing Adam Smith's twin principles—people are self-interested *and* sympathetic to the needs of others—conscious capitalism argues that short-term profit maximization at the expense of stakeholder value can lead to reckless risk taking, a loss of moral values, and the erosion of a company's brand.

"We're really just starting to talk about these things—the language and metrics of business," Raj told me. "I'm optimistic that the change will happen and accelerate. But keep in mind that we're only in the early stage of a long journey." So why are leaders and companies slow to come on board? Clearly, the short-term pressures and rewards of the financial community work against this idea. It takes vision and courage to opt out of today's paradigm—the "greedy algorithm"—and its enormous personal payoffs.

Would having more women in senior management nudge us toward a sustainable long-term allocation of capital and resources? We know from the research that women in leadership tend to invest differently—for example, on health, education, community infrastructure, and the eradication of poverty.[8] But will more women leaders, realistically, be the game changer? Not until like-minded men join in to help the movement achieve critical mass.

There's some evidence that sentiment for a more conscious form of capitalism is gaining momentum. In a global survey of 64,000 people, John Gerzema and Michael D'Antonio found that most respondents wanted to see more feminine characteristics in their leaders, and two-thirds agreed that "the world would be a better place if men thought more like women." Feminine qualities that respondents chose included "plans for the future," "expressive," "reasonable," "loyal," "flexible," "patient," "collaborative," "passionate," "empathetic," and "selfless."[9]

Can women and men leading together in this new way change the game? Absolutely. Large companies can make the greatest difference if they lead from the front. For instance, eBay has made important strides on gender equality over the past three years (see "Realizing the power of talented women," on mckinsey.com). So has Wal-Mart, where 31 percent of the US company's officers are now women—that's vice presidents and above in seriously important positions, many leading substantial businesses.[10] I'm excited to see large companies around the world expressing commitment and taking actions that were unimaginable ten years ago.

[8] Augusto Lopez-Claros and Saadia Zahidi, *Women's Empowerment: Measuring the Global Gender Gap*, World Economic Forum, 2005, weforum.org.

[9] John Gerzema and Michael D'Antonio, *The Athena Doctrine: How Women (and the Men Who Think Like Them) Will Rule The Future*, San Francisco, CA: Jossey-Bass, 2013. As with centered leadership, masculine qualities are important, too. Respondents singled out valued leadership characteristics such as "decisive," "resilient," "analytical," "independent," "aggressive," and "proud."

[10] Susan Chambers, executive vice president of Wal-Mart's Global People Division, and Sharon Orlopp, the company's global chief diversity officer, graciously granted me a chance to participate in the 2014 International Women's Day event.

Ultimately, I see the potential for a virtuous cycle in which women and men create profound organizational change from a core set of capabilities embodying the principles of centered leadership or similar approaches. This, in turn, could further fuel the evolution of leadership—and capitalism—toward a future where long-term stakeholder value replaces short-term profit taking and creates a more equal world.

How to accelerate progress? Let's start some "difficult" conversations about topics such as quotas and targets, what great leadership looks like, thoughtful and flexible work options that don't hold men and women back, making bad behavior truly unacceptable, and helping the top-performing women through sponsors. And then let's get to work.

Indeed, in 50 years, I hope my daughters will write an article about the enormous strides women and men leaders have made to transform capitalism. A sidebar in that article might remember the "dark ages" of 2014, when there were too few women in high places to tip the balance toward Adam Smith's principle of sympathy. □

Joanna Barsh is a director emeritus in McKinsey's New York office and was a member of the firm from 1981 to 2013. She is the author of two books, *How Remarkable Women Lead* (Crown Business, 2011), cowritten with Susie Cranston and Geoffrey Lewis, and, most recently, *Centered Leadership*, with coauthor Johanne Lavoie (Crown Business, 2014).