

# **Gender Diversity – a tool to make companies more competitive?**

**Report from the JBCE Roundtable, hosted by Hitachi**

**19 March 2015, Brussels**

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## I. Executive Summary

Addressing gender diversity is not a choice for companies, but a necessity and a way forward both for Japan and Europe. Likewise, establishing gender diversity is not a one-time action, but a long process which includes a shift in the corporate mindset of men and women as well as the adoption of gender-friendly policies such as flexible working hours, teleworking, family management facilities on site, etc.

JBCE member companies have been on this journey for several years, and the way forward shall entail more Top Management engagement complemented by corporate training programs for raising awareness. JBCE member companies have already taken the most important step, linking diversity with their companies' core values and business philosophies.

The role of national governments and legislation is also crucial. Companies can work on changing people's mindsets but states can change the regulations governing people's work.

The JBCE participants and guests at the roundtable emphasized that there a wide range of potential approaches to foster gender equality in the workplace. The audience agreed that what is universally valid is that diversified teams are more creative, more innovative and can enhance a company's unique competitiveness.

## II. Introduction

On 19 March 2015, the CSR Committee of the Japan Business Council Europe (JBCE) held its third annual Roundtable, hosted by Hitachi. This time the focus was on Gender Diversity.

Participants shared experiences and best practices about how companies effectively communicate the relevance of diversity and inclusion internally to enhance competitiveness of company. The event was attended by the JBCE member companies - Denso Europe B.V., Hitachi Europe, Horiba, Kyocera Documents Solutions Europe B.V., Mitsui Chemicals Europe GmbH, NEC Europe Ltd., Nikon Holdings Europe B.V., Panasonic Europe Ltd., Sharp Electronics Europe GmbH, Shimadzu Europe GmnH, Toshiba and Avis. Guests at the event included representatives from the Japanese Government, the British-Japanese Parliamentary Group, BASF, Randstad, Solvay as well as the European Commission's DG Justice. The Roundtable was opened by JBCE CSR Committee Chair Yukako Kinoshita (Hitachi Ltd.) and moderated by Mrs. Cristina Vicini, 1st Vice President of global NGO "The International Alliance for Women".

For the past few years the importance of gender equality and other dimensions of diversity have been increasing in Europe, as well as in Japan. There has been a convergence of relevant European standards set by the European Commission. The starting point was the adoption of the European Directive for

Non-financial and Diversity Information Disclosure<sup>1</sup> in October 2014, which requests big companies listed on the EU stock exchanges to report on the diversity of their executive boards as part of their annual sustainability report. The next step is the proposal for a European directive to promote gender balance in companies.<sup>2</sup> During the first part of the roundtable, the European Commission representative introduced the audience to the dimensions of the proposed directive and the impact it will have on European businesses.

Given this legislative development, inevitably the companies must realize the benefits of the diversified workforce by creating a link between diversity and inclusion and using diversity as a tool to foster a company's unique competitiveness.

For JBCE member companies and guests, the primary focus was on changing the internal mindset of management at all levels and equipping them with the necessary tools to diversify their workforce and unfold its full potential.

### **III. The challenges of transforming gender diversity into company competitive advantage**

#### **1. Putting gender equality on the European agenda**

European and Japanese companies are working towards increasing the number of women in senior-level positions. At European level, a 40% target was set in 2010 to be reached by 2020. In Japan, the goal is 30%, to be reached by 2020.

##### **State of Play**

Today 60% of new university graduates are female. Despite that, men outnumber women when it comes to leadership positions in the corporate sector. On average, only 20.2% of board members of the largest publicly listed companies in the EU are women (2014). From 2003-2010, the share of women on boards rose from 8.5% to 11.9%, or one half percentage point per year. The roundtable participants discussed the slow progression being due to the glass ceiling that prevents women from rising within companies.

Not taking advantage of the skills of highly qualified women is a waste of talent and a loss of economic growth potential. There have been various studies on this topic which show that a diversified workforce,

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<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

<sup>2</sup> [http://ec.europa.eu/justice/gender-equality/files/womenonboards/directive\\_quotas\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/womenonboards/directive_quotas_en.pdf)

especially higher representation of women at senior levels, increases the likelihood of a better financial performance by 15%.<sup>3</sup>

### The way forward

By noting the slow rate of diversification, the European Commission has taken proposed legislative action to ensure that change in management will take place. The Commission's proposal sets a quantitative objective that the under-represented sex occupy 40% of non-executive director positions at companies listed on European stock exchange by 2020, as well as 33% to be applied to executive boards.<sup>4</sup> Board appointments should be made based on the qualification and merit of candidates therefore companies will need to invest in ensuring women are adequately experienced for senior roles.

### Flexibility and implications

The purpose of the directive is not to establish a quota, but to put in place an intelligent progression to reach the objective. The directive allows a high degree of flexibility and it is not a one-size-fits-all solution. It is a measure taken by the governments to enhance gender equality at the labour market. Beyond that, it is up to the member states to integrate the directive into national legislation.

### The national scale

The participants discussed different national measures already taken to foster gender equality at the senior level. France is one European country whose gender equality legislation precedes the European Commission directive proposal. The French government has a well-established action plan with concrete, prescribed measures to be executed by businesses. The government provides companies with a gender equality and diversity certification. Businesses can request voluntarily government audits which may grant them the certification for a 3-year period.

## 2. Changing corporate mindset by raising awareness

The richness of thoughts, ideas and experiences from different countries, ethnicities, cultures and genders can greatly benefit a company. If we want to promote gender equality, we need to change the culture of the companies, and this takes time. Gender equality policies in a company need a long-term vision, they cannot be effective only in the short-term.

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<sup>3</sup> Vivian Hunt, Dennis Layton, Sara Prince (2014) Diversity Matters. McKinsey & Company

<sup>4</sup> [Improving the gender balance in company boardrooms, June 2014 \(Proposal for a directive- adopted by the EC on 14 November 2012\)](#)

### Common bottlenecks and ways of enhancing gender diversity

Several participating companies openly shared that currently they do not have the necessary gender balance in their workforce. For example, company A shared that currently, just 4 out of their 30 board members are women. The company presented their embedded business approach on raising awareness of employees and leadership teams through structured programs and a 1-day mandatory annual training. These training sessions are specifically focused on highlighting practical examples and role models so that leadership teams can see the added value of having more women in their teams.

Another tool used by company B is a special communication program run by Human Resources to disseminate information about successful female role models across the company as well as to share personal stories on how a diversified workforce leads to success. The program consists of monthly newsletters and face-to-face leaders' talks.

Promotion of women is not a one-time action; it is an ongoing process that leads to greater gender equity. Company C shared that they have launched an interactive women's network to foster exchange between women who are senior managers and women in junior positions. In addition, when the company identifies women with high potential, it involves them in a specially designed mentoring program where they meet with a corporate leader (their mentor) to discuss career development and what support they may need.

### Well-planned HR approach

The lack of gender equality may not necessarily be focused on women, in some cases men may be the minority gender. One of the participating companies shared that their current workforce consists of 75% women, so their HR department has a two-way strategy: first, to attract more men to get involved in their junior positions and, at the same time, they strive to promote more women to senior positions. The significant role of the corporate HR department was highlighted multiple times by the audience. Diversity and gender equality should not only be discussed within the CSR department. CSR practitioners, HR and the business must work in close cooperation to ensure that the necessary steps in the process of gender diversity are taken at the right time. In addition, a well-planned HR approach must be implemented alongside a commitment from the corporate's leadership to adopt gender-friendly policies. The adoption of such policies should have top-down execution (from top to lower management levels) in order to demonstrate the executive team's commitment to all employees.

## 3. Adapting business requirements to current social realities

Legally binding measures cannot lead to gender equality by themselves. Companies must ensure the necessary means to create a work-life balance for its employees are in place. Good examples should be

demonstrated by employees holding senior positions who often have bigger responsibilities and teams to manage.

The social framework of Japanese society is that the women take care of the family and try to have a career at the same time. We need to consider that the Japanese work culture of working longer hours is the routine rather than the exception. Due to this culture, women must frequently make a choice between family and career. However, the ageing population of Japanese society is shrinking the active workforce, therefore the economy would benefit from the full participation of women in the labour market.

### **Work-life balance: a necessary condition for gender diversity**

Several of the participating companies shared the measures they take to strike a good work-life balance for their employees. For example, company A has installed family management facilities such as nursery schools in proximity to the office or onsite, communal activities inside production plants, sports facilities etc. Utilizing the capability to 'work from home' is becoming more and more popular. This option allows employees to save time by eliminating their commute and therefore, freeing time to spend with their families.

The participation of women in leadership positions is in some cases interrelated with the ability to work flexibly and being able to meet responsibilities outside of work, including caring for children or other dependents. Such a balance is a powerful intensifier for establishing gender diversity yet must be available to both men and women.

Another socio-psychological barrier for women not rising to the top is the so called *anticipatory capitulation*. The concept was presented by company C and speaks to the tendency for women to accept a leadership position only if they are confident that they can perform at 120%, while men tend to take up leadership positions even if they know that they cannot perform to a perfect standard.

In addition, company C launched joint research with a few other companies to identify some of the reasons why achieving better gender balance in leadership positions in Germany remains a challenge. The study results showed a major difference in the career approaches between men and women. For example, women value human attitude and leadership culture much more than men, whose preference tends to be for financial benefits and competitiveness. Therefore, waiting for women to rise to the top naturally is the wrong approach. An example of addressing the difference between men and women's career approaches comes from Company E, who specifically designed peer-to-peer mentoring programs where women can receive hands-on career advice and support.

### **Parental leave: a right for every employee**

In France, male employees are granted 11 days of parental leave. The majority of men do not take these days as there is the unconscious bias that this time off is a career-killer or it may be perceived as a sign

that an employee is not dedicated to the company. Some companies even reduce their employees' wages for those days off, if the company does not use the government parental leave subsidy.

Company B included the parental leave as a topic in their internal corporate communication because employees needed to know that their wages will not be reduced if they took parental leave. In addition, they have noticed a huge increase in men taking such leave after members of senior management did so and then openly talked about it.

The governments of Sweden and the UK<sup>5</sup> have also taken the necessary legislative measures to foster gender balance in the workplace - they allow shared parental leave of one year in total, in addition to initial paternity leave, to be split between both partners.

If women have the potential and the willingness to progress in their careers, they should not have to make a choice between having a family and having a career. Company B emphasized that it is the responsibility of each business to establish the right internal processes and procedures so as to demonstrate to its employees that parental leave is a right and not detrimental to their career.

## IV. Conclusion

The JBCE Roundtable on Gender Diversity proved valuable for multiple reasons. It provided a platform for Japanese and European companies to share experiences and exchange good practices on the relevance of gender diversity for today's businesses. Many issues were raised and some of these, such as how to strike the necessary work-life balance at the workplace, shall be investigated further. Simply waiting for women to naturally climb the career ladder is wrong. There must be a commitment from top management and this should be followed by structured implementation of effective processes. The discussion encouraged JBCE members to reflect on the best ways to comply with the European Commission's upcoming directive, but at the same time to be innovative, because diversified teams are a pool for unique ideas which can lead to better financial performance.

Another fruitful discussion was focused on how to provoke change in the corporate mindset and make unbiased decisions in talent recruitment and retention.

All agreed that fulfilling the corporate responsibility of providing equal opportunities for all employees to develop will lead to higher employee engagement and company prosperity.

Key messages shared at the Roundtable include:

- Changes should come from the top in order to motivate and role model inclusive behavior for the lower management levels.

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<sup>5</sup> [Shared Parental Leave and Pay, UK Government Official Website](#)



- To have women on boards brings new ideas and approaches and can help a company tailor its products to reach new markets in a successful way.
- The role of executive leaders is of high importance as they are a key stakeholder in progressing towards gender diversity together with the EU government, national parliaments and the company itself.
- We need new and efficient work-life management models to adapt the current business requirements to the current social realities.
- Having a workforce that represents the society in which it operates can create greater customer trust due to enhanced cultural sensitivity.

There is still much work to be done in order to reach the targets on gender equality in the workplace. This will be achieved by providing equal opportunities to all employees as well the necessary work environment to foster their development.

JBCE acknowledges the importance of diversity and gender equality and it will continue to take the lead in providing a platform for companies to share experiences and best practices related to this issue.