



Closing the Gender Gap At the Top of Organizations

Lessons for the Real Estate Industry to Learn from Corporate America



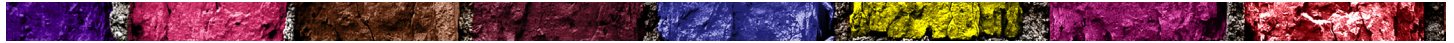
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Gender Diversity: High Visibility but Slow Progress

“...Closing the gender gap requires people across the organization to act—not just the CEO. And it takes tackling multiple objectives for years at a time...”
- Dominic Barton, CEO McKinsey & Company¹

Awareness of the strategic importance of gender diversity, particularly in leadership, is growing slowly across Corporate America. There are some notable female top executives—General Motors CEO Mary Barra, Xerox CEO Ursula Burns, Yahoo CEO Marissa Mayer, and Ventas Inc. CEO Debra Cafaro, among a few others—who attract high visibility in the press. The fact remains, however, that progress in advancing more women into senior leadership roles continues to lag expectations. Across the corporate landscape, in every industry and business sector, the burning question remains: Where are the women leaders?

Although women account for roughly half the overall workforce, the ranks of women thin as they rise toward the top. In S&P 500 companies women account for 45% of the workforce, but only 25.1% of senior executives, and a mere 4.4% of CEOs. Women also account for 19.2% of S&P 500 Board seats.²

As a survey conducted by LeanIn.org and McKinsey & Company found, “From entry level to the C-suite, women are underrepresented at U.S. corporations, less likely to advance than men, and face more barriers to senior leadership. In fact, at the rate of progress of the past three years, it will take more than 100 years for the upper reaches of U.S. corporations to achieve gender parity.”³

The paucity of women in senior leadership is largely a global problem. According to Grant Thornton International, women held about 22% of senior roles worldwide in 2015, down from 24% in 2014, and compared to 19% in 2004. In Japan, women accounted for only 8% of senior leadership, and in Germany they held 14% of senior roles. Russia had the highest percentage of women in senior business roles at 40%, followed by the Republic of Georgia at 38%, and Poland at 37%.⁴

Despite a strong business case for diversity, women continue to meet significant challenges in making greater inroads into senior leadership. The problem is even more pronounced in what have traditionally been male-dominated industries. For example, real estate investment management has been so male-centric, there are comparatively few women in the ranks to rise to senior leadership. A 2014 study by Ferguson Partners Ltd. found that only about 5% of the large firms had meaningful representation by women in their real estate investment management leadership, and in many smaller firms gender diversity was virtually nonexistent.

The Urban Land Institute, which has launched a Women’s Leadership Initiative, found that women make up 25% of its membership, but account for only 14% of its CEOs. In fact, a ULI survey found that 93% of female CEOs oversee small firms with fewer than 100 employees. Few are responsible for running the industry’s larger enterprises. As the institute noted, “While progress has been made in the past decades in advancing women within ULI and the real estate industry overall, there is still a long way to go before gender balance is achieved at the top of real estate organizations.”⁵

What can be done to increase the number of women on the executive track and the proportion of women in senior leadership roles? The experience in Corporate America reveals some insights about what has not worked and what is contributing to the advancement of female leaders.

The first insight is that the problem is entrenched and has remained immune to quick fixes. Merely talking about the problem is not



enough, nor are corporate mission statements and other messages (no matter how sincere) about the importance of diversity in the workforce and at the senior leadership level. Closing the gender gap takes action that is driven by commitment from the highest level of the organization.

In this paper, we will examine four crucial ways to narrow the gender gap. While these actions draw from experience across Corporate America, they are particularly important for the real estate industry, in which women have been traditionally underrepresented.

- Understand the real problems behind the gender diversity gap.
- Elevate gender diversity as top priority of the CEO—a business imperative to improve creativity, innovation, decision-making, and profitability.
- Review and change culture and practices across the organization to advance the gender diversity agenda.
- Offer mentoring and sponsorship to women, providing them greater visibility and access to senior leadership.

These measures are important for all industries that seek to reap the tangible benefits that come from having a more diverse workforce.

It's Not a 'Women's Problem'

“When law firms and corporations lose talented women who reject lock-step career paths and question promotion systems that elevate quantity of hours worked over quality of the work itself, the problem is not with the women.”

- Anne-Marie Slaughter, founder of New America, a think tank⁶

The first step is to understand the problems that contribute to the gender gap. While it is true that many talented and high-potential women remove themselves from the career track in order to have a family, this reason, alone, does not explain the dwindling number of women who rise from entry to mid-level and then senior leadership. In fact, the LeanIn.org and McKinsey research found that women with children are 15% more interested in being a top executive than women without children.⁷

The real reason for the dearth of women in senior leadership is they face significant obstacles on the path that leads to the C-suite. Women in staff roles typically move consistently from one level to the next. However, at each subsequent level—all the way to senior leadership—women are less likely to advance. “...These trends create a dilemma for women who aspire to leadership,” LeanIn.org and McKinsey wrote in their report, ‘Women in the Workplace.’ “On the one hand, line roles provide the type of experience that leads more directly to the C-suite. On the other hand, women in line roles have lower odds of reaching top spots than their peers in staff roles.”⁸

These findings point to evidence that companies are still slow to advance the gender diversity agenda, because they fail to grasp its importance. In addition, by understanding the real problems that lead to the gender gap, companies can address the ways in which they are negatively impacted by the lack of workplace diversity. As Sheryl Sandberg, Chief Operating Officer of Facebook and Founder of LeanIn.org, wrote, “When women get stuck, corporate America gets stuck... Using our talents of our full population is critical to our economic growth, productivity, and individual happiness.”⁹



The solution for organizations of every size and in every sector is to understand the business case for greater diversity in all forms—gender, race, ethnicity, and sexual orientation. A diverse workforce equates to diverse opinions and perspectives which, in turn, generate greater innovation and creativity, as well as better decision making and problem solving. As Katherine Phillips, Professor of Leadership and Ethics and Senior Vice Dean at Columbia Business School, observed, “People who are different from one another in race, gender, and other dimensions bring unique information and experiences to bear on the task at hand. A male and a female engineer might have perspectives as different from one another as an engineer and a physicist—and that is a good thing.”¹⁰

If gender diversity is viewed only as being “a good idea” or “politically correct,” it will likely not get the attention it deserves from senior management. The business case, however, makes gender diversity (as well as other types of diversity) an imperative for business—strategically and organizationally.

In real estate investment management, in particular, there are few female CEOs, but they are more prevalent than in the REIT world. Those who hold these positions are notable for their experience and results. They, like their peers in other industries, see gender diversity as supportive of critical thinking. Where perspectives differ, dissent occurs in a positive way—leading to more discernment and deeper analysis. And for investors, especially public funds, diversity matters.

Senior Leadership Support Crucial

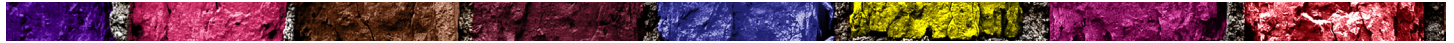
“The message for corporations: There’s a lot of work to do, and it starts at the top.”
- Nikki Waller and Joann S. Lublin, *Wall Street Journal*¹¹

Gender diversity initiatives rise or fall on one variable: senior management commitment. In every business and industry, senior leaders, starting at the Board level, must make it a priority to identify and develop high-potential women and groom them for leadership roles. Without the experiences that develop deep knowledge and key assignments to broaden their skills, women will not be on the same playing field as men.

While companies report that their CEOs are highly committed to gender diversity, employees often have the opposite perception. In other words, when it comes to gender diversity, there is disparity between what companies say and what companies do. Changing that gap—whether in reality, in perception, or a combination of both—takes the vision and drive of senior leaders—starting with the CEO.

In some organizations, senior leadership’s commitment to greater gender diversity is expressed in targets and other metrics. While admittedly controversial in the U.S., because of the stigma associated with quotas, such diversity targets are being adopted by some companies. As the Wall Street Journal reported, “Realizing that simply voicing support for diversity initiative won’t lead to meaningful change, big companies are setting discrete goals for hiring and retaining women.” Among the companies that have announced diversity goals are tech firms Pinterest and Twitter.¹²

While targets on hiring and developing women may not be acceptable to some or even most companies, transparency does help. When companies track and report their diversity data, there is evidence that addressing the gender gap is a real priority—and not just “lip service.” Greater transparency around diversity data can also coalesce support from across the organization, especially among managers at all levels.



Cultivating Diversity by Addressing the Culture Issues

“...Cultivating diversity isn’t about taking a gender count when you walk into a room. It’s about valuing all ideas and building teams with different backgrounds and experiences.”
- Mary Barra, CEO, General Motors, and the first woman to lead a major automaker¹³

The fast track. Being “on” 24/7—reachable anytime, anywhere. The old boys’ club. Such well-known images and stereotypes of the workplace may hold the key to understanding the persistence of the gender gap. As previously noted, women do not suffer from a lack of ambition or a want of confidence. However, some of them never are given opportunities for the kinds of developmental assignments and skill-building responsibilities that groom senior leaders.

The ULI, for example, stressed the importance of providing women with “visible and challenging work assignments” going forward (this was ranked as number one or two in importance for nearly two-thirds of women surveyed by ULI). The need for these types of assignments is particularly important for high-performers. In the ULI survey of women, among those who aspire to CEO or other C-level positions, 86% consider visible and challenging assignments to be very important or extremely important.¹⁴

At the same time, however, across Corporate America a significant portion of talented women opt out of the track that leads to senior leadership. As noted previously, childcare and elder care responsibilities, which still fall mostly on women despite men become more active in the household, are not to blame. The underlying problem, many experts argue, is a work culture that is toxic to women and men.

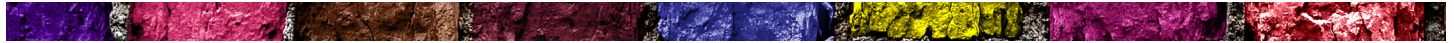
“This looks like a ‘women’s problem,’ but it’s not. It’s a work problem—the problem of an antiquated and broken system,” Anne-Marie Slaughter, President of New America, a think tank, wrote. “Bad work culture is everyone’s problem, for men just as much as for women. It’s a problem for working parents, not just working mothers.”¹⁵

This entrenched problem appears to have an easy solution: offer more work flexibility and other programs to help people with families. Except, it’s not that easy. While a majority of companies offer workplace flexibility programs, participation tends to be low (with the exception of telecommuting). The reason is fear of being penalized, such as being viewed as less ambitious than one’s peers and not as serious about pursuing advancement. As LeanIn.org and McKinsey found, “More than 90 percent of both women and men [in the survey] believe taking extended family leave will hurt their position at work—and more than half believe it will hurt them a great deal.”¹⁶

Company cultures need to make it “safe” for people to use the flexibility programs offered by their employer. One example given in a Wall Street Journal report was Moody’s Corp., the ratings firm, which sought to debunk the myth that workplace flexibility was career-limiting, such as showcasing examples of business leaders who have flexible work arrangements. One such example was a woman who became a Senior Vice President after telecommuting two days a week for several years.¹⁷

Although workplace flexibility is not just for parents, it can become a solution for people with families, who want and need to keep working—and to pursue bigger jobs with more responsibility. The Urban Land Institute’s Women’s Leadership Initiative highlighted the importance of “family leave” (rather than maternity leave) as being essential to employee satisfaction for parents of both genders.

“Women consistently said that working in an environment that provides flexible scheduling is critical for long-term career commitment and success. They are eager for leaders to level the playing field in terms of the perceptions of high-performing men



and women taking leave,' the Women's Leadership Initiatives stated. "Provision of parental leave for both genders can mean that the time required for parenting does not fall more heavily on the shoulders of working mothers and can lead to greater gender balance at the most senior levels."¹⁸

Complementing a workplace culture that provides the flexibility for parents, especially mothers with young children, is the willingness among women to, in the words of one high-profile female CEO, "stay in the game."

It's hard to think of a more male-dominated sector than the automotive industry. However, General Motors is one of the few S&P 500 companies with a female CEO. Mary Barra, an engineer by training, rose to that position in 2014. Now, Barra is trying to open the door for other women with global initiatives and an emphasis on diversity in human resources management. Currently, 25% of GM's senior officers and 42% of its Board members are women.

In an interview with the Wall Street Journal, Barra shared a story from early in her career, when she was the Assistant to the Chairman and Vice Chairman and given opportunities to learn and be exposed to new areas of the business. At the time, she was pregnant and had a young child at home. "It was a challenge, but if I had decided not to take the job because I was starting a family, I would have missed that opportunity." Importantly, Barra credits the support of her bosses at the time, who held her accountable and assured she was "contributing to the business," while also offering the "support and flexibility I needed to be a good parent and business partner."¹⁹

Across the corporate landscape, and well beyond the auto industry alone, Barra stands as an example of a woman and a working mother who "stayed in the game" and rose to the top. This kind of visibility for senior women leadership is crucial—particularly in male-dominated industries.

As senior women leaders in real estate investment management told Ferguson Partners, they, too, need to become more visible. The message to younger colleagues will be: "I got here, so you can, too."

Mentoring and Sponsorship that Open Doors for Women

Closing the gender gap at the top of organizations also requires emphasis on helping women become better leaders. Leadership development means mentoring, especially by women in senior positions, and sponsorship at the executive level, so that high-potential women receive the experiences and development opportunities that improve their chances of entering the C-suite. Sponsorship, in particular, is the key that opens the door to future opportunities.

The importance of sponsorship to career success is recognized by women and men, alike. According to LeanIn.org and McKinsey, however, that's where the similarity ends. Men predominantly have male networks; women have mostly female or mixed networks, the research found. "Given that men are more likely to hold leadership positions, women may end up with less access to senior-level sponsorship."²⁰

Corporate America cannot afford to lose talented women who, for whatever reason, opt out or are overlooked on their career path. Women must be encouraged to seek out the networking, mentoring, and sponsorship that put them in the spotlight and provide access to career development and promotions that can lead, eventually, to the C-suite.



Closing the Gender Gap

Leading companies that make gender diversity a priority point the way for others to follow. They have proven practices that have been shown effective in identifying and developing women leaders, and promoting them into senior roles. These practices include: understanding the real problems behind the gender diversity gap; elevating gender diversity to a top priority of the CEO and the Board; changing the culture and practices to support gender diversity; and providing more mentoring and sponsorship for women.

Talking won't close the gender gap; it's time to act. Recognizing the business imperative of gender diversity, companies in all industries and business sectors can break out of the status quo. To capture the talent and potential of half the workforce, organizations must remove obstacles and open doors for the advancement of women—to close the gap at the top of organizations.

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Ferguson Partners Ltd. Diversity Practice Overview

Diversity in the workplace is good for business. Research shows that organizational environments in which there is diversity in all forms—gender, ethnic, and cultural—have greater financial success. Why? Diversity generates more opportunities to foster positive human interaction and tap an increased variety of viewpoints and perspectives, which leads to better experiences for customers, employees, and investors.

Real estate has historically been a male-dominated field—to such a degree, in fact, that in the late 1980s and early 1990s few women became involved in the business. Even today, especially on a proportionate basis, the number of women either running real estate firms, or in line to do so, is extremely small and Ferguson Partners Ltd. has been involved in recruiting most of them.

The success of companies can be at least partially attributed to the fact that they are hiring diverse talent who are helping drive customer and employee satisfaction. Successful diverse companies are found throughout corporate America and the real estate industry should be no exception. Companies that wish to remain competitive in the industry need to have frank discussions immediately about gender diversity and the barriers that exist in recruiting, retaining, and developing diverse talent. The conversation needs to begin at the Board and C-suite levels and not just remain an issue for Chief Human Resources Officers.

For more information about our Diversity Practice, please contact:

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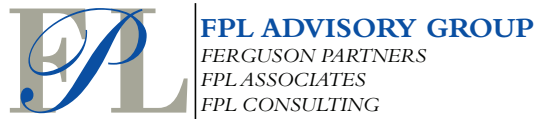
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