

# The Female Leadership Crisis

Why women are leaving (and what we can do about it)





# Where are all the female leaders?

**“Create a compelling value proposition for women and they will stay. Stay the course and consumers and employees will wonder why your C-suite looks like it did 50 years ago.”**

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**T**he Network of Executive Women’s latest research answers the question: Where are all the female leaders?

Senior executive women are heading for the exit ramps at an astonishing clip. And if the leading industry companies we studied do not come up with a retention solution — fast — the female executive population is projected to decline by more than 50 percent over the next decade. If the status quo remains, women will comprise just 15 percent of executive ranks by 2027, compared to 35 percent today — a trend in the wrong direction.

Many issues contribute to women’s attrition. Chief among them: Women, particularly those in upper management, experience the workplace differently from their male counterparts. And there is a disconnect between what women value and what most corporate cultures offer. In short, women don’t feel the fit many men do as they rise through the ranks.

These issues are driving many talented women to leave corporate America, to either find — or create — other organizations that better meet their needs.

Create a compelling value proposition for women and they will stay. Stay the course and consumers and employees will wonder why your C-suite looks like it did 50 years ago.

# Equal representation stalls halfway up

In late 2017, the Network of Executive Women commissioned research on how women and men advance within major companies in the retail and consumer goods industry. The results bring to life the voice of employees behind leading brands.

Results reveal a significant gender gap in retention in the industry, particularly at the higher levels of management, that is adversely impacting competitiveness.

From entry level through middle management, women are being hired and promoted at rates on par with their male counterparts, leading to improved representation of women in the lower half of the corporate hierarchy, a positive fact worth noting.

However, at executive-level manager and C-suite positions, the candidate pool becomes more homogenous — namely white (83 percent) and male (67 percent).



## About the research

In October and November 2017, in partnership with Mercer and Accenture, NEW surveyed more than 3,600 NEW members and U.S. employees in the retail and consumer goods industry (2,531 women and 1,270 men). In addition, eight retailers and consumer goods companies shared U.S. hiring, promotion and turnover data representing more than 400,000 employees. Executives from 11 companies participated in interviews.

Results revealed talent flows, retention challenges and best practices at some of the retail and consumer goods industry’s leading companies.

## NEW surveyed respondents at every organizational level

LEVEL	ROLE
C-suite	CEO, chair, C-suite roles, president
Executive-level manager	Executive vice president, senior vice president, vice president, reports to C-suite
Higher-level manager	Assistant vice president, director
Mid-level manager	Principal, partner, senior manager
First-level manager	Manager
Professional technician	Buyer, specialist, with no direct reports
Sales worker	No direct reports
Administrative support	No direct reports

NEW found women’s turnover rates are far higher than those of their male counterparts (31 percent vs. 24.1 percent in companies studied), leading to a dearth of female candidates for leadership roles. Women at all levels are exiting retail and consumer goods companies at higher rates than men, far higher than what is reported globally across other sectors, where the attrition rates are 8 percent to 10 percent annually.<sup>1</sup>

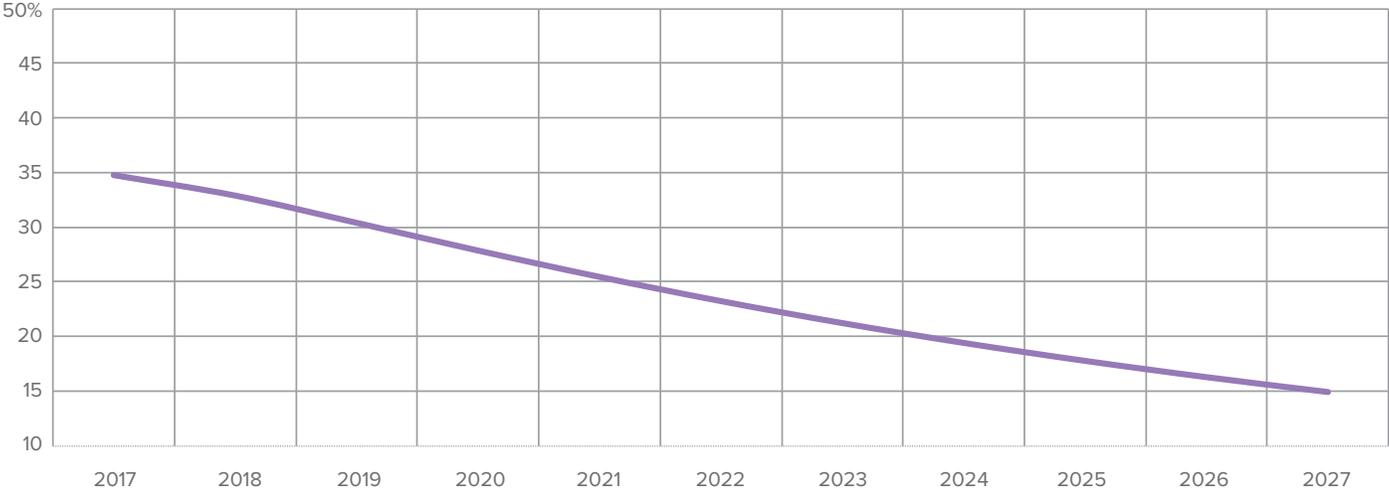
The assumption many industry leaders have held — that women’s representation in the executive suite would improve in direct correlation with their numbers in the business at large — is proving incorrect. (See Figure below.) NEW’s research shows that current efforts, while improving hiring and promotion rates for women, are not having a significant impact on retention across all levels. Companies are still losing too many women.

Given that women account for 85 percent

of all consumer purchases<sup>2</sup>, creating a culture in retail and consumer goods that not only attracts, but develops, advances and retains women leaders is a business imperative. Yet, this industry, which must have its finger on the pulse of the female consumer, continues to struggle to retain its female employees.

Company leaders who determine why they are losing female talent — and provide reasons for qualified women to stay — will create a distinct competitive advantage. A Petersen Institute for International Economics 2016 study of more than 22,000 companies positively correlated the presence of women in corporate leadership with corporate performance.<sup>3</sup> Firms with no women in C-suite or board positions that increased female representation to 30 percent saw a 1-percentage-point increase in net margin, equal to a 15-percent increase in profitability.<sup>4</sup>

## Projected percentage of women executives, with no intervention



Source: Mercer Internal Labor Market data from participating NEW partner companies.

**With no changes to corporate culture or policies, women will hold just 15 percent of executive positions by 2027.**

# Why executive women are leaving

**A**t upper management levels, women are leaving companies not just slightly more than men, but at a far higher rate than their male counterparts. Female first-level and mid-level managers exit at nearly double the rate of men (24.4 percent vs. 13.3 percent), while higher-level managers and executive and C-suite women leave their jobs nearly four times as often as men (26.9 vs. 7.3 percent). (See Figure below.) This difference in rates is higher than in other industries for which comparable data are available, such as the financial services and cable telecommunications industries.<sup>5</sup>

The statistics are particularly disturbing because women at the professional level

and above are being hired at roughly the same rate as men. Women and men are also being promoted at similar rates. (See Figure, page 11.) Why then, have a majority of the female candidates for the highest-level leadership positions abandoned ship before they have a chance to be seriously considered?

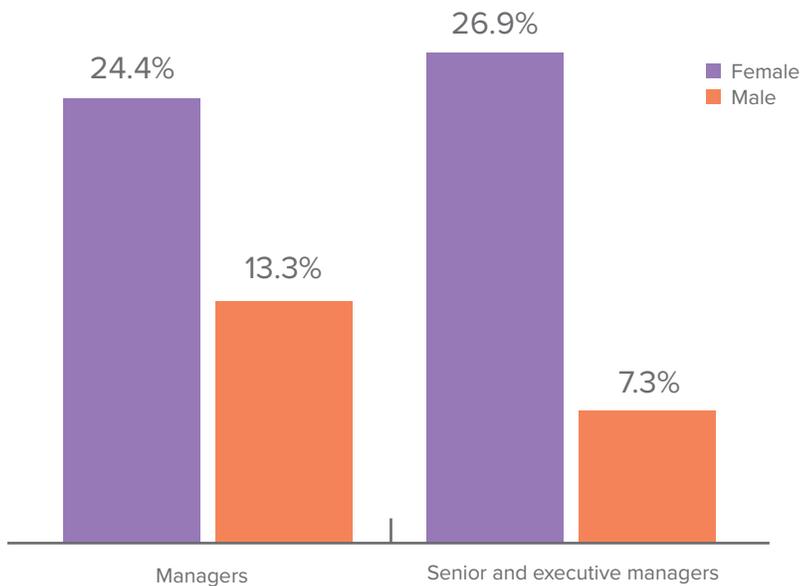
We'll let them tell you.

## Isolation Why am I the only woman at the table?

Only slightly more than half (54 percent) of women agree "There are people similar to me in leadership positions." Even fewer (51 percent) agree there are an appropriate

## Women executives exit their jobs faster than their male peers

Percent turnover



Source: Mercer Internal Labor Market data from participating NEW partner companies.



Female managers are exiting their jobs at nearly twice the rate of men. Women who are higher-level managers and at executive/ C-suite levels are leaving at nearly four times the rate.

number of male and female role models in their organization. Men’s perception of role models is quite different, which may contribute to their sense of belonging, versus females’ sense of isolation as they move up the ranks. (See Figure below.)

As actress and philanthropist Meryl Streep told The Washington Post, “To walk into a meeting at the highest level of leadership, it’s weird that you’re all men there, or that there are two women and nine men.

“It’s up to the people who have the power to open the door.”

**“Many times, men will see a woman or two at certain levels and state there is not a problem. But it is a problem when the leadership ratio is 1 in 100.”**

— Survey respondent

**Bias I don’t need to look or think like you to be qualified**

Combine a lack of female role models in executive management with the sense of isolation that can come from being the only woman, or one of a few, with a lack of sponsorship, and you have a recipe for female leaders heading to the exit. Only 36 percent of women surveyed agree there is minimal favoritism within their company. The similar-to-me bias, unless addressed head on within corporate culture, means many executives will hire and promote candidates with similar interests, backgrounds and experience to them.

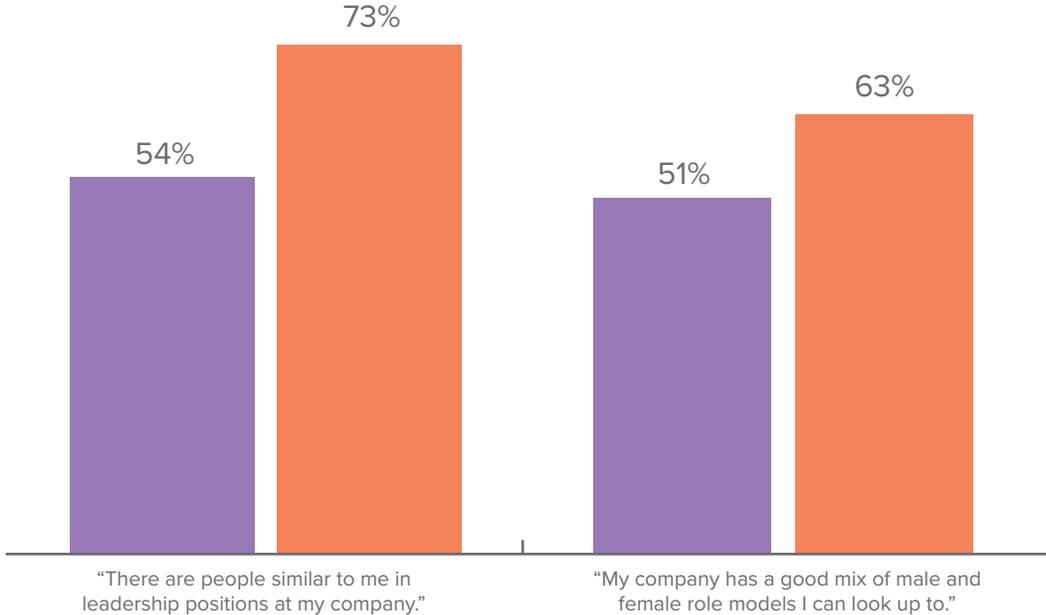
NEW research reveals that as men rise to the executive level, they are less likely to believe there is favoritism in the workplace, even though traditionally men have been promoted for both their achievements and their similarity to higher-level executives. (See Figure, page 7.) The difference between how men and women perceive and benefit from

**Missing role models**

Percent who agree

■ Female  
■ Male

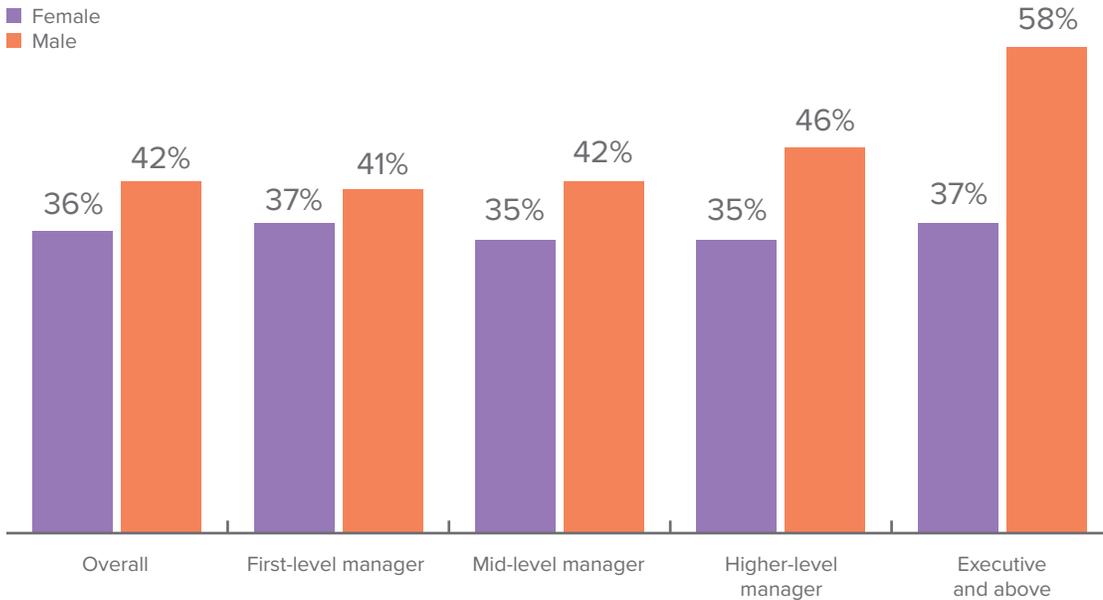
**Fewer women than men find role models they can relate to in the workplace.**



Source: Mercer survey of NEW members and participating company employees.

## Men perceive less favoritism as they rise

Percent who agree there is “minimal favoritism where I work in distribution of work, promotions, etc.”



Source: Mercer survey of NEW members and participating company employees.

### As men climb the corporate ladder, they are less likely to perceive favoritism at work.

favoritism and bias can lead to a perpetual cycle in which C-suite leaders do not perceive the system for identifying up-and-comers is unfair, undermining a commitment to change.

Even as women advance in their careers — or especially as they advance — the status quo puts them at a disadvantage.

### Transitions Support me after you promote me

When females report on the support they receive from those above them in the corporate hierarchy, only half say they receive support when they accept a new challenge or job. Men’s perception of support from peers and their managers ranks higher, at 63 percent.

And while six out of 10 women say their supervisor entrusts them with a range of assignments that help prepare them for their

next role, the remaining 40 percent are not receiving the corporate stretch roles and breadth of experience necessary to place them in contention for positions of higher responsibility and authority.

This leaves women either stagnating in their current role, feeling passed over or promoted without sufficient development or support through the transition. None of these situations bodes well for women reaching the C-suite successfully.

What’s more, only roughly half of the women surveyed say they can identify a clear career path available to them, making it difficult to lobby for the stretch assignments that will help them advance to senior management.

One remedy to these challenges is sponsorship. A mentor may walk beside talented female candidates, encouraging and advising. But a sponsor is necessary to open doors and blaze a trail for the sponsored to follow.



## PepsiCo: Retaining women leaders through sponsorship

PepsiCo Inc. is committed to women holding 50 percent of its leadership positions by 2025. Like many of its peers, the company recruits men and women in fairly equal numbers, but continues to work on improving retention rates of women. One challenge: Eighty-two percent of PepsiCo's management team is located in distribution centers and manufacturing plants, where feeder roles traditionally have not been filled by women.

Now, the company is taking sponsorship to a new level with a leadership development program that pairs promising future women leaders with sponsors at the vice president or higher levels. Both sponsors and protégés must commit to the program for 18 months.

In PepsiCo's Frito-Lay business, the retention rate of women in this program, now in its third round, has been consistently higher than the retention rate of the overall female employee population. Women in the program are promoted at a 70-percent higher rate than female employees overall.

The women NEW surveyed are well aware of the importance of sponsors, with roughly 80 percent agreeing "It is important to know the right people to get ahead." Knowing the right people takes the right introductions — introductions provided by a sponsor who puts his or her influence on the line to help further a woman's career.

## Flexibility Why is my work schedule stuck in the 1970s?

While the world has changed dramatically from the years when men worked and women stayed at home to take care of children and domestic duties, work schedules have not, to the detriment of women with children especially.

As Melinda Gates wrote, "We're sending our daughters into a workplace designed for our dads."

Moreover, as child-rearing and domestic duties become more equally split among working couples, men are feeling the strain of

balancing or integrating work and home responsibilities, too.

While 65 percent of female executives and 71 percent of male executives report they are satisfied with their work schedule, just six in 10 say they have work/life balance. These responses speak volumes about the need for more flexibility on the part of employers to help employees better manage

demands of work and home.

Cultures that support results versus face time position their employees to perform in a way that works best for individual and team success. Until we have corporate leaders who have career gaps due to family commitments, or who applaud taking time for a life outside of work, many women will opt out of high-level management positions. So, too, will an increasing number of Millennial men, many of them raised by working mothers.



# Culture is key to retaining talented women

In an industry where women are the primary customer, at a time when more women than men earn graduate degrees<sup>6</sup>, it is difficult to fathom why so many executive suites lack strong representation of women. (See Figure below.) The current state of affairs becomes even more counterintuitive when considering these same organizations have been working to improve gender equality for decades.

The key to transforming the face of the C-suite is not only recognizing the inequalities still inherent in the corporate

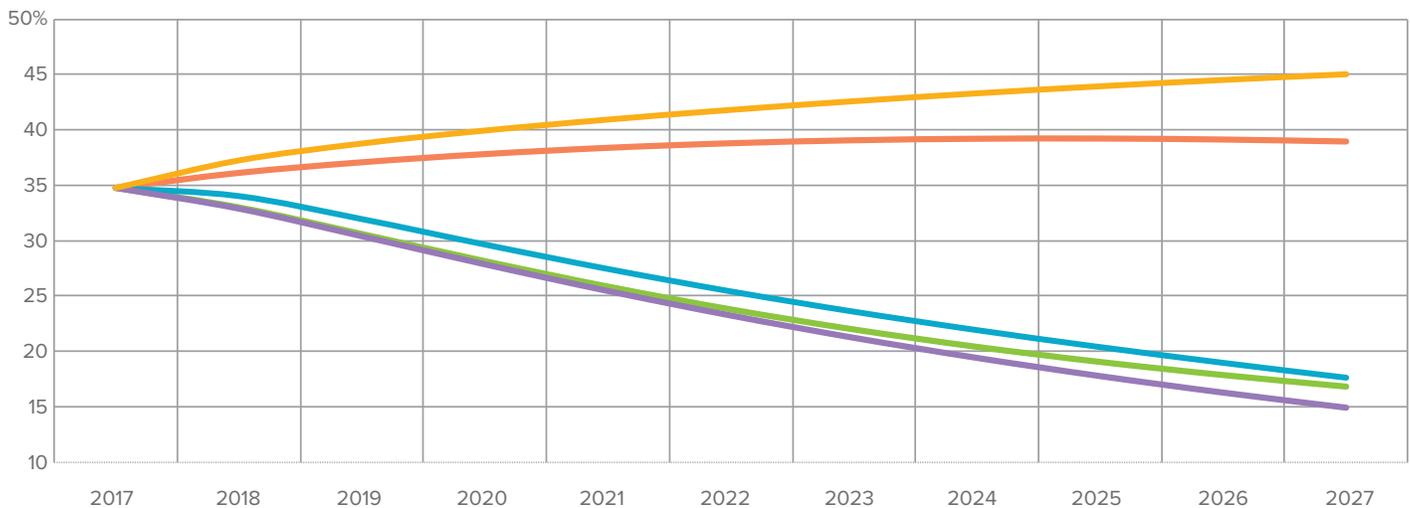
upper echelon, but working a very deliberate action plan for change.

Given the war for talent has already begun, with workforce shortages expected to play a key role in company performance, leading companies will need qualified women in management roles.

While companies will need to map changes to their individual needs, our survey revealed the factors most influencing key outcomes for women are clearly delineated by employees when they're asked. (See Figure, page 10.)

## Projected percentage of women executives, with policy and culture changes

- Baseline scenario (i.e., no changes to flows)
- With adjusted hiring
- With adjusted promotions
- With adjusted turnover
- With simultaneous adjustments to all flows



Source: Mercer Internal Labor Market data from participating NEW partner companies.

**Addressing underlying issues that drive turnover will have the largest positive effect on retaining female executives.**

Increasing the retention and advancement of women in retail and consumer goods will take new thinking, an evolved strategy and deepened resolve. To improve career outcomes for women, companies should target areas that will address the core issues women have identified, namely culture and systemic biases that make the workplace harder for women to navigate. In addressing these issues, we need to create a new employee value proposition. Culture matters more than ever.

Crafting a new and improved employee value proposition for female talent is no small task, but addressing culture as a critical retention tool is a good first step. The digital transformation under way at many companies changes culture at a fundamental level, from the way work gets done to who does it. Similarly, companies

must transform their culture to be more inclusive, accepting and rewarding for women at a fundamental level.

Leaders must intentionally and strategically focus on corporate systems.

In addition to rooting out inherent bias, successful companies will address systemic issues affecting retention, from succession planning and development opportunities to work/life flexibility.

The significant difference in turnover rates of women at the top of organizations confirms that women and men are encountering a different set of unwritten rules for advancing their careers. There is huge potential benefit to understanding how senior-level women experience work. Leadership teams must break down the stigma and one-size-fits-all mentality inherent in their companies.

## Factors influencing retention of women surveyed

Drivers of engagement	Engagement	Happiness	Stay in industry	Recommend industry	Intent to stay with company	Recommend employer
I feel like I belong at this company.	✓	✓	✓	✓	✓	✓
I have an opportunity to achieve long-term career goals.	✓	✓	✓	✓	✓	✓
There is minimal favoritism where I work (distribution of work, promotions, etc.).	✓		✓		✓	✓
My company invests in my development and career.						✓
I receive recognition from management when I do a good job.						✓

Source: Mercer survey of NEW members and participating company employees.

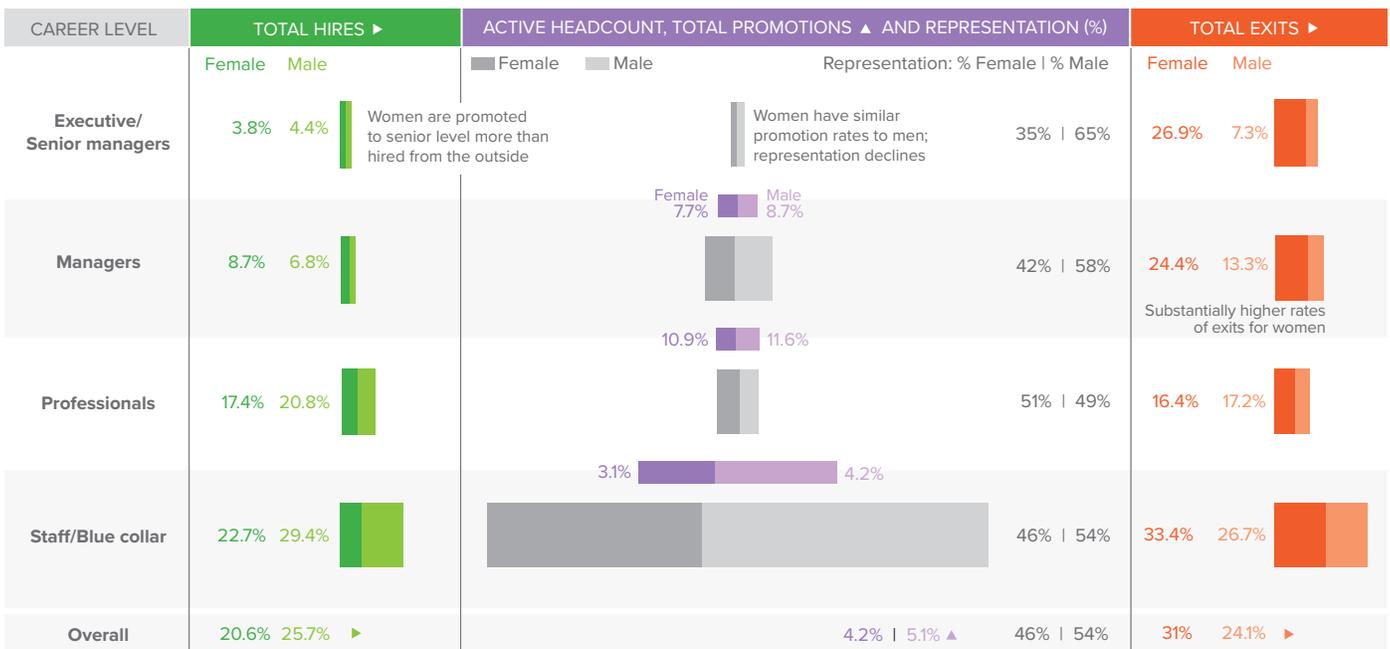
**Companies can improve retention rates of women by creating a culture where they feel they belong and offering development and opportunities to fulfill career goals.**

In short, the key to changing the face of the C-suite is a recognition of the inequalities still inherent in the corporate upper echelon, a clearly stated intention to correct those inequalities, and the corporate culture and policies to make it happen.

Qualified talent, regardless of its gender, should be put where it can best contribute to your company's corporate success.

NEW has the solutions for closing the gender gap at all levels of an organization. You can start today. ●●●

## Rate of hires, promotions and exits of women surveyed



Source: Mercer Internal Labor Market data from participating NEW partner companies.

**Women are promoted into high-level positions at similar rates than men, but they're leaving at a faster rate.**

### Sources

- 1 "When Women Thrive, Businesses Thrive," Mercer, 2016.
- 2 "Marketing to Women Quick Facts," she-economy.com.
- 3 "Study: Firms with More Women in the C-Suite Are More Profitable," Harvard Business Review, February 8, 2016.
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- 5 "When Women Thrive: Financial Services Perspective," Mercer, 2016 and "Measuring Gender Diversity in the Cable Workforce," Women in Cable Telecommunications PAR Initiative Executive Report, 2015.
- 6 "College graduation rates rise, but racial gaps persist and men still out-earn women," The Hechinger Report, May 26, 2016.



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