The New Business Imperative: Recruiting, Developing and Retaining Women in the Workplace

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UNC Kenan-Flagler Business School
Introduction

Nearly 50 years ago, *The Personnel Administrator* (the precursor to the Society for Human Resource Management’s HR Magazine) published the article, “Women at Work: One of the Most Controversial Issues of the Sixties,” by Dr. Daniel Kruger. The article examined the societal, labor and economic forces that were compelling women to join the workforce. As to why he wrote the article, Kruger noted that “our concern here is with the role of women in the labor force. We leave others to discuss the impact of working women on family life, mental health, juvenile delinquency and on society as a whole.” (SHRM, 2008).

The debate surrounding women in the workforce has shifted somewhat in 50 years, but it still continues. In 1964, women comprised nearly 40 percent of the U.S. labor force (up from 32 percent in 1948). Today, women make up 61 percent of the labor force and are attaining college-level degrees at a faster rate than their male counterparts [Bureau of Labor Statistics (BLS) in U.S. Department of Commerce et al, 2011].

There are definite rewards for organizations that target women in their recruiting, development and retention efforts. A Thomson Reuters study found that organizations which are ahead of their peers in breaking the glass ceiling tend to have share prices that outperform their competitors, particularly in difficult market conditions (Chanavat, n.d.). And, a 2007 McKinsey study found that organizations with a higher percentage of women in top management positions had a 17 percent higher growth in stock prices and a 1.1 percent larger return on equity (Landis et al, 2011).

Company Spotlight: State Farm Insurance

State Farm Insurance’s support of women in its organization dates back to the 1920s, when women were first named to the board of directors, were hired as employees and became insurance agents. That tradition continues today; the company has a formal high-potential identification program for women. Women who are identified as “high potential” create development plans, take on stretch assignments and job rotations, and are mentored by senior leaders. Thirty-two percent of the corporate executive positions are held by women, nearly 40 percent of executives are women who oversee divisions with revenues in excess of one billion dollars, and 13 percent of executives who report directly to the CEO are women (NAFE, 2012).
Yet gaps persist between men and women in the workforce in terms of pay, career path, and leadership development.

This white paper:

- Explores the changing role of women in the workplace and the business imperative to foster women’s roles in organizations.

- Examines the persisting gap in female representation in leadership positions.

- Looks at perception gaps found in a 2012 University of North Carolina (UNC) Leadership Survey of women and men in senior leadership roles on the effectiveness of organizations in recruiting, developing and retaining female employees.

- Offers HR and talent management professionals effective steps they can take to recruit, develop and retain women in organizational leadership roles.

The Changing Role of Women in the Workplace

In the 1930s, working women had limited choices when it came to occupations. Most worked as domestic servants, factory workers, administrative staffers, school teachers and nurses. Lifetime employment for women was rare; most left the workforce when they got married or became pregnant. Today, four out of 10 women in the U.S. workforce are working mothers and are their households’ primary breadwinners, and nearly two-thirds are primary or co-breadwinners (Boushey in Shoemaker, Brown & Barbour, 2011). A 2011 McKinsey report estimates that without women in the workforce between 1970 and 2009, the U.S. economy would be 25 percent smaller (Barsh & Yee, 2011).

The Business Imperative

Women are not only increasingly the primary breadwinners, they are also the world’s largest group in terms of purchasing decisions; studies show that women comprise between 80 and 85 percent of the U.S. consumer market. Combine this with the knowledge that companies with higher percentages of female senior-level
managers tend to outperform their competitors, it comes as no surprise that those organizations failing to target women in recruiting, development and retention strategies may miss their bottom-line goals.

The Persisting Gap in Leadership Positions

Today, women are still three times more likely to work in administrative support jobs than men, and while women are far more likely than men to work in professional-level positions (approximately 26 percent of women versus approximately 17 percent of men), they are clustered in lower-paying fields such as education and health care. According to the BLS (Bureau of Labor Statistics), the proportion of women working in management, business and finance jobs rose from 9 percent in 1983 to 14 percent in 2009, but in general, women tend to remain employed in just five occupations: secretaries, registered nurses, elementary school teachers, cashiers and nursing aides (U.S. Department of Commerce et al, 2011).

Even though the percentage of women working in the management, business and finance fields remains relatively small in comparison to men, the percentage of U.S. women in management or professional (and related) positions in those fields rose to 51.5 percent in 2010 (Catalyst, 2011). However, in 2011, women held only 16 percent of Fortune 500 board seats in the U.S. and only 14 percent of the executive officer positions at Fortune 500 companies, showing a distinct gap between lower-level management positions and higher-level management positions (Catalyst, 2011). In Europe, where some countries have instituted quota systems for women in executive management positions and in other countries where gender discrimination has been historically less prevalent, the percentage of women working in executive and management roles averages 29 percent (Mercer, 2012).

Despite the fact that women are slowly making inroads into management positions and are out-pacing men in the attainment of higher education, a gap in compensation persists. According to the BLS, at all education levels women earn about 75 percent as much as men. A recent Korn/Ferry International study found that the pay gap continues into the C-suite. Researchers found that the pay gap between women and men at the C-suite level was between 13 and 25 percent (Landis, Predolin et al., 2011).

One of the factors that may reflect this persistent pay gap is the lack of female representation in senior leadership positions. A Development Dimensions International (DDI) report found that women held 21 percent of executive-level
positions—half that of women in first-level management positions (Howard & Wellins, 2009). That same report found that more than 70 percent of the top 1,500 U.S. firms included in the study had no women on the senior leadership team, and that in all major global regions studied, women were more likely than men to fall off the management ladder before reaching the executive level.

The DDI report offered a few conclusions as to why women have failed to advance to higher positions in management. These conclusions included:

- **The lack of high-potential programs in organizations and the lack of women in those programs.** Half of the organizations that participated in the DDI survey said they identified high potential employees, but at all management levels, women were less likely than men to be identified as high potential. In fact, the higher the management level, the larger the gap between men and women. At the lowest management level, the gap between men and women identified as high potential was 4 percentage points; at the executive level, the gap was 13 percentage points.

- **The lack of leadership transition training.** The study found that while many leaders thought leadership transitions were challenging, slightly more than half of the organizations in the survey offered transition training. Further, 35 percent of male executives reported receiving support for leadership transitions, versus 28 percent of female executives.

- **The lack of multinational leadership experience offered to women.** Men were twice as likely to have been assigned multinational leadership responsibilities as women (21 percent for men versus 9 percent for women), and this gap persisted at the executive level, where 45 percent of men were given multinational leadership responsibilities versus 25 percent of women. Multinational leadership responsibilities, the authors of the study noted, can be “powerful accelerants of personal and professional development” and is often used as a criterion for promotion.

- **The lack of professional development opportunities offered to women at higher management levels.** The study notes that “whether a development opportunity was a way to enter a high-potential program or provided support for transitions into higher positions or taking on multinational responsibilities, men were favored over women at every job level.” (Howard & Wellins, 2009).
Women as Leaders

Women who do achieve senior management positions in organizations appear to be representing their gender well; several studies show that women are perceived to be better leaders than men.

Zenger & Folkman’s Top 16 Competencies Good Leaders Exemplify Most

<table>
<thead>
<tr>
<th>Competency</th>
<th>Male Mean Percentile</th>
<th>Female Mean Percentile</th>
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<tbody>
<tr>
<td>Takes Initiative</td>
<td>48</td>
<td>56</td>
</tr>
<tr>
<td>Practices Self-Development</td>
<td>48</td>
<td>55</td>
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<tr>
<td>High Integrity, Honesty</td>
<td>48</td>
<td>55</td>
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<tr>
<td>Drives for Results</td>
<td>48</td>
<td>54</td>
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<tr>
<td>Develops Others</td>
<td>48</td>
<td>54</td>
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<tr>
<td>Inspires and Motivates Others</td>
<td>49</td>
<td>54</td>
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<tr>
<td>Builds Relationships</td>
<td>49</td>
<td>54</td>
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<tr>
<td>Collaboration and Teamwork</td>
<td>49</td>
<td>53</td>
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<tr>
<td>Establishes Stretch Goals</td>
<td>49</td>
<td>53</td>
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<tr>
<td>Champions Change</td>
<td>49</td>
<td>53</td>
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<tr>
<td>Solves Problems and Analyzes Issues</td>
<td>50</td>
<td>52</td>
</tr>
<tr>
<td>Communicates Powerfully to the Outside World</td>
<td>50</td>
<td>52</td>
</tr>
<tr>
<td>Connects Groups to Outside World</td>
<td>50</td>
<td>51</td>
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<tr>
<td>Innovates</td>
<td>50</td>
<td>51</td>
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<tr>
<td>Technical/Professional Expertise</td>
<td>50</td>
<td>51</td>
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<tr>
<td>Develops Strategic Perspective</td>
<td>51</td>
<td>49</td>
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</tbody>
</table>

(Source: Zenger & Folkman, 2011)

A 2011 study conducted by Jack Zenger and Joseph Folkman of more than 7,000 leaders found that at every management level, more women were rated by their peers, bosses, direct reports and others as better overall leaders than men, and that the higher the level in the organization, the wider the margin. The study was based on 360-degree evaluations and rated leaders on 16 different competencies. Women out-scored men in 15 out of the 16 competencies.

A Korn/Ferry study found that best-in-class senior leaders are more integrative (having the ability to take and process complex data and develop strategic solutions), socially attuned, comfortable with ambiguity and confident. In addition, the study revealed that women in senior-level positions scored higher than their male counterparts in all the leadership characteristics except for confidence.
Zenger & Folkman’s Study on Overall Leadership Effectiveness

<table>
<thead>
<tr>
<th>Professional Level</th>
<th>Men’s Leadership Effectiveness</th>
<th>Women’s Leadership Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management, executives, senior team leaders</td>
<td>57.7%</td>
<td>67.7%</td>
</tr>
<tr>
<td>Reports to top management</td>
<td>48.9%</td>
<td>56.2%</td>
</tr>
<tr>
<td>Managers</td>
<td>49.9%</td>
<td>52.7%</td>
</tr>
<tr>
<td>Supervisors, front-line manager, foreman</td>
<td>52.5%</td>
<td>52.6%</td>
</tr>
<tr>
<td>Individual contributor</td>
<td>52.7%</td>
<td>53.9%</td>
</tr>
<tr>
<td>Other</td>
<td>50.7%</td>
<td>52.0%</td>
</tr>
</tbody>
</table>

(Source: Zenger & Folkman, 2011)

The Perception Gaps

There are not only gaps in terms of pay, position attainment and development among men and women in the workplace, there are also distinct perception gaps between men and women in how effective organizations are when it comes to recruiting, developing and retaining women.

A recent UNC leadership survey asked respondents if they thought the number of women in senior-leadership positions had increased in the past five years. Men were much more positive in their responses, with 57 percent saying the number of women in senior-level positions had increased, versus 36 percent of female respondents. When asked how effective their organizations had been in recruiting women, 53 percent of men said their organizations were extremely or moderately effective, versus 33 percent of women. Similarly, when asked if their organizations were effective in retaining women, 73 percent of men said their organizations were extremely or moderately effective, versus 52 percent of women.

To review the results of the UNC Leadership Survey 2012: Women in Business, click here.
The UNC survey also showed that the development of women into leadership positions continues to be a medium to low priority for many employers. Nearly half of respondents said the development of women leaders was not on their strategic agenda. When asked about their perceptions of the development of women for leadership roles, 52 percent of women felt that it was not part of their organization’s strategic agenda, versus 31 percent of men.

The recruitment, development and retention of women in the workplace is a diversity issue, yet despite the evidence that women in leadership roles can boost an organization’s bottom line, a McKinsey survey found that when asked about the connection between diverse leadership teams and financial success, 85 percent of female respondents believed there was a connection versus 58 percent of male respondents. Further, only 28 percent of the organizations responding to the survey said that diversity was a top-ten strategic agenda item (McKinsey Quarterly, 2010).

Because men are more likely than women to be in senior-leadership positions, these perceptions gaps should not be overlooked. As with so many human resource initiatives—from performance management to succession planning to compensation to training and development (and everything in between)—the number one priority for success is to achieve buy-in from the top. If top management is mostly male, obtaining buy-in for programs that foster the recruitment, development and retention of women in organizations may be a key challenge.

Steps HR and Talent Management Professionals Can Take to Recruit, Develop and Retain Women in Leadership Roles

A 2010 Mercer study on women in leadership roles found that more than two-thirds of employers (71 percent) lacked a defined strategy or philosophy for developing women into leadership roles (Mercer, 2012). The UNC leadership survey supports that figure; nearly half of survey respondents said that development of female leaders was not on their strategic agenda at all, and another 23.5 percent said that it was on their organization’s strategic agenda but not near the top. Only 2 percent of respondents said it was a “Top 3” strategic agenda item. Eighteen percent said that it was a “Top 10” strategic agenda item.
HR and talent management professionals can help place recruitment, development and retention of women in senior leadership roles on their organization’s strategic agenda with the following steps:

- **Step 1**: Assess your organization’s actual and perceived gaps in the recruitment, development and retention of women and report any discrepancies to senior leaders.

- **Step 2**: Offer workplace flexibility and remove any real or perceived barriers that prevent women from taking advantage of that flexibility.

- **Step 3**: Don’t just mentor; sponsor.

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**Company Spotlight: AT&T**

Telecommunications giant AT&T was recently named one of the “Top 50 Companies for Executive Women” by the National Association of Female Executives (NAFE) for the third consecutive year. Women comprise 39 percent of the company’s workforce, 39 percent of its managers, and 25 percent of the board of directors. AT&T earned its place on NAFE’s roster because of its dedication by senior executives to its diversity goals, where their salaries are determined in part by progress toward its goal of promoting and retaining women. High-potential women are identified through talent reviews and are paired with executive-level mentors; women in line for senior executive positions can participate in accelerated development programs through the company’s university; annual tuition aid of up to $5,250 makes advanced education efforts more affordable (NAFE, 2012).
Step 1: Assess your organization’s actual and perceived gaps in the recruitment, development and retention of women, report any discrepancies and offer possible solutions to senior leaders.

The first step is to determine if there are real and perceived gaps between men and women in leadership positions. Analyses of real gaps could include:

- The percentage of women versus men in leadership positions and an analysis of where women fall in comparison to men in the level of management positions they hold (i.e., managers versus senior-level leaders).

- An analysis of compensation by gender to ensure pay equity.

- A comparative report on the recruitment and retention of employees by gender.

- An analysis of the percentage of women versus men participating in career development activities, including mentorships, high-potential programs, leadership transition programs and multinational assignments.

An analysis of perception gaps could include:

- An organization-wide survey (including stakeholders) on the effectiveness of organizational leadership broken out by gender.

- An organization-wide survey asking male and female respondents to rate the effectiveness of organizational efforts to recruit, develop and retain women.

A report of these internal analyses can include a comparison with data discussed in this white paper and recommendations for further organization-wide development opportunities that will mitigate discrepancies. If the study shows that there are pay gaps, offer recommendations on how to implement strategies that will alleviate inequities and prevent future ones.

Other effective methods to assess real and perceived gaps in gender equality may include conducting third-party exit interviews to receive honest feedback about why people are leaving the organization and surveying applicants who turn down job offers to learn their reasons for doing so.
Step 2: Offer workplace flexibility and remove any real or perceived barriers that prevent women from taking advantage of that flexibility.

A majority of women participating in a recent focus group of Gen Y women about work expressed “anticipatory career anxiety,” meaning that they wanted a career and family, but were concerned whether they could have both within the constraints of most workplaces today. As a result, they thought more in the long term when choosing their employers than their male counterparts. The authors noted that Gen Y women “are, in fact, thinking ahead and evaluating the extent to which an employer offers an environment that is compatible with life changes.” In other words, Gen Y women tend to think ahead and evaluate employers based on whether a company will offer the flexibility they may need years down the line (for example, when they have childcare or eldercare responsibilities). Gen Y women may not need on-site day care, part-time work options and job share programs when they are hired, but they anticipate having those needs and expect potential employers to have those programs in place (Barrett, 2011).

The same focus group found that Gen Y women were also concerned about the perceived lack of female role models in their companies. The women who expressed the least amount of anxiety were those who had an employer who offered on-site day care, medical services and flexible workplaces. The author further noted that “these women have seen working mothers successfully rise to the top leadership positions without having to sacrifice their family life.” (Barrett, 2011).

While Gen Y women may be anticipating career anxiety, many women (and men) are currently living it. In their article “A Revolutionary Change: Making the Workplace More Flexible,” authors Shoemaker, Brown and Barbour concluded that workplace culture and biases against those with family responsibilities can force talented women out of the workforce. They cite recent research that found 90 percent of mothers and 85 percent of fathers reported a work-family conflict.

Other studies cited in their article found that 45 percent of women reported that childcare challenges pushed them out of the workforce, and 24 percent said eldercare issues forced them out. Another study found that 86 percent of women cited a lack of flexibility as a primary reason for leaving the workforce.
Offering flexible work options is not enough, however. Removing real and perceived barriers that prevent employees from using them should be the true objective. Women in the Gen Y focus group noted that to make such programs successful, employers must allow them to be self-directed. Most flexibility programs are controlled by managers, not employees. This eliminates the autonomy many would-be participants crave because it is the manager, not the employee, who decides who can use the programs (Barrett, 2011).

When determining who can use flexibility programs, employers often assign that responsibility to direct supervisors because of the notion that not all jobs—or employees—are suitable for such programs. Employers also tend to believe that direct supervisors and managers are the best people to make these decisions. Direct supervisors and managers, in turn, are often reticent to allow employees to take advantage of flexible work options because of supervisory challenges. However, managers can learn how to effectively manage remote workers to reduce that reticence and how to start a discussion with an employee (something employees are often reluctant to do) about what flexibility options best suit their needs. For example, a manager can be taught how to approach an employee who is experiencing eldercare issues, broach the subject and then review available flexibility options. By ensuring managers and supervisors have the information and training needed to offer and manage flexible work options with employees, flexible work options can become mutually self-directed.

Company Spotlight: Johnson & Johnson

Johnson & Johnson has long been an advocate of recruiting, retaining and promoting women in their company. In 1995, it launched its Women’s Leadership Initiative (WLI), an employee affinity group that supports the company’s overall leadership development strategy by focusing on increasing the number of women in leadership positions, removing challenges and developing women’s leadership competencies. Today, WLI operates more than 100 chapters worldwide with members from all parts of the company. Since the initiative was launched, Johnson & Johnson reports significant increases in the numbers of women on its executive committee, among company presidents and managing directors outside the U.S. corporate offices, executive and director-level women, and those with line and staff management positions. Twenty five percent of senior managers are women; 33 percent of corporate executives are women; and 33 percent of the company’s top 10 percent of earners are women (NAFE, 2012).
The National Association for Female Executives assesses organizations for their “Top 50 Companies for Executive Women” list with management control in mind:

- 68 percent of top companies consistently train managers on how to hire, advance or manage women (68 percent).
- 48 percent of top companies offer formal compensation policies that reward managers who help women advance.

(Source: Shoemaker, Brown & Barbour, 2011)
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- 88 percent of top companies offer managers training on how to manage the work-life concerns of employees.

- 92 percent of top companies offer managers training on how to implement flexible work arrangements.

**The Benefits of Flexibility:**

- Flexibility alleviates stress; one survey found that 90 percent of employees who telecommuted said it had helped them meet work and family needs.

- Flexibility can help improve workplace productivity and the organization’s bottom line.

- Flexibility can keep women in the workforce and will help the anticipated “War on Talent” as baby boomers retire.

- Flexibility appeals to the Millennial generation, which has grown up with technology, abhors “seat time,” and expects flexibility because of their extensive use of mobile technology.

(Source: Shoemaker, Brown & Barbour, 2011)

Some employers have gone beyond workplace flexibility programs and have adopted a results-only work environment (ROWE) model co-created by Jody Thompson and Cali Ressler when they worked for Best Buy. The ROWE model evaluates employees on their work produced, not the number of hours in the office. The model has been used at Best Buy’s corporate headquarters and has since been adopted by The Gap, Girl Scouts of San Gorgino, Counter and Associates, and Fairview Health Service’s IT Department. Employees in these programs report higher job satisfaction, lower voluntary turnover and increased productivity levels. Best Buy participants also report less work-family conflict and an improved view of their work culture as being family friendly (Barrett, 2011; Shoemaker, Brown & Barbour, 2011).
Step 3: Don’t just mentor; sponsor.

Mentorships may benefit women’s personal development in the workplace, but a study by Ibarra, Carter & Silva (2010) found that they may not benefit women’s professional development.

Their study found that in 2008, 78 percent of high-potential men were mentored by a CEO or other senior executive, as compared to 69 percent of high-potential women in the study, and those women were more likely than men to have junior-level mentors. This puts high-potential women at a disadvantage when it comes to promotions because senior-level managers have more organizational clout than junior-level managers and can more effectively “champion” their mentees, resulting in higher levels of promotions among managers who have senior-level executives as mentors.

The study’s authors recommend that to make mentorships work for women in high-potential programs, employers should:

- **Clarify and communicate the intent of the program.** Mentors and mentees should understand that the mentorship program has been developed for high-potential women and that the intent of the program is to more aggressively promote high-potential women into senior management positions.

- **Match sponsors and high-potential women in light of program goals.** If a program’s goal is to advance the promotion of high-potential women, they should be matched with senior-level mentors who can champion or sponsor them into those roles. If the goal is personal development, mentorship matches should be made based on the frequency of contact and good chemistry.

- **Coordinate efforts and involve direct supervisors.** Mentorship programs should not be run solely out of the HR department but should involve direct supervisors. This ensures more support from the front lines and increases the likelihood that the mentorship will be considered in performance evaluations, in training and development opportunities and in succession plans.
Hold sponsors accountable. A mentorship program designed with the intent to promote high-potential women into senior management levels should include goals in which sponsors are held accountable to achieve that goal for their mentees. A mentorship program for high-potential women at IBM Europe, for example, aims to promote participants within a year of the start of the mentorship. Failure to obtain a promotion is seen as the sponsor’s failure, not the candidate (Ibarra, Cater & Silva, 2010).

Conclusion

The number of women as primary breadwinners and co-breadwinners, combined with their overwhelming purchasing power, makes them an economic force to be reckoned with. Organizations that recognize this and that actively recruit, develop and retain women into leadership roles will reap the reward directly to their bottom lines.
About UNC Executive Development

Our approach to program design and delivery draws upon the power of real-world, applicable experiences from our faculty and staff, integrated with the knowledge our client partners share about the challenges they face.

We call this approach The Power of Experience. We combine traditional with experiential and unique learning. Through action learning and business simulation activities, we challenge participants to think, reflect and make decisions differently.

Our Approach: The Partnership

Our team customizes each leadership program through a highly collaborative process that involves our clients, program directors, faculty and program managers. This integrated approach consistently drives strong outcomes.

Our Approach: The Results

Our executive education programs are designed with results in mind. Below are a few examples of the results our client partners have achieved:

- Leadership refocused with new strategy and cohesive vision
- Strategic plans created for the global marketplace
- Supply chains streamlined
- Products redefined
- New markets targeted
- Cost-saving measures developed
- Silos leveled
- Teams aligned

Participants leave empowered to bring in new ideas, present different ways to grow business and tackle challenges. The result is stronger individuals leading stronger teams and organizations.

At UNC Kenan-Flagler Business School, leadership development is a serious commitment that we make to each individual’s long-term career success. From the breadth and depth of our leadership activities to our individualized leadership coaching to our proprietary business simulations to teaching methods that focus on realistic interactions, Kenan-Flagler offers leadership learning that is truly unique among business schools. To learn more about the Leadership Initiative, visit http://www.kenan-flagler.unc.edu/leadership.

(For additional insights on leadership development, refer to the UNC Executive Development white paper: Closing the Gaps in Leadership Development.)

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Sources


