CHAPTER 17

The Conundrum of the Glass Ceiling

THE ECONOMIST

WHY ARE WOMEN SO PERSISTENTLY ABSENT FROM TOP CORPORATE JOBS?

It is 20 years since the term "glass ceiling" was coined by the *Wall Street Journal* to describe the apparent barriers that prevent women from reaching the top of the corporate hierarchy; and it is ten years since the American government's specially appointed Glass Ceiling Commission published its recommendations. In 1995 the commission said that the barrier was continuing "to deny untold numbers of qualified people the opportunity to compete for and hold executive level positions in the private sector." It found that women had 45.7% of America's jobs and more than half of master's degrees being awarded. Yet 95% of senior managers were men, and female managers' earnings were on average a mere 68% of their male counterparts'.

Ten years on, women account for 46.5% of America's workforce and for less than 8% of its top managers, although at big *Fortune* 500 companies the figure is a bit higher. Female managers' earnings now average 72% of their male colleagues'. Booz Allen Hamilton, a consulting firm that monitors departing chief executives in America, found that 0.7% of them were women in 1998, and 0.7% of them were women in 2004. In between, the figure fluctuated. But the firm says that one thing is clear: the number is "very low and not getting higher."

In other countries the picture is similar. Not a single woman [was] featured in *Fortune* magazine's list this June of the 25 highest-paid CEOs in Europe. Although Laurence Parisot, the chief executive of Ifop, an opinion pollster, was chosen recently to head Medef, the French employers' association, she is a rare exception. Corinne Maier, an economist with EDF, a French energy group, gave a scathing description of French corporate life in last year's best-seller, "Bonjour Paresse." "Among the well-heeled battalions of executives," she wrote, "only 5% are women." Equality in the French workplace, claimed Ms. Maier, "is a far-off dream."

It is even farther off in Japan where, until 20–30 years ago, it was generally unacceptable for women to stay in the office after 5pm. One ambitious employee of a foreign multinational dared to hide in the ladies room until the men had left before returning to her desk to finish her work. There has been some progress since. This year two women have been appointed to head big Japanese companies. Fumiko Hayashi is now chairman and CEO of Daiei, a troubled supermarket chain; and Tomoyo Nonaka, a former newscaster, has been appointed boss of Sanyo Electric. Nissan has a general manager for "diversity development" who, when asked recently what has changed least in Japanese business in the past 20 years, replied: "The mindset of Japanese gentlemen."

In Britain, the number of female executive directors of FTSE100 companies rose from 11 in 2000 to 17 in 2004, according to Cranfield, a business school—17 women as against almost 400 men. A larger sample of British quoted companies found that 65% had no women on their board at all in 2003. No British woman has yet headed a big British company, although 44% of the workforce is female. Marjorie Scardino, CEO of Pearson, owner of the *Financial Times* which owns 50% of *The Economist,* is American, as is Laura Tyson, who heads the London Business School. Clara Furse, boss of London's stock exchange, was born in Canada.

It is progress of a sort—but of a glacially slow sort. The glass-ceiling phenomenon is proving peculiarly persistent. The top of the corporate ladder remains stubbornly male, and the few women who reach it are paid significantly less than the men that they join there.

This is despite the fact that companies are trying harder than ever to help women to climb higher. So-called "diversity programmes" (which are aimed at promoting minorities as well as women) are as common as diversity on the board is rare, and not just among service industries such as finance and retailing. No-nonsense formerly male clubs such as IBM (where two decades ago blue-suited identikit white men drove the company close to bankruptcy), GE (where the culture was not exactly female-friendly during the long rule of its legendary leader Jack Welch) and BP (where long hours at sea on windy oil rigs were a career booster), have appointed senior executives to be in charge of diversity. The three firms were the unlikely joint sponsors of a recent conference on "Women in Leadership."

DIVERSITY PAYS

Such companies no longer see the promotion of women solely as a moral issue of equal opportunity and equal pay. They have been persuaded of the business case for diversity. It has long been known that mixed groups are better at problem solving than like-minded ones. But the benefits of diversity are greater than this. Research by Catalyst, an American organisation that aims to expand "opportunities for women and business," found a strong correlation between the number of women in top executive positions and financial performance among *Fortune* 500 companies between 1996 and 2000.

For some companies the push towards greater diversity has come from their customers. Lou Gerstner, the man who turned around IBM partly by promoting diversity within the company, has said "we made diversity a market-based issue . . . it's about understanding our markets, which are diverse and multicultural." Lisa Bondesio, head of diversity in Britain for Deloitte, a big firm of accountants, says that diversity is "about how we differentiate ourselves in the marketplace."

Other companies surprisingly fail to reflect the diversity of their customers. Procter & Gamble (P&G), for example, the manufacturer of Pampers nappies, Max Factor and Tampax, boasts in its 2004 annual report that it was ranked "among the top companies for executive women" by the National Association for Female Executives. Yet it has only two women on its 16-person board, both of them non-executives, and out of the 45 people it lists as its top "corporate officers" only three are women—ie, 93% of them are men. P&G is an enormously successful company and its management programmes are widely admired. Its shareholders may wonder if it would do even better if the gender ratios at the top were less skewed.

Many companies have been motivated by a desire to broaden the pool of "talent" that their human-resources departments can fish in. They worry in general about the ageing populations of the developed world. But particular industries have other reasons for broadening their recruitment trawl. The big accounting firms, for example, had their reputations seriously dented by the demise of Enron and its auditor Arthur Andersen just before they had an unprecedented increase in business as a consequence of the extra duties imposed by the Sarbanes-Oxley act. They became the "employer of choice" for far fewer graduates at a time when they needed to attract far more. A consequence is that they have had to extend their recruitment and promotion efforts to more women.

The management-consulting business, where firms tend to follow the career strategy of "up or out," would like to hold on to many more of its women. But up or out can scarcely accommodate maternity leave, so it is no surprise that the industry loses twice as many women as men from the middle rungs of its career ladder.

Booz Allen Hamilton, a leading consulting firm, regularly wonders how to alter the fact that only 1–2% of its partners are women. Orit Gadiesh, the chairman of Bain, a rival, is a notable exception to the general exclusion of women from the top ranks. However, an earlier career in the Israeli army may have provided essential skills for her to reach the top.

Some firms' diversity programmes are working. At IBM, there are now seven women among its 40 top executives. GE says that 14% of its "senior executives" are now women, although none of them featured in the chief executive's recent reshuffle at the very top. The firm's six new business divisions are all headed by men.

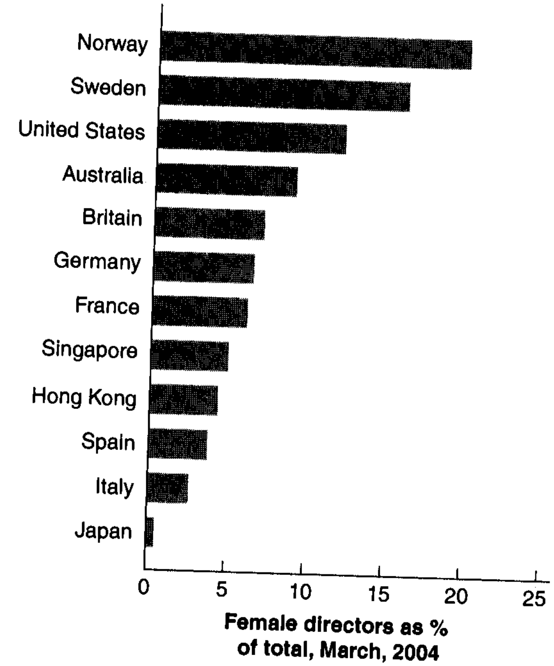

FIGURE 17.1 **Few and Far Between**

Source: Ethical Investment Research Service

By contrast, Alcan, a Canadian multinational metal manufacturer, has made extraordinary progress. Three out of its four main businesses are now headed by women (including the bauxite and alumina business). Steven Price, the company's HR director, says "it's been a long journey" to reach this point. Crucial has been "the tone at the top" and a determination to break down the perception that working long hours and wearing air miles like a "battle medal" are ways to get ahead in the company.

Why is it proving so difficult for women to reach the top of corporations? Are they simply less ambitious, less excited by the idea of limitless (albeit first-class) travel, late nights and the onerous responsibilities imposed by mounting regulation? A 2002 survey of top executives in American multinationals around the world did find them to be less ambitious, at least for the very top job: 19% of the men interviewed aspired to be CEO, whereas only 9% of the women did. At a slightly lower level there was less difference: 43% of women hoped to join a senior management committee, compared with 54% of the men. Catalyst, on the other hand, says that its research shows that women and men have equal desires to have the CEO job. "Ambition knows no gender," says Ilene Lang, the president of Catalyst and once a senior executive in Silicon Valley.

WHO'S IN THE CLUB?

Top businesswomen in America give three main explanations for why so few of them reach "C-level"—that group of executives who preface their titles with the word "chief." First comes the exclusion from informal networks. In many firms jock-talk and late-night boozing still oil the wheels of progress. In America and elsewhere it has become almost traditional for sales teams to take potential clients to strip clubs and the like. These activities specifically exclude most women.

Yasmin Jetha, a Muslim of Asian origin who made it to the board of Abbey, a British bank and a FTSE100 company until it was taken over last year by Spain's Banco Santander, says that although she neither drinks alcohol nor supports a rugby team, she made a point in her career of participating in industry-wide events where the opportunities for exclusion are less. More and more women in business are forming their own networks, which also help to counter male clubbishness.

The second hurdle is what Ms. Lang calls "pervasive stereotyping of women's capacity for leadership." Everyone is unconsciously biased and there is strong evidence that men are biased against promoting women inside companies. This was a central point in the landmark 1989 case in America of *Price Waterhouse v Hopkins,* where Ann Hopkins sued her employer when she was not given a partnership. She eventually won her case in the Supreme Court. Since then some companies have begun to take special steps to guard against bias. Deloitte, for example, carefully scrutinises its pay and promotion decisions for bias, especially its list of new partners announced annually in June.

The third hurdle is the lack of role models. There are too few women in top jobs to show how it is done. Helen Alexander, the chief executive of The Economist Group and one of very few female CEOs to have succeeded a female CEO (Ms. Scardino) says, however, that the role models that matter come earlier in life—at school or in the family. In addition, it seems to be important for many successful businesswomen to have had a supportive father.

Chris Bones, a senior human-resources executive with Cadbury Schweppes before he took over as head of Henley Management College at the beginning of this year, suggests another reason. The flattening of organisations in recent years, as layers of management have been stripped out, has meant that promotions now are far steeper steps than they used to be. This leaves fewer opportunities for people to reenter the workforce at higher levels. And many women inevitably need to take time off during their careers. In America, there is evidence to suggest that more women with children under the age of one are taking time off work than was the case some years ago.

More and more too are withdrawing to care for elderly parents at a time when they are on the cusp of the higher echelons. Ben Rosen, a professor at the Kenan-Flagler Business School in North Carolina who has done research on the topic, says that many women bail out of corporate life to become self-employed consultants and entrepreneurs, roles where they can have greater freedom and autonomy to manage the rest of their lives. This may be reinforcing companies' long-held belief that they should invest less in women's careers because they are unlikely to stay the course.

Ms. Maier's Gallic analysis of the issue is that French men spend more time at work than women, which "can be explained by their insatiable predatory instincts as well as by their casual approach to banal household chores." This leaves women with so much to do at home that they are more than twice as likely as men to work part-time, "which makes it all the more impossible to break the glass ceiling." In America a survey by the Centre for Work-Life Policy found that 40% of highly qualified women with spouses felt that their husbands did less work around the home than they created.

Another finding of the study was that qualified women leave work for a mixture of reasons—some pull them away (home and family life), and some push them away (the type of work, the people they are working with). In business, the push factors were found to be particularly powerful, "unlike, say, in medicine or teaching." The vast majority of women (93%) said they wanted to return to work, but found the options available to them "few and far between, and extremely costly." Across sectors, women lost 37% of their earning power when they spent three or more years out of the workforce.

Very few (5%) wanted to return to the companies they had left, claiming the work they had been doing there was not particularly satisfying. In Britain, women are increasingly dissatisfied with work. A recent study by the University of Bath of female workers between 1992 and 2003 showed an overall decline in their stated levels of job satisfaction. For full-time female managers the decline was an above-average 6%. For men, job satisfaction over the same period went up.

The only category of female workers with a significant rise in satisfaction (of 19%) was that of part-time craft workers. It has become a lot more rewarding to blow glass or design gardens than to strive forever in a vain bid to reach the boardroom.

CHANGE NEEDED

Will time alone erode the gap between men and women? The steep decline among women in the popularity of MBA degrees, the *sine qua non* (at least in America) of a fast-track corporate career, suggests not. What is more, women with MBAs are fast dropping out of the workforce. One study in America found that one out of every three such qualified women is not working full-time. For men, the comparable figure is one in 20.

What can be done to improve the gender balance at the top? In Norway, legislation has been passed decreeing that by the end of 2006 all companies must have at least two women on their boards. Norway already leads the world in the number of women on its company boards (see [Figure 17.1]).

In Britain a group of businesswomen has set up an organisation called WDOB, or Women Directors on Boards, whose aim is "to change the face of UK plc." Jacey Graham, its director, hopes to see the almost static percentage of female executive directors in Britain more than double (to 10%) by 2010.

Ms Graham says that such change "won't just happen." It needs specific intervention within companies—intervention that is led from the top. Opportunities for flexible working are particularly helpful in keeping women in the workforce. KPMG, one of the Big Four accounting firms, is aiming to double the percentage of its partners who are women (currently 13%). It says flexible working is a key measure to help it achieve this goal. Three-quarters of all requests for flexible working over the past 12 months have been from women.

Mentoring is also helpful. The WDOB has initiated a programme in which the chalrmen and CEOs of 25 FTSE100 companies have agreed to mentor women who have been identified from other companies among the group as having boardroom potential. "The sad thing," says Ms. Graham, "is that some companies could not find a woman to put forward for mentoring." Women are enthusiastic mentors of each other. Colleen Arnold, the general manager of IBM Europe, Middle East and Africa, mentors 27 people formally and more than 100 informally. "Mentoring," she says, "is penalty-free."

Chief executives are appointed by sub-committees of companies' boards, often advised by headhunters. More of them will be women when more members of the sub-committees are women and when fewer headhunters are old white men. As Catalyst's Ms. Lang puts it "There are so many women qualified to be on boards who are out there, under the radar screen." Heidrick & Struggles, a firm of headhunters, says that boards may need to look beyond the top-management structures from which non-executive dlrectors are usually drawn if they are "to increase markedly the ratio of female to male directors."

Some think the task is particularly urgent. Chris Clarke, the America-based CEO of Boyden, a firm of headhunters, and a visiting professor at Henley Management College in England, argues that women are superior to men at multi-tasking, team-building and communicating, which have become the essential skiffs for running a 21st-century corporation. Maria Wisniewska, who headed a Polish bank, Bank Pekao, and is an international adviser to the Conference Board, says: "The links between the rational and emotional parts of the brain are greater in women than in men. If so, and if leadership is about making links between emotion and intelligence, then maybe women are better at it than men."