



Towards gender-balanced leadership

November 24, 2010

What has not worked - and what may

Gender balance in leadership is beneficial for companies, and the evidence for this is increasing. However, such a balance is still far from reality, even though women account for more than half of the talent available to business today. In a context of skills shortages, this is not sustainable.

Rather than attempting to change women, interested companies need to alter outmoded corporate attitudes and processes. They need to look at gender in leadership as a business issue – to be addressed at board level, with male leaders playing a critical role.

It is important to both acknowledge that women are different and to incorporate the differences. Not doing so is not only counterproductive, it also leads to a loss of business potential.

The point is to create workplaces welcoming to both genders – maximising the potential of both, in order to reap the benefits of their complementary perspectives.

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Executive committees: Precious few women worldwide

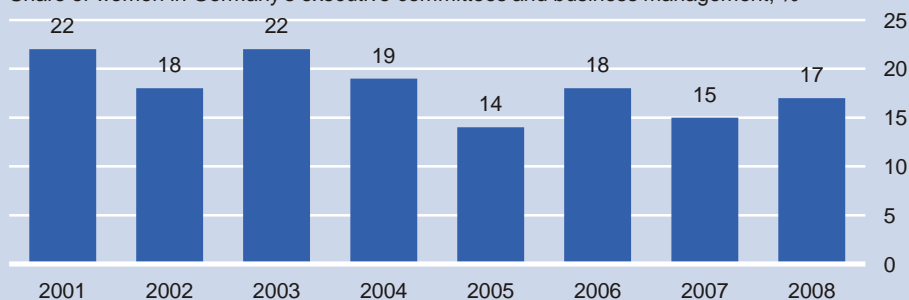
% women, Fortune 101 (2010)



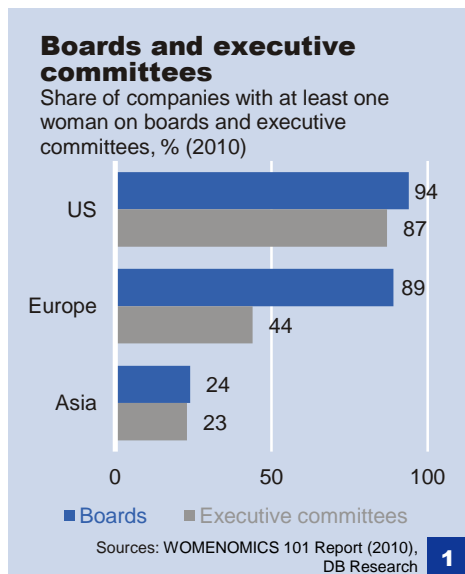
Sources: WOMENOMICS 101 Report (2010), DB Research

Women in top management: No visible improvement

Share of women in Germany's executive committees and business management, %



Sources: DIW Berlin (SOEP), DB Research



In spite of efforts to have more gender balance at the top of corporations, women continue to be very scarce in senior management. International figures show that the US tops the list with only 15% of women on Fortune 101 executive committees. The high share of companies with at least one woman at the very top is somehow misleading: first, having just one woman there is still far from representative of the talent pool; moreover, only one-third of female executive committee seats refer to profit-and-loss roles¹. The share of women in top management of German corporations has actually not increased over the last decade. For the top 200 German companies, executive committees include on average 2.5% women, and supervisory boards 10% but 72% of the latter are representing unions².

In this report, we will explore the reasons for the extreme gender imbalance in corporate leadership and discuss ways forward.

1. What has not worked: An outdated gender debate

a. If ethics is the dominating driving force, women's potential is not fully taken into account

Over the past decades, most companies considering it desirable to catch up with more gender balance in leadership were moved by ethical reasons. These companies attempted to integrate women at the top of the corporate ladder by fostering equal opportunities. This approach tends to consider women as "victims" and thus underestimates their potential to contribute to the bottom line³.

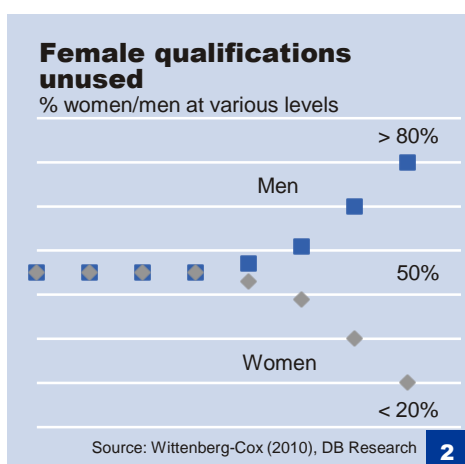
Tackling gender imbalance as a diversity initiative is likely to miss the point⁴. Indeed, diversity initiatives often focus on making minorities comfortable with an existing dominant norm. Considering women as one of the minorities to be dealt with by practising fairness and equality does not help their successful integration (and contradicts demographic realities – see 2a). The point is rather to be able to value their difference, allow them to wield influence on their own terms, and reap the benefits of the value they add to the corporation.

b. Changing the women is the wrong issue

Many employers have implemented approaches aimed at helping women "to make it". Development programmes for women – assertiveness programmes, women's events and women's networks – provide a helpful start in empowering them. These initiatives can go some way in countering the situation of the "out-of-power". However, their use is limited.

Indeed, this process ignores differences between female and male employees in styles and preferences. These employers have been asking women to fit in by adapting to male career models and leadership styles.

The issue is not to make women comfortable with a dominant male norm. The question "how to help women to make it" – in an environment designed by men in another era – is not the most



¹ 20-First. WOMENOMICS 101 Survey (2010).

² Holst and Wiemer (2010).

³ Baer (2006).

⁴ Wittenberg-Cox and Maitland (2009).



useful one. The issue is rather: what is lacking in the approach of companies that fail to attract, retain and promote women?⁵

2. Why companies need fixing: The business case for gender balance in leadership

Only 28% of companies have gender diversity as an item on their top-ten strategic agenda while 40% do not have it on their agenda at all.

Source: McKinsey (2010)

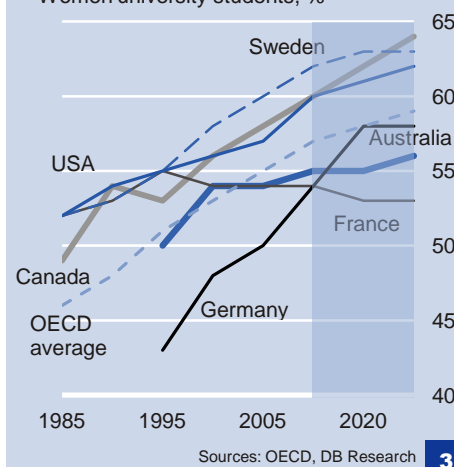
Top three trends on managers' list:

- faster pace of technological innovation
- increasing availability of knowledge
- intensifying competition for talent

Source: McKinsey

More female students

Women university students, %



Taking gender into account for the benefit of all

An oil company that started analysing customer research by gender discovered that women felt unsafe leaving children in the car while paying for their gas in a distant shop. They innovated by creating payment opportunities near or at the pump. This ended up benefiting all users – women, men and the children.

Source: Wittenberg-Cox and Maitland (2009)

An increasing number of analyses (see below) outline the correlation between gender-balanced leadership and better corporate performance. Companies may especially take note of this correlation in a context where women make up most of the educated talent, on top of representing most of the consumers. The business case for moving towards gender balance in leadership is based on the following three points: a larger pool of talent, the ever increasing influence of women consumers and a positive correlation with company performance.

a. Winning the war for talent

The demographic challenge has been well documented. Due to declining birth rates, the population of working age is decreasing in many developed countries – minus 16 million in Germany by 2050, a 30% decrease in comparison to now. Even more dramatic is the fact that its share of the total population is decreasing, as a result of increasing life expectancy: 66% in Germany currently to 56% in 2050. Companies already experience difficulties in acquiring skilled workers in some areas. The German Chamber of Commerce and Industry reports shortages in recruiting engineers, IT specialists, kindergarten teachers and nursing staff. Skills shortages cost the German economy billion of euros every year, approximately EUR 15 billion in 2009⁶. Companies need to reap the potential of all talents.

At the same time, women are becoming increasingly better educated than men. They account for 55% of university graduates in OECD countries overall and this share is growing. In doctoral programmes, women are still in a slight minority in the OECD as a whole but are quickly catching up (47% in 2005 compared to 41% in 1998) and parity has already been achieved in some countries (51% in Finland, Italy, Spain, the USA, 56% in Portugal, and 59% in Iceland).

Making good use of half of the world's brain power – particularly in senior management – is a significant business opportunity. Not promoting women also comes at a high cost due to a low return on investment in recruiting and training them. (The Hay Group estimates that filling a qualified position costs an organisation 150% of the salary corresponding to this position.)

b. Adapting to changing markets: The future is female

Over 80% of consumer purchases in the developed world are made by women. Yet the majority of women feel misunderstood by marketers. Significant opportunities exist for companies able to address the needs of today's women. If the customer base has new expectations, the talent pool needs to reflect these changes. It is likely easier to understand women customers if the leadership team

⁵ Wittenberg-Cox and Maitland (2009), Wittenberg-Cox (2010)

⁶ Brüderle, Rainer. German Federal Minister of Economics.

Leadership behaviours in demand: more observed in women

Responding to the needs of the future

Leaders tend to agree on which leadership behaviours are of particular importance for corporate performance over the next five years: intellectual stimulation, inspiration, participative decision-making, expectations and rewards.

These items are underrepresented today.

Three of them are observed more often in women.

Source: McKinsey (2008), based on a survey of over a thousand business executives worldwide

"Managers do the things right, leaders do the right things"

Source: Quote in Fröse und Szebel-Habig (2009)

More women at the top: Better bottom line

Among the Fortune 500 companies, the group of companies with the highest average representation of women in their top management teams significantly outperformed those with the lowest average representation.

- Return on equity: 35.1% higher
- Total return to shareholders: 34% higher

Source: Catalyst (2004)

Among the Fortune 500 companies, companies with the highest representation of women on their board of directors were more profitable and more efficient on average than those with the lowest. For companies with three or more female directors:

- Return on equity: 83% higher
- Return on sales: 73% higher
- Return on invested capital: 112% higher

Source: Catalyst (2007)

Companies with the highest gender diversity in top management outperformed their sector average:

- Return on equity: 10% higher
- EBIT: 48% higher
- Stock price growth: 170% higher

Source: McKinsey (2007)

includes a few of them⁷. It is in fact vital for consumer products geared towards women.

Researching women's expectations – and potentially removing unconscious gender bias in the process – may lead to rethinking the business and marketing approach for all core customers – male and female. According to Wittenberg-Cox and Maitland (2009), inclusive approaches need to be gender-bilingual: "adapting to the needs and latent expectations of men and women in everything from market research and segmentation to product development, advertising and customer relationship management".

c. Getting an effective leadership team in place

Women have their own leadership styles – at least as valid

Several studies have identified that women score higher than men on most leadership skills, as outlined in the table below. There is a feminine approach to leadership – not exclusive to women – which benefits companies. This is probably going to become increasingly true: with future leadership depending on complex knowledge and innovations from all, new models of leadership are set to focus more heavily on integration of ideas, collaboration, and inclusiveness⁸.

Indeed, as leadership styles have evolved, "female" strengths are in higher demand (see box left margin). Moreover, these behaviours identified as critical for the future are in short supply in today's corporate environment, as identified by the same survey: 70% of the leaders who rated these four behaviours at the top of the list say they are lacking in their company's current leadership practices. The underrepresentation of women in senior management thus likely leads to a loss of business potential.

Gender differences in leadership behaviours

Out of the 9 behaviours which improve organisational performance, women tend to exhibit, in comparison to men:

More	Slightly more	Equally	Less
People development	Inspiration	Intellectual stimulation	Individualistic decision-making
Expectations and rewards	Participative decision-making	Efficient communication	Control and corrective action
Role model			

Sources: McKinsey (2010), based on a survey of over 9000 managers, male and female

4

Complementary skills of men and women: An asset

To address the needs of a multicultural, diverse, complex and unpredictable world, homogeneous executive committees and corporate boards of white men between 50 and 65 may not be the best answer – especially if they have the same nationality and educational background. The complementary skills and styles of men and women, including in the leadership team, have a positive impact on business: gender diversity is known to foster creativity⁹ and a strong leadership team building on its members' synergies has no "blind spots"¹⁰.

⁷ Fröse & Szebel-Habig (2009).

⁸ Tarr-Whelan (2009).

⁹ Gratton et al. (2007b).

¹⁰ Fröse & Szebel-Habig (2009).



Gender balance in leadership and good performance go together

Research suggests that gender balance in leadership is good for performance (see margin on page 4). Other studies have shown that companies with a higher representation of women in their senior management team have outperformed their peers in terms of organisational excellence and corporate governance¹¹. Additionally, a positive correlation has been identified between the number of female board directors a company has and the female share in its future senior management team, especially in operational roles¹².

A coalition of global investors, managing over USD 73 bn called on companies to increase representation of qualified women on boards of directors and in senior management

Source: Pax World, Calvert, Walden Asset management, Oct. 2010

All in all, a positive correlation seems to exist between gender balance in leadership and performance. Correlation does not imply causality, and there is so far no scientific evidence that women's presence at the top can directly boost financial performance. It could very well be that those companies performing particularly well are doing a range of things right, including – or leading to – having a more gender-balanced leadership. In any case, whether increased gender balance is a direct cause of better performance or a symptom (proxy) of other positive behaviours and processes, it is hard to argue that it is not beneficial¹³. Seventy-two percent of respondents to a recent McKinsey survey believe there is a direct connection between a company's gender diversity and its financial success¹⁴.

Gender balance does not seem yet to be a parameter used in mainstream equity research. However a number of investors are starting to see gender equality and women's empowerment as strategic business and investment issues¹⁵.

Embracing structural change ...

From the 20th century to the 21st

The 20th century has witnessed a rapid change in the status and role of women, who are gradually acquiring the same levels of education, the same jobs in the same companies, and comparable ambitions. Now, the corporate systems and cultures have been mostly designed by men whose spouses were busy at home. They tend to reflect and perpetuate their attitudes, career cycles and motivation. They are likely no longer an answer to the needs of today's work force at large and are not suited to tomorrow's challenges.

The three aspects of the business case discussed above (a, b and c) are part of the larger context of embracing structural change at large (e.g. digitisation, knowledge-intensity, demography, global integration, changing value-creation patterns – increasingly collaborative and flexible)¹⁶. These changes have major implications for the labour force and the work environment. Women are not the only ones wanting more flexibility and autonomy with respect to work: (potentially burned-out, male) executives, a new generation of knowledge workers or long-serving male employees all have new expectations regarding their work-life¹⁷.

As career paths become more flexible and societies age, it could also be that men and women experience similar career phases in a different order. After a common first phase characterised by ambition, the usual (male) sequence is to keep an emphasis on promotion and power in their 30s and 40s, potentially followed by a desire for flexibility and balance for men in their 50s and 60s. As people work longer, successful women in their 50s and 60s may derive fulfillment in increasing their focus on work.

... for the benefit of many ...

Since there is a clear overlap between changes benefiting women and changes benefiting the rest of the population, companies who are keen to attract and retain this talent are likely to make changes

¹¹ McKinsey (2007). Wittenberg-Cox and Maitland (2009).

¹² Catalyst (2008).

¹³ See also European Commission (2010).

¹⁴ McKinsey (2010b). Survey conducted in September 2010. Receiving responses from 772 men and 1042 women.

¹⁵ Calvert et al. (2010).

¹⁶ For more on companies, women and structural change, see Schaffnit-Chatterjee (2008).

¹⁷ Kelan (2009).

... and be seen doing so

in line with the creation of an inclusive culture for women which is beneficial for all employees and the company as a whole.

A change in the presentation of corporate websites and annual reports may be telling. Wittenberg-Cox (2009) reports that many companies are making it increasingly difficult to identify the make-up of their Executive Committee: removing the pictures of their members, reducing first names to initials, or even adding large numbers of people to the so-called leadership team. This increase in camouflage might reflect growing discomfort at companies whose leadership is exclusively or predominantly male.

"Many of the problems women face in the corporate world are the result of old fashioned thinking." Dr. Marcia Reynolds, Psy.D. Master Certified Coach

3. A closer look at the challenges

Since there is evidence that gender balance in a company's leadership team is beneficial for its bottom line and is a competitive advantage for the future as well, why is it so far from being reality? The size and nature of the changes required to achieve it – with barriers lying in cultural aspects and mindsets – most likely explain, at least partly, why the process is so slow.

Companies eager to capitalise on women's potential and wanting to have more of them at the top of their hierarchies will have to tackle the following challenges.

a. Understand women ...

Women obviously differ from men in numerous ways¹⁸.

Communication styles are different

Women tend to have a relationship-oriented communication style and are often more modest. Research has identified that gender differences in overconfidence explain to a significant degree the lack of female leadership. In competitive environments, women are much less often selected as leaders than their abilities would suggest, and this is partly due to a bias in individuals' recollection of their past performance which affects group decisions. Overconfidence has been shown to affect leaders' decisions, and particularly to distort their investment decisions¹⁹. One way to overcome this difference is to develop reliable measures of performance.

A different approach to power

Women are usually not comfortable with the power structures of their organisations, either despising "politics" (as self-promotion and power-grabbing) or over-using it at the expense of their colleagues, male and female. "Competition is often more personal for women. Rather than saying: 'You win this one and I'll maybe win the next one', they see it as black and white. Women need some understanding of the middle ground."²⁰

Career motivations are different

Women tend to be motivated mostly by the following: making a difference, being challenged, believing in their company's direction, a sense of satisfaction in their team and recognition²¹.

Men typically oversell their abilities while women undersell them

Politics despised or over-used

Women tend to value authenticity

¹⁸ Wittenberg-Cox and Maitland (2009). Price (2008).

¹⁹ Institute for the study of labor (2010).

²⁰ Wanda Wallace, Chief executive of Leadership Forum, as reported in Wittenberg-Cox and Maitland (2009).

²¹ According to a survey of 516 executive and professional women by Aspire.



Both women and companies need to adapt

High-potential women are over-mentored ...

... and under-sponsored

“One large French multinational calculated that, on current career trends, if they recruited only women and no men for the next 20 years, they would still have just 20% in senior management. If they stuck to their current level of recruiting 40% women, in 20 years, they would have ... 8% in senior management.”

Source: Wittenberg-Cox and Maitland (2009)



Interrupted career cycles

In addition, women are obviously the ones who potentially have children and take time off. This results in a career path which differs from the upward ramp which is considered the norm. Women's careers often peak a decade later than those of their male peers²².

b. ... and incorporate the differences

The responsibility to tackle these differences lies on both sides.

Women's conferences and leadership training can help women be more successful in male-dominated structures. Developing the knowledge and the networks to succeed has a role to play in empowering women. At the same time, companies can adapt their culture and HR systems in order to bridge the differences described above, for the benefit of all (more on this in section c below).

When mentoring programmes are in place, they often do not achieve enough. Mentoring has proved crucial in helping women to identify their goals as well as the experiences and the connections they need to reach them. In spite of this, 61% of female managers in Germany acknowledge that they have never had either a mentor, a sponsor or a role model²³. According to an international survey, women are actually more likely than men to get mentoring (76% vs 83%²⁴) but less likely to get career benefits: they receive fewer promotions.

The main reason why mentoring fails women is that they are not mentored in the same way: women's mentors have less organisational clout and do not sponsor them as often²⁵. Beyond giving feedback and advice, sponsors advocate for their sponsorees, help them to gain visibility and fight to get them to the next level. Without sponsorship, a person is likely to be overlooked for a promotion or the next crucial assignment to increase exposure, regardless of his or her competence and performance.

Companies can also work on increasing people's skills and improving the ability to give quality feedback. “Men are terrified to give women feedback because they are afraid it will become part of a lawsuit.”²⁶

There are alternative views of power. It is even suggested that companies ask themselves what makes more sense: training half of the population to become more assertive – more like men – or to invest instead in developing more objective evaluation of performance and potential?²⁷

c. Remove bias in systems and processes

“Don't make assumptions about what women do or don't want: ask them”

Deloitte Consulting CEO Douglas McCracken in McCracken (2000)

Integrating women into leadership will require a significant shift in perspective and company culture.

Plugging the leaky pipeline

It is important to recruit women but hiring more of them is of limited use if companies are not able to retain them. Few companies

²² See also Schaffnit-Chatterjee (2009).

²³ Center for Work-Life Policy (2010) (defining time off as a voluntary break lasting at least 6 months).

²⁴ Catalyst (2008).

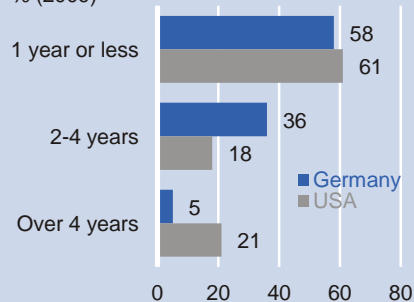
²⁵ Ibarra, Carter and Silva (2010).

²⁶ Wittenberg-Cox and Maitland (2009).

²⁷ Institute for the study of labour (2010), Wittenberg-Cox and Maitland (2009)

The career beckons ...

Duration of time off for the highly qualified, % (2009)



Source: Center for Life Policy (2010), DB Research

6

understand when and why women leave. Women take time off to have children but often opt for another employer afterwards, offering a more attractive workplace and greater control over their life. An American survey identified in 2005 that only 5% of highly qualified women looking at returning to work were interested in rejoining the companies they left²⁸.

A recent survey among highly qualified women professionals in Germany²⁹ – partly sponsored by Deutsche Bank – determined that around a third of women take time off for over 6 months; the break often lasts less than a year (see charts 5 and 6). (Close to a third of German women in senior positions are over 40 and have no children). In Germany, 37% of these women taking time off do so only once, 28% twice (in the USA: 63% once, 24% twice). The majority of these women returning to work desire an alternative work model (part-time, home-office, flexible work hours, etc.). Most employers do offer such models, but they are rarely considered as valid career paths. Most women returning to work are faced with career-limiting situations (see chart 7).

Drawing on the widest pool of talents requires creating an inclusive culture for women and redesigning work, including the following³⁰:

- treat flexibility (of time and space) and work-life balance as issues for everyone
- understand that everyone's work priorities change at different life stages and that these stages are different for women and men (e.g. take life stages into account for foreign assignments: while male executives may think of winding down in their 50s and 60s, their female counterparts may be ready for international assignments and leadership challenges)
- recognise that the linear, unbroken career model is unsustainable
- broaden narrow definitions of the career path to the top
- raise or abolish age limits for spotting and developing "high potentials"
- measure performance by results, not hours
- make the language of corporate leaders more inclusive and avoid assumptions about what women – or men – want from careers (gender awareness training may help here)

Promoting high potentials

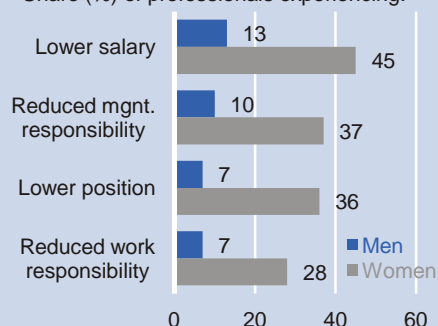
In order to secure a more gender-balanced leadership team, it is essential to make the talent succession and promotion processes more transparent.

It is particularly important to question the assumptions on who is ready, with regard to both men and women. It is often assumed that only those who visibly want power are ready to exercise it. "Perhaps those best able to exercise the responsibility and service of leadership are those not particularly hungry after power"³¹. Promoting "power-reluctant" women is also likely a way to achieve a larger range of valid leadership styles.

Employers eager to capitalise on their investment in women will allow women to get to the top staying themselves, not having to borrow the style of their successful male colleagues. They will strive

... but a disappointing return

Share (%) of professionals experiencing:



Sources: Center for Life Policy (2010), DB Research

7

Vivienne Cox – who was with BP for over 25 years, and the head of gas, power and renewables until 2009 was offered in 1998 a promotion to head a division in the company's downstream division. She was 39, had just had her first child, and turned the promotion down on the grounds that she did not want to travel all the time, work weekends and put in the constant late nights she assumed that the job required. The deputy chief executive, Rodney Chase, rejected her refusal and promoted her, because he wanted to show that the job could be done on her terms.

Source: Wittenberg-Cox (2009)

²⁸ Hewlett and Buck Luce (2005).

²⁹ Center for Work-Life Policy (2010).

³⁰ Wittenberg-Cox and Maitland (2009).

³¹ Wittenberg-Cox and Maitland (2009).



Gender arbitrage

to create work environments where gender differences are appreciated and valued.

Companies that have already put in place the right organisational structure to recruit, retain and promote qualified women derive competitive advantages. This is happening particularly for multinationals in Asia well ahead of their local counterparts in making use of female talent. *The Economist* reports on foreign multinationals recruiting large numbers of educated Korean women in that country, as opposed to Korean companies, and identifies this as a kind of gender arbitrage³².

4. The way forward: Steps towards gender balance

Achieving greater representation of women in leadership is a complex process which will take time and involve men and women at all levels of the organisation. In order to be launched effectively, an effective gender strategy may include the following steps³³.

a. Awaken your leadership team

One prerequisite is a top management convinced that gender is a business issue and committed to change. Many senior executives around the world assume that men and women are equal and the same, that the business world is rational and performance-driven and that the cream of managerial talent rises automatically to the top.

A combination of techniques engaging both the heart and the head may be used to raise awareness of gender. "Reverse" mentoring schemes, for instance, pair up senior executives with younger high-potential women who help them see the company with its dominant culture from their perspective.

b. Define the business case and make it a business issue, not a women's issue

The next step is to craft a convincing, company-specific business case which the leadership team can sell onwards to their own team. The point here is to align the top management team on why a gender initiative is necessary and win agreement on how to address it. It involves counting women at different levels of the organisation and settling on a numerical target to be monitored.

It is often difficult for progressive men to see that they are not necessarily representative of their gender. Catalyst³⁴ identified three factors predicting men's awareness of gender bias: defiance of masculine norms (more likely to express admiration for women co-workers, more likely to indicate a strong concern for helping others), having women mentors, and a strong sense of fair play. For effective dissemination in the organisation, it has proven useful to identify champions – persuasive people with influence, convinced of the issue.

c. Communicate the right message at the right time

The communication of a gender initiative is a delicate topic which can easily annoy both men – not wanting to have women thrust onto

In the current business world, women are "like second-generation immigrants, with one foot in the culture of business and one foot in the culture of women".

Source: Wittenberg-Cox and Maitland (2009)

From victimhood to competitive advantage: the crucial role of top management

Accountability metrics

Companies currently tend to set a target between 25% and 40% for women in senior management, and at least one woman on the board and the executive committee. (The argument often used to define the target for women in senior management is that it should at least reflect the percentage of women graduates in the recruitment pool)

Source: Wittenberg-Cox and Maitland (2009)

Women should not be assumed to be automatically prepared to support gender initiatives. Some can be serious detractors. Men are often keener change agents on gender than their female colleagues.

Source: Wittenberg-Cox and Maitland (2009)

³² The Economist. Gender arbitrage in South Korea. October 21st, 2010.

³³ Wittenberg-Cox and Maitland (2009), Wittenberg-Cox (2010), Gratton et al. (2007a).

³⁴ Catalyst (2009).

Gender balance and life balance are different topics

their promotion path – and women – convinced that they can make it on performance only. It is important to communicate upfront why gender balance is important for the organisation.

In spite of the pressure on the recruiting front to be known as a female-friendly organisation, it is important not to communicate externally on gender before one is ready. Untimely synchronisation is very likely to alienate employees.

It is also crucial not to mix up the messages, for instance not to combine gender balance and life balance. As discussed above, the issues of flexibility, autonomy, mobility – and even child-care – increasingly affect both genders. Associating them with the topic of gender reinforces the notion that women are the ones confronted with work-life issues.

Since few strategic initiatives have no budget, it may also be useful to allocate a budget to the process towards more gender balance in leadership. The size of the budget and the seniority of the leading team are indicators of top management's commitment. A clear signal can thus be sent that the subject is taken as a serious business issue, beyond simply redefining HR priorities and statistics.

A legislative approach: Not ideal, somewhat effective

"By not utilising the full talent pool I knew Norway as a nation was missing out. My ambition as a Minister was to force companies to rethink their board recruiting practices. I believe we succeeded"

Ansgar Gabrielsen, Minister of Trade and Industry, Norway (2001-2004)

"I'm in principle against quotas. But I'm happy with the result"

Harald Norvik, chairman of Telenor and former CEO of Statoil

The interest in quotas for boardrooms is gaining ground in several countries³⁵, including Germany³⁶. While it is crucial to make better use of women's talents, quotas are not the ideal option. They can be counter-productive in the short-term, in particular if the pipe-line is not full: as a demand-side solution, they inflate the jobs available for a certain group, whether there is sufficient supply or not. In fact, the influx of women into Norway's boardrooms had a negative immediate effect on a firm's value, due to the accompanying lack of upper management experience. (The flip side is that it may be an incentive to have more women in top management.). Norwegian companies have also not experienced any significant rise in the number of top executive women.

At the same time, the debate on quotas heating up recently has generated some momentum in the right direction, whether fuelled by increased awareness or fear of impending regulations. Sixty percent of male board members questioned by the Norwegian Institute for Social Research said there had been no major changes to board operations since the law took effect but there were some improvements: "more discussions" and "new perspectives".

Quotas may prove useful if associated with the right supply-side measures, so that the company culture is up to the challenge, i.e. in

Norway's legislation: Costs and benefits

Norway was the first country in the world to implement board quotas (in 2006 for privately-owned public limited companies). As a result:

- rise in the number of women on corporate boards: 6% in 2002 to over 40% today.

- no change in the number of women CEOs (2%) or their presence in the Executive Committee (10%).

- for the private limited companies that didn't have to comply with the law: 15% women on their boards in 2004 to 17% in 2009

- a 2.6% drop in company value at the announcement of the new law (5% if they had no women on their board). Further declines in value over the year that they changed their boards to comply with the law.

- the drop in value was not because the firms put women on the board but because they put less experienced directors on the board.

Source: Norwegian Institute for Social Research, University of Michigan

³⁵ Following Norway's lead, several European countries are now taking steps to pass legislation. After Spain, France passed, at the end of October, a law securing a 40% female presence on corporate boards by 2016.

³⁶ While Germany is also debating such a law, Deutsche Telekom, announced that it would voluntarily introduce a quota aiming to fill 30 percent of upper and middle management jobs with women by the end of 2015. (Deutsche Bank does not support a quota for women, preferring to set targets while working on the pipe-line.) The Corporate Governance Code of Germany recommends companies to take into consideration a proper level of female presence when making appointments to supervisory boards and executive committees.



Gender balance in leadership: hard to acquire but worth the effort, for those who want a competitive advantage

a position to promote competent women having earned the right to be at the top in the eyes of most concerned – even if they are likely to face special hurdles: limited experience, lack of female role models and the presence of a number of observers waiting for them to fail. Maybe companies will be motivated to prepare themselves – tuning their approach to recruiting and promoting, ensuring the availability of trained female managerial talent – so as to be only minimally affected, should related legislation come into effect.

It is increasingly accepted that closing the gender gap at the top of corporations is a win for everyone – it fosters innovation, creates a more balanced work environment and positively affects the bottom line. Yet achieving gender balance requires new thinking, innovative approaches and courage, starting with the CEO and its leadership team. Those companies willing to overcome the challenges will reap business benefits and create a competitive advantage for the future.

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Printed by: HST Offsetdruck Schadt & Tetzlaff GbR, Dieburg