

DEMOGRAPHICS, DIVERSITY AND CORPORATE DESTINY



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Preface

Demographics, Diversity and Corporate Destiny is an Economist Corporate Network (ECN) report sponsored by Hays. The ECN performed the research, conducted the interviews and wrote the report independently. The findings and views expressed in this report are those of the ECN alone and do not necessarily reflect the views of the sponsor.

The report was written and edited by Rachel Morarjee in Beijing with research assistance from Monica Guevara and editorial input from Florian Kohlbacher in Tokyo, Pamela Qiu in Singapore and Mary Boyd in Shanghai.

The paper is informed by three focus groups conducted in Beijing, Singapore and Tokyo between December 2018 and January 2019. These remain anonymous unless specifically quoted. In addition, seven interviews with ECN member companies were also conducted. Participants willing to be quoted are listed below.

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Xing Zhou, China and Hong Kong diversity and inclusion leader, PwC

William Zhao, chair, Total China

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Introduction

Diversity is a buzzword that has been bandied around in workplaces so much over the last few years. *The Economist* newspaper coined the term “diversity fatigue” in a 2016 Schumpeter column.

Yet it is increasingly obvious that cross-cultural teams of men and women reflecting the range of opinions held in fast-changing markets add more to the bottom line than those trapped in groupthink. That’s even more true in Asia than in the US or Europe. But building trust among teams with different backgrounds and genders is a much thornier task.

The Schumpeter column jokingly pointed out that ensuring workplace diversity programmes succeed requires hard work as well as good intentions. However, for many managers in Asia, it is not always clear what that work involves. This report aims to demystify the issue with a set of concrete recommendations.

An ageing workforce in cities such as Shanghai, Seoul and Singapore means companies that ignore the need to deepen their talent pool now will lose market share in the years to come as competition for the best workers becomes ever more fierce.

Regardless of a company’s size or the industry in which it operates, there are a range of options that executives can implement, which will help diversity initiatives take root and create the intangible alchemy of “inclusion”—that other buzzword which means that all employees are equally valued, and likely to be promoted and listened to.

This paper examines what works and looks at some challenges specific to Asian markets.

Causation or correlation: **Do women add to the bottom line?**

Does putting more women into management positions help you make money? In Asia, companies in the top quartile for the representation of women on executive committees outperform their peers by 44% on return on equity, according to McKinsey, a management consultancy.

Meanwhile, index provider MSCI found that, of 617 of the world's largest companies, average employee productivity growth was higher at companies with three or more women at board level than with companies with one or none. Dividend payouts were higher too.¹

In Japan, which ranks a lowly 110 out of 149 countries in the World Economic Forum's Gender Gap index, Goldman Sachs estimated that closing this gap would add 13% to GDP.

Parachuting women into board or executive roles when an in-group of likeminded men is already making the decisions is unlikely to bear fruit, however. The financial impact is only clear once teams have more than one woman at the table. That needs a holistic programme stretching across all corporate departments from the C-suite to entry level recruitment.

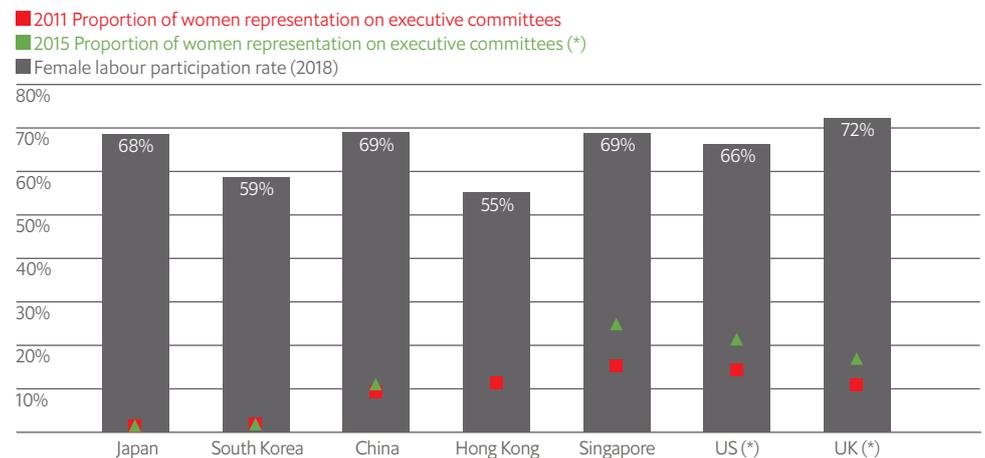
¹ <https://www.msci.com/documents/10199/4bd5f3bb-e5a4-4993-9c2a-4b44423ba4a2>

Where are we now?

While women made up over 50% of higher education graduates both globally and in Asia in 2018, only 34% occupied managerial positions worldwide, according to the World Economic Forum.ⁱⁱ As a region, East Asia and the Pacific reportedly loses between US\$42 billion and US\$47 billion annually due to women's limited access to employment opportunities, as women drop out of the workforce or fail to enter.

In Asian countries, female labor force participation is robust, ranging from 55% in Hong Kong¹ to 69% in Singapore and mainland China (in the UK this stands at 72%, in the US, at 66%²). There are strikingly few women in management though. The percentage of women on senior executive committees or boards ranges from 11% in China to less than 3% in Japan or South Korea.³

WOMEN'S PARTICIPATION IN WORKFORCE AND REPRESENTATION ON EXECUTIVE COMMITTEES



¹ Hong Kong Census and Statistics Department. *Women and Men in Hong Kong, Key Statistics, 2018 Edition*. Table 4.4A. Female labour force participation rate.

² Labour force participation rates, except Hong Kong, are from World Economic Forum, *The Global Gender Gap Report 2018*.

³ McKinsey & Company. *Women Matter: Time to accelerate—Ten years of insights into gender diversity* (October 2017), p 26.

Sources: WEF Global Gender Gap Report for 2018 female participation rate (except for Hong Kong, where source is Hong Kong Census and Statistics Department); McKinsey & Company Women Matter; An Asian Perspective Report p. 2; McKinsey & Company Women Matter (October 2017), p.25, 26.

(*) The percentages for United States and United Kingdom are for 2017. No comparable data for Hong Kong.

ⁱⁱ <https://www.weforum.org/reports/the-global-gender-gap-report-2018>

Demographics: Where are we headed?

Where Japan goes, much of Asia will follow. East Asia is greying rapidly but still prizes a culture of long hours, which raises the barriers for women entering the workforce and then climbing corporate ranks. As the demographic pressures bite, the difficulties for female workers will intensify if companies don't put mitigating measures in place.

"In Asian cultures, filial obligation means that the burden of looking after ageing parents falls particularly heavily on women," says Christine Lam, CEO, Citi China.

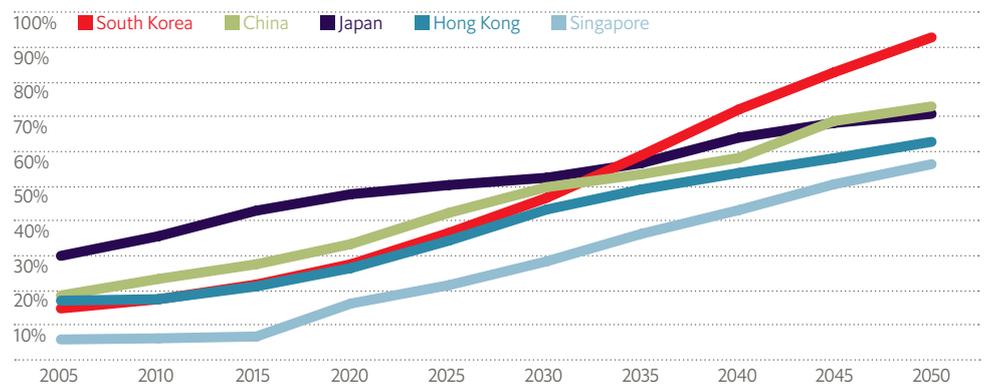
Japan saw its old age dependency ratio—the number of retirees for every 100 working age people—shoot up to 46 in 2018 from 17 in 1990. The graph below shows that South Korea, which was in a demographic sweet spot between 1995 and 2015, where the working age population expanded while fertility rates decreased, will now see the working talent pool begin to shrink drastically. By 2030 a third of the country's citizens will be retirees.

The major business hubs of Hong Kong and Singapore face similar issues. Over the next decade, a wave of 900,000 Hong Kong workers will retire, and by 2025 the city will have more pensioners than children. Singapore will hit an inflection point in 2020 as the workforce declines.

Mainland China, meanwhile, faces perhaps the most difficult challenge. The working age population began shrinking in 2012 and the fall will gather steam in the coming decade. Because the country has little pensions infrastructure and few facilities available to care for the elderly, the burden of looking after ageing parents, many of whom are currently caring for young children, will crimp productivity in the next five to ten years. Total factor productivity growth—a measure of economic efficiency—is expected to shrink from 3.9 in 2017 to 2.9 in 2023.

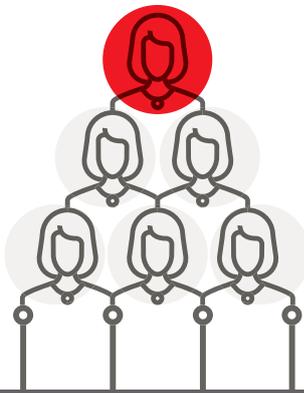
OLD-AGE DEPENDENCY RATIOS IN SELECTED GEOGRAPHIES

Percentage



Source: Consultant estimations considering UN Population Division forecasts. For China, age of retirement is considered to be 60.

Women in leadership: **What to do about it**

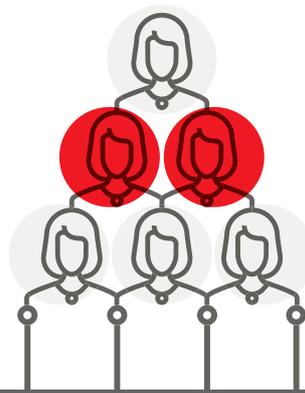


For the C-suite: Envision a different future

The CEO sets the tone

Set clear targets and
measure them

Build an inclusive culture



Middle management: Breaking the layer of concrete

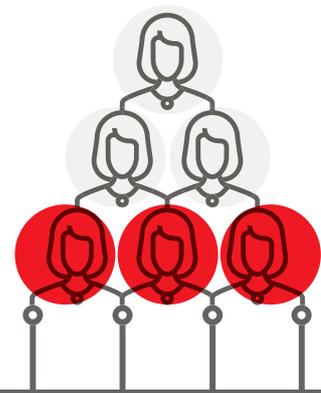
Find your champions:
Especially men

Recruitment: Build a diverse
slate of candidates. Create more
transparency and accountability
around hiring decisions.

Flexible working and
trust in teams

Preventing the backlash

Training



Empower the base

Capture the network effect:
Enterprise resource groups

Mentoring:
Set up internal programmes or
join external ones

For the C-suite: Envision a different future

The signal from the CEO is all important and the vision from the C-suite will ripple out through the company. In Asia, where office hierarchies are more rigid, this is especially true. Without top leadership putting the issue of diversity on the agenda, middle management executives grappling with revenue targets and day-to-day operational challenges will never see diversity as a priority.

“Diversity awareness and commitment has to come from the top of the company. Half of Total’s board of directors are women, which means more diverse thinking,” said William Zhao, chair, Total China.

Furthermore, if diversity is ever going to gain traction throughout a company, the C-suite’s ability to articulate a clear-cut business case that spells out what effect diversity will have on the bottom line is crucial to getting management buy-in further down the ranks.

Former Bayer CEO Marijn Dekkers began building a cross-cultural senior team back in 2011, focusing on promoting women and executives of different nationalities and building a stronger talent pipeline from within. He told the *Harvard Business Review* that tying the issues together helped reinforce both of them since the business case for a global team with a Chinese manager running China was more obvious to managers in Germany than the need for a woman to run Germany.ⁱⁱⁱ An Australian woman of Malaysian Chinese origin, Celina Chew, was appointed as president of the Bayer Group in Greater China in September 2014.

At companies with clear diversity and inclusion (D&I) policies, executives in Asia with regional or national portfolios need to articulate to line managers that diversity is a business priority and point to the mandate from the C-suite. For companies headquartered in the Asia Pacific region, there is a huge opportunity to lead from the top.

“Men play a key role in women’s empowerment, as they still hold most leadership roles in China. If each male C-suite executive could personally mentor a woman for leadership roles it would make a huge difference to the future,” said Diane Wang, CEO and founder of Chinese e-commerce company DHGate.

Set clear targets and measure them

Any company, listed or privately held, that ran a business without profit targets would be a laughing stock. With line managers guided by clear metrics for other business goals, the failure to set clear targets around diversity emphasises that it is not a business priority.

ⁱⁱⁱ <https://hbr.org/2015/06/how-bayer-increased-diversity-on-its-senior-team>

Nevertheless, in the US, a market where the diversity debate is long running, only 29% of companies set gender-based hiring targets in 2018 and only 21% have gender diversity targets for promotions, according to McKinsey.

Two executives in China said that setting targets had shown exactly how far they had to go to meet them. "Once we set targets, we were disappointed to find that we weren't meeting them and that managers were still hiring people in the mould of those who had held the role in the past," said the male CEO of an engineering company.

In the public sector, where quotas were more common, managers said they had found even where they were working to fulfil quotas, they struggled to find enough women to fulfil the roles. There was an acknowledgement that targets were less likely to engender resentment and create a stigma around unqualified candidates being asked to fulfil the role.

"Targets are more successful than quotas. The only time I encountered real fear of diversity is when companies have imposed quotas," said Em Roblin, managing partner of diversity consultancy Circles² (Circles Squared).

However, targets alone are not enough to ensure success, with one real estate company in mainland China setting up a D&I committee led by line managers with business roles to ensure that diversity targets did not become "a box-ticking exercise." There were no human resources (HR) representatives on the committee, but the committee liaised with them.

"Targets are a double-edged sword. You can't do without them because it's very important to measure progress," says Bianca Stringuini, senior director inclusion and community, Asia, VISA.

Parachuting women into senior roles would not ensure they were included in discussions and their opinions taken seriously. "Inclusion is the secret sauce, but it's tricky to measure because it's so intangible," Ms. Stringuini adds.

Build an inclusive culture

For companies at the forefront of building diverse workforces and increasing gender balance in their teams, the debate has moved from measuring progress on diversity towards the more elusive goal of creating an inclusive culture, where women and executives with different racial and cultural backgrounds are equally likely to be promoted and are held in equally high regard.

"Many companies that are leading in the field have started to talk about inclusion and diversity rather than diversity and inclusion," said Ms. Roblin.

The key to building an inclusive culture lies with middle management executives, who are the standard bearers of corporate culture.

Middle management: Breaking the layer of concrete

Find your champions

In sectors from energy and mining to technology, diversity initiatives and attempts to promote women through the corporate ranks are likely to be stillborn if left to HR departments. This is particularly true in Asia where HR executives hold little sway with the corporate hierarchy and can often be particularly conservative and scared of countering existing norms, our focus groups across the region found.

If the C-suite has already spelled out the business case for diversity, the key to a successful roll-out is finding managers holding profit and loss (P&L) responsibility or sales roles, to act as champions for diversity and talk about how they have implemented diversity in their teams. If the managers are male or part of the existing business hierarchy in the company, the effect is even more powerful.

“There are some people who are just super curious about diversity and are natural champions of the issue because they are fascinated by group dynamics,” said Ms. Roblin. If these people hold client-facing roles, all the better.

A diverse slate and clear job descriptions

To build a pipeline of women for leadership roles, consultancies such as PwC and advocacy groups such as Lean In have identified the importance of ensuring that diverse candidates are interviewed for management roles. Putting together interview panels made up of an ethnically diverse mix of men and women to screen applicants for senior roles is also helpful.

Two other tools can make a big difference to how successful women are in climbing the corporate ladder. The first is to look very carefully at job descriptions. The skills listed for a role often include qualifications that are not necessary, or that match job descriptions for existing roles in other parts of the business. It is particularly effective to think about what experience is truly necessary to do the role and then cut out anything which doesn't need to be there. Referring back to a carefully thought out job description can ensure that unconscious biases around issues such as accent and education have not crept into the hiring decision.

The second is known as “comply or explain”: forcing managers to explain why they haven't chosen the female or culturally diverse candidate. If the candidate that doesn't make the grade is internal, arranging for training in any skills they are currently lacking both uncovers unconscious bias, and helps strengthen the roster of future candidates for leadership roles.

“By the time I applied for the top job in China, I had more management experience than any of the male candidates. If the hiring panel had not been forced to justify their decision not to hire a woman I am sure the job would have gone to a man called Steve or Mark,” said a female Chinese C-suite executive in Beijing.

Behind the curtain: unconscious bias training

Unconscious bias training is a component in building the case for a diverse workforce among managers, but there is increasing evidence that, in isolation, it can be counterproductive.^{iv} Without other measures, it is difficult for managers to make hiring decisions based on merit.^v

Iris Bohnet, professor of public policy at the Harvard Kennedy School has observed that diversity training alone fails to eradicate bias in hiring decisions. In fact, a study of mid-sized and large American firms found that, five years after starting diversity training, the percentage of racial minorities in management positions actually fell.^{vi}

Blind trials, where orchestras auditioned musicians behind a curtain, particularly fascinated Ms. Bohnet. In the final round of auditions, having female musicians play from behind a curtain increased their likelihood of joining the orchestra by 30%^{vii}, reflecting how often our decisions are guided by past experience.

In her book, *What Works: Gender Equality by Design*, she argues that that companies need to find their own equivalent of the curtain at the orchestra audition, and put procedures in place to ensure that hiring decisions are based on merit. These can range from tests to see how applicants perform on specific job tasks to CVs without names or dates of birth.

Flexibility and the trust deficit

As the cost of living and office space continue to rise, flexible working for both male and female staff will become a pressing business imperative. If the privileges of flexible working are only available to female staff, they will become second-class corporate citizens and engender the resentment of their colleagues.

However, there is a huge operational challenge to change business culture in East Asian markets, where there is an emphasis on being present as long as the boss is at his desk, never leaving work before your line manager and clocking in and out of work. In Japan, that is exacerbated by worries that neighbours will think you are unemployed if you are seen working at home.

Creating flexible working conditions to support all parents, as well as women in the workplace, requires a total shift in mindset.

“Trust is a basic issue. To be flexible you need a cultural change. If you want to introduce a flexible work policy three days a week, with only minimal facetime in the office, as we have in London, you need to trust your employees to get the job done,” said a female partner and former COO of a Big Four accounting firm.

“That means setting very clear KPIs around job performance that are entirely separate from being present. It involves a painful and time-consuming process for managers as well as a shift in mindset from employees.”

In Japan, encouraging remote work has enabled women, especially those with children, to continue their work without the need to fear the criticism they might receive for leaving the office early. Executives in our Tokyo focus group said more flexible hours make women more likely to continue their employment at the same company, even after returning from

^{iv} https://hbr.org/2016/07/why-diversity-programs-fail?referral=03758&cm_vc=rr_item_page.top_right

^v <https://www.economist.com/united-states/2018/09/27/anti-discrimination-statements-by-employers>

^{vi} <https://www.mckinsey.com/featured-insights/gender-equality/focusing-on-what-works-for-workplace-diversity>

^{vii} <http://gap.hks.harvard.edu/orchestrating-impartiality-impact-%E2%80%99Cblind%E2%80%9D-auditions-female-musicians>

Demographics, diversity and corporate destiny

maternity leave. However, executives across the region all cautioned that managers also need to work remotely to embolden their junior staff to do the same.

In both Japan and China, executives in focus groups said they faced difficulties and resistance—from both male employees and the HR department—when attempting to implement a more flexible work schedule for women in the company with children. In this case, top managers have to take a tough line on the issue and set an example.

An additional barrier can be the lack of places to work at home in crowded cities such as Hong Kong and Singapore, and poor internet or air purifier facilities in China, managers said.

PwC China found that, although flexible working had been part of the company's policy for years, staff were not taking advantage of it. Long commute times and a desire to retain millennial staff who wanted more flexibility prompted the company to launch a flexible working campaign for all staff in 2019. "Teams are being encouraged to find new ways for staff to check in from home while keeping in touch with colleagues and clients," said Xing Zhou, who heads diversity initiatives in Hong Kong and China.

Brace for the backlash

Automation and new technology are transforming whole industries and a slew of jobs, from law and accountancy to engineering, are at risk. It's not surprising that diversity initiatives can leave many male employees feeling threatened. During the 2008 recession, men lost jobs at twice the rate of women according to Pew Research, although they were quicker to return to employment.^{viii}

A YouGov poll commissioned by *The Economist* in September 2018 found that in the storm of firings and scandals in the year since the #metoo scandal broke, there has been a small but clear shift against the victims.^{ix} For companies trying to protect staff from sexual harassment and prevent scandals from hitting their share price, that presents a challenge.

Worryingly though, research shows that across Europe and the US men underestimated the amount of sexual harassment faced by their female colleagues by double digit percentages.^x McKinsey has found that women are far more likely to report sexual harassment internally if there are women in the senior leadership team. That lowers the risk of a scandal by whistleblowers seeking to stop unchecked problems. Furthermore, harassment is more common in companies with male dominated management teams.

Setting out clear standards not just for what constitutes harassment, along with codes of conduct around what is counted as collegial and respectful behaviour, is helpful. But for female employees to feel safe in reporting harassment, it is vital to establish reporting procedures that bypass line managers.

More broadly, to counter the risk of a backlash against diversity programmes, it is vital to offer the benefits of flexible working and professional training to men as well as women, and to spell out the business case for diversity. Unless the corporate culture changes to benefit all employees, change will not be sustainable or get buy-in from the vast majority of staff.

^{viii} <http://www.pewsocialtrends.org/2011/07/06/two-years-of-economic-recovery-women-lose-jobs-men-find-them/>

^{ix} <https://www.economist.com/united-states/2018/10/20/measuring-the-metoo-backlash>

^x <https://www.theguardian.com/world/2018/dec/06/men-underestimate-level-of-sexual-harassment-against-women-survey>

Empower the base

Capture the network effect: employee resource groups

For women in a variety of industries, internal corporate women's networks, run entirely by volunteers, offer both a source of support and inspiration, and a chance to develop leadership skills.

"Enterprise resource groups are a great way to build a pipeline of future talent. They increase visibility of high-potential women," said Ms. Roblin.

Many US companies such as Citibank and Dow Chemical, and increasing numbers of European companies have created groups to support employees in categories ranging from women and parents to LGBTQ and veterans. Such groups exist across the Asia Pacific region, though western multinationals are more likely to implement them than Asian corporations. Parent support groups can be particularly effective in countering the enormous cultural burden of homework in the region (see box). Having a variety of groups to support male employees of different backgrounds, as well as women, can do much to counter stigma that results from misconceptions that efforts to promote women disadvantage male employees.

Creating forums for women to share their experiences without male colleagues is particularly important in Asia. The tendency for male executives to talk over women who might be more qualified than them is so common that the term "mansplaining" entered the Oxford English Dictionary in 2014.

In Asia, that phenomenon can be even more pronounced, which is why creating forums for women at work where they can talk without fear about their professional concerns is important. Offering male employees some of the benefits and training those groups organise can counter a backlash against female employees.

Mentoring programs: internal and external

"Role models are so important. If you don't see anyone who looks like you in a senior role, it is very hard to have confidence in the path forward," said a female partner at an international consultancy in Singapore.

For middle management executives, both the need for mentoring and the lack of it are particularly pronounced in the Asia Pacific region, although focus group discussions in Singapore and China noted that mentoring was a vital component both of developing diverse groups of talent, and creating a diverse pipeline for succession planning.

Larger companies have set up mentoring programs for women, particularly in science, technology, engineering and mathematics (STEM) fields where executives can find

themselves particularly isolated. For smaller companies without dedicated diversity staff or large budgets, paying for women to attend external mentoring programmes such as those run by chambers of commerce or advocacy organisations can be extremely effective.

If the senior management team in the company are all male, or come from one cultural background, employees who look and sound like them will have an automatic leg up the hierarchy. With the rise of the #metoo movement and the fear that mentoring young women might leave top male executives exposed to allegations of harassment, it is important that mentoring is both broad-based and structured.

“Men are often hand-held all the way through their promotions and there is an expectation their successors will look like them. When the global chairman of my company asked me how I saw my career path, he looked very shocked when I said I wanted to succeed him. It had obviously not occurred to him that an Asian woman could take his role,” said a top Chinese female executive.

Group dynamics and the Asian challenge

Even in Europe and the US, failure to build a broad consensus with the existing workforce on the need for diversity leads to the failure of D&I initiatives. Former Bayer CEO Marijn Dekkers said that moving at a steady pace and promoting internally was critical to success, telling *Harvard Business Review* that the majority of executives were very sceptical when Bayer first launched their diversity programme and it was key not to alienate them while grooming the next generation of cross-cultural managers.

In Asia, where a higher cultural value is placed on teamwork and collaboration, the penalty for standing out from the wider group is even more painful than in Europe, presenting a much bigger challenge for managers.

Failure to step forward was a key cause of problems for Asian women, who often do not apply or actively promote themselves for leadership positions, even when they are more qualified than male colleagues. Executives in Singapore noted that values held by Asian leaders—such as teamwork and collaboration—were often less crucial qualities in the eyes of a western corporate.

“Women do not put their hand up for promotion enough and wait to be asked,” lamented one senior business leader

in Singapore. “But in large companies such as mine, I’m sorry, but no one asks you, you have to raise your hand.”

Lean In, a book by Facebook COO Sheryl Sandberg, encourages women to put themselves forward, but the cultural penalties for doing so are far higher in Asia than Europe or the US.

In the Tokyo focus group, one consumer industry executive said going against the tide and standing out in a Japanese company can disrupt the work environment and often provokes a negative reaction from coworkers.

In Japan, Korea and China, hierarchies in the office are far more rigid, so any diversity initiative needs to be led by senior managers. “There is no such thing as a flat hierarchy in China,” said Ms. Roblin.

The use of Employee Resource Groups, where groups of employees can both support each other and speak with one voice to management, can reduce some of the stigma for individual employees working flexibly or taking on leadership roles for the first time.

For managers at western companies that means, “translating our core values into something relatable that speaks to the locals in a different way,” said one expatriate executive in Singapore.

Tiger mothers and cat dads

Tiger mothers are big business in China. So much so that, *Chinese Parents*, a computer game that captures the anxiety felt by mothers both in China and across most of Asia, bounced onto global best-seller lists within weeks of its release last year.

The game, which only allows player-parents to raise only sons, pits mothers against other mothers. They compete in 'face' rankings for their ability to boast about their child's achievements and fill every waking hour with piano tuition and ice-skating without giving their children a breakdown—an outcome which deducts points from the score. The game mirrors the real-life competition to raise children who can ace the country's competitive university entrance examinations. Children's homework is a major reason managers lose talented working women and one of the chief diversity issues in Asia.

"Singapore and Hong Kong have a good percentage of women in leadership but there is a societal burden to help children with homework, which is often seen as women's work. The level of pressure on parents is particular to Asian culture and education is seen as a central part of filial obligation. In the West parents are viewed as less responsible for their children's success," said Ms. Stringuini. Attitudes towards educational background underpin parental anxiety.

"Years ago I conducted a survey on which kinds of unconscious bias are most common in Asia. Education, accent, and presentation skills, and not age, race or gender were the key issues, and so when conducting training in the region it is important to go beyond the usual obvious dimensions," she added.

Executives and diversity consultants in the region said there was often a desire to hire entire teams from one university or with one kind of degree, which impaired their success.

"A team made up entirely of graduates from Tsinghua

University is susceptible to entirely the same kind of groupthink as people of the same nationality or gender," said Ms. Roblin.

Understanding this issue has led several ECN member companies to set up parental support groups to help parents wrestle with the stress of their children's education as university exams approach.

"The need to help children with homework was one of the main reasons that I lost women in the workforce. Wealthy families can put their children into international schools but for most families, it's the state system or bust," said a top female executive in the energy sector.

In China, a further burden for women is the poor public health system where it can take a whole day in the hospital to secure a doctor's appointment. That prompted PwC to set up a 24-7 hotline to help with health complaints and help parents secure hospital appointments.

"We found the time spent on doctors visits was a key source of the motherhood penalty", said PwC's Xing Zhou.

References: "Press A to study hard," *Foreign Policy*. Jan 3, 2019
How a Chinese-only life sim climbed the Steam charts by channeling the stress of childhood, www.pcgamer.com, November 8, 2018

Half the sky: The view from mainland China

With 69 of every 100 women of working age in mainland China heading out to work, the country has the highest female labour force participation in the Asia Pacific region, with a greater proportion of women in the workforce than many European countries. However, the pipeline thins dramatically as only 11% of women make it to the C-suite or the board.

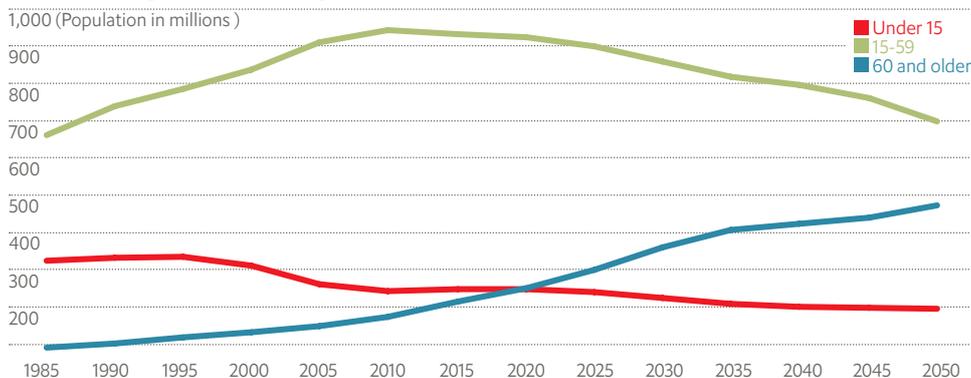
With a market as dynamic and fast-changing as China, CEOs and senior executives in sectors ranging from energy and chemicals to real estate and healthcare all agreed that diverse teams, including both men and women as well as different cultures and ages, were vital to tap into fast-changing customer needs in both the B2B and B2C sectors. Bridging the gap between millennials and senior staff was seen as a particular challenge.

Three senior executives said that female employees are often their highest performing and most effective staff, as they have had to work harder and develop a broader range of skills to get to the same level.

“My female colleagues have higher EQ and are often better managers, but there is still a tendency to make hiring decisions based on technical skills rather than managerial prowess,” said a senior energy company executive.

Executives were worried that hard-won gains from decades of strong STEM education under China’s socialist government, cheap childcare and the one-child policy are now being eroded under President Xi Jinping’s administration as demographic pressures start

China’s population estimates by age group (considering retirement age as 60) 1985-2050



Source: ECN analysis based on UN Population Division Estimates, World Population Prospects 2017.

to bite and the working age population falls. Representation at the top of government has also fallen with just one woman in the 25-member politburo, down from two in the 2012-17 period.

There are no women on China's highest governing body, the seven-member Standing Committee, perhaps because one road block for women's political and professional success in China is the early retirement age: 55 for civil servants and white-collar workers and 50 for blue collar jobs.

Furthermore, China's 2015 change to the one-child policy has made many Chinese women more vulnerable to layoffs at work. Employees report a harder time returning to work after a second maternity leave, with more obvious displays of resentment from both male and female colleagues.

"Many women feel if they have to take a career break for a year or two to care for young children or ageing parents, it will spell the death of their career. There are almost no programmes to help women return to work and outright hostility is common," commented one female CEO who also heads a Beijing-based network for women's professional development.

Multinational companies have been more successful in implementing D&I initiatives, even localising "global" policies, but local companies and even HR departments at multinational companies sit very low in the hierarchy. They do not fight management when they specifically request "only male", "not married", "no children", "no gaps in CV" as conditions when screening candidates, the CEO further noted.

For women to succeed though, line managers in China need to be educated about the business case for diversity, and both male and female workers offered greater flexibility around working hours and working from home.

"Senior managers need to work at home too and demonstrate that these policies won't hamper career progress, or employees reporting to them won't make use of the resources," said the head of government relations at a US company.

The bamboo ceiling: The view from Japan

Since the advent of Prime Minister Shinzo Abe's *womenomics* policies six years ago, women's role in the workforce has dominated academic and professional discussions and the percentage of women in the workforce has gradually risen to levels comparable to other developed countries like Germany or the US, with two million additional women entering the workforce.

But while women may be working, they rarely attain management level positions; men still dominate the boardrooms in Japan. Japan-based executives shared their experiences and the hurdles they faced when attempting to initiate projects designed to foster upward mobility for women and shatter the rigid 'bamboo' ceiling.

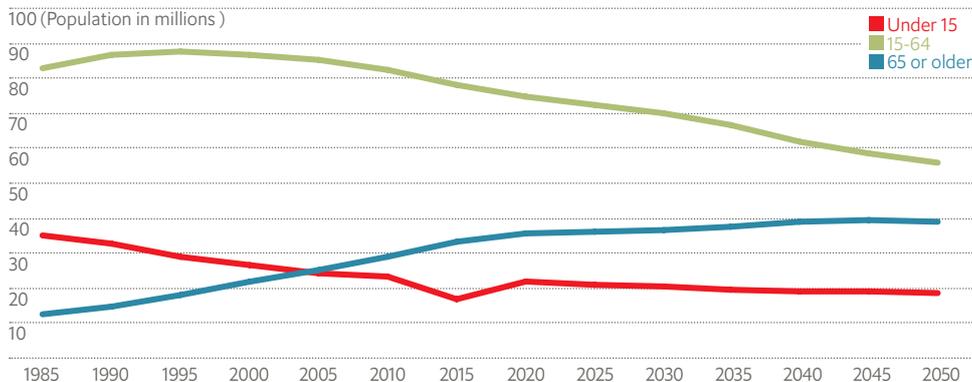
Changing mindsets

Many of the executives mentioned the need for a shift in the mindset with regard to women in the workforce that is so prevalent in the Japanese corporate landscape.

Deeply entrenched societal perceptions of women's role in society and their duty to raise and maintain the household remain prevalent in the working culture of Japan. There does not seem to be a consensus, however, on whether Japanese men or Japanese women were more at fault for the disparity in the workplace.

The lack of positive female role models in senior positions means moving up in the company requires a willingness to work in a heavily male-dominated space in which

Japan's population estimates by age group 1985-2050



Source: ECN analysis based on UN Population Division Estimates, World Population Prospects 2017.

standing out can provoke resentment from colleagues.

This problem is exacerbated by the 'old boys' club' that dominates the upper management of most large Japanese companies and has a tight control of the decisions made within the company. Influencing their perceptions is key to implementing real change. Some argue that this trend is, perhaps, changing as the young men in Japan do not seem to hold the same conservative perceptions of gender roles.

Hard targets or a soft touch

Seminars to educate the employees on topics like the importance of diversity in the workplace, parental leave and the importance of flexible work hours for those with young children, have prepared the ground for change. This approach could create a positive and accepting environment when discussing topics relating to improving diversity. Executives said a softer approach could be combined with hard targets and clear goals.

There was a variety of opinions on the effectiveness of quotas or targets. Companies commonly apply diversity quotas in their hiring process or when selecting members to take on a particular project, with one IT firm implementing pay deductions for managers who fail to make the grade. The executive from the financial services industry, however, noted that a study conducted in the US revealed that hiring quotas actually worsened gender relations in the workplace and established a stigma that women were not being hired on the basis of merit. A D&I consultant emphasised the importance of a system to analyse unconscious bias present in the hiring process and working to mitigate it instead of lowering the standards to achieve gender parity.

Where to now?

While each organisation may require a different approach, all executives seemed to agree that resources invested in diversity training and reform is money well spent. There was no central consensus on the path to reach equality for working women in Japan but increasing public awareness of the disparity, as well as promises from both the public and private sector to tackle this issue, spark hope for the future.

The ASEAN agenda

Regional CEOs in Singapore were firmly convinced that building a diverse and inclusive workforce—including gender, race, ethnicity, sexual orientation and more—was crucial to business success.

Done right, diversity and inclusion initiatives lead to a stronger and better team, with “everything falling into place,” said the Asia CEO for one of the world’s largest insurance players. The highest performing teams were often diverse and inclusive at the core. “Ultimately, we should measure the results that really matter—the bottom line,” she argued.

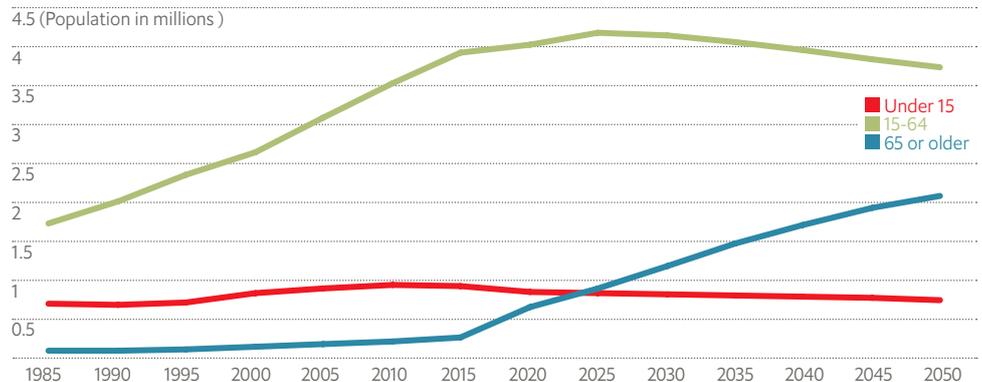
Asia against the world

While Asia still lags behind Europe and the US in the extent to which they value diversity at the senior level, these attitudes have been changing noticeably in the past five years, the head of Asia Pacific at global management consultancy said. Previously, most Asian companies would not have seen any issue with the lack of diversity at the senior level, and instead pointed to meritocracy as a guiding principle in promotions. Now there is growing recognition that companies with diverse leadership teams tend to perform better financially.

The Vietnamese ladder

Interestingly, all business executives singled out Vietnam as a clear leader in Asia when it comes to gender diversity in senior management roles. This trailblazing stems from Vietnam’s acute talent shortage which has allowed women to prove themselves highly qualified and effective leaders. “The first criterion in hiring in Vietnam is whether he or she can speak English—and that already narrows the pool, even before you get to the gender box. The result is that more women have the chance to lead and they are very good,” shared one regional manager from a global logistics company.

Singapore’s population estimates by age group 1985-2050



Source: ECN analysis based on UN Population Division Estimates, World Population Prospects 2017.

Walking from the top

All participants in the Singapore discussion stressed the importance of the C-suite driving all elements of the diversity agenda—from the organisation’s vision and strategy, to how it is implemented and supported. One regional managing director categorically stated, “If the thought and activity is happening just at the ground level, it will never work. You need the leaders to commit to the agenda and communicate this all the way through the organisation.”

Global strategy, local impact

Large western multinationals typically have a diversity programme as part of their wider HR strategy, often driven by a dedicated staff member.

One of the main goals of such programmes is to educate staff on the extent of their unconscious bias and to be sensitive to micro-inequities this causes. One Asia CEO shared that she had conducted internal sessions to share, both how she had unwittingly made judgements coloured by unconscious bias, and been a victim of unconscious bias from her male peers. It was especially effective to hear these first-hand experiences from the leaders themselves, to emphasise not only that unconscious biases exist—but that they can, and should, be corrected.

The vice president of one global logistics firm said her company has developed a corporate training programme in recent years for all new staff globally. This has been very successful in developing a strong and consistent corporate culture to ensure “business leaders across the different countries were speaking the same language, and everyone was oriented towards the same goal; and it drove profits.” However, among the participants from companies with workforces of 1,500 to 3,000 staff, global human capital development programmes, including D&I corporate committees, were not common.

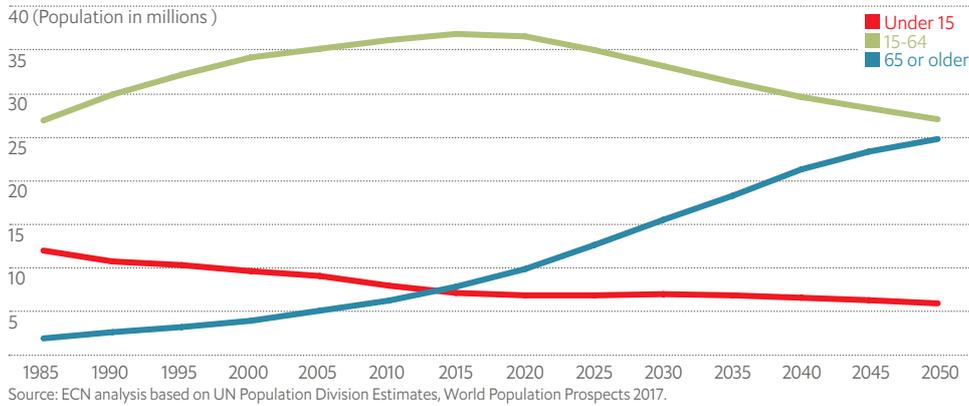
Targeting – it depends

There were mixed opinions on whether hard tools such as targets or quotas were helpful in fostering diversity. Others were more supportive of the idea but stressed it isn’t the be-all-and-end-all. “I’m all for quotas and all, especially if having some tools forces the right thinking, but it’s important for the leadership culture to reflect diversity beyond the tools,” shared one executive.

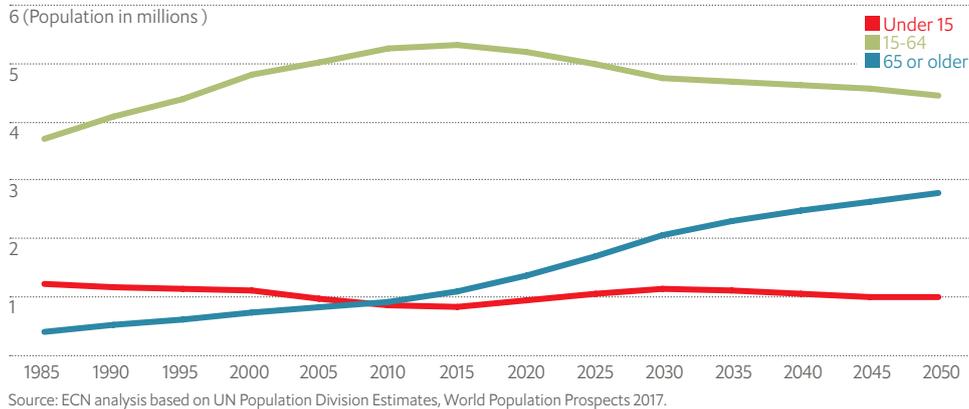
In the Singapore market specifically, the government’s labour policy around limiting foreign work passes means that companies are forced to target local talent as a priority, even when they are not the best fit for the role. In these cases, targeting becomes a necessity that is in fact detrimental to the business. Some of the participants expressed views that local Singaporean candidates can be less impressive than other non-locals, but they are sometimes obliged by government regulations to hire them.

Appendix: Two Graphics

South Korea's population estimates by age group 1985-2050



Hong Kong's population estimates by age group 1985-2050



About The Economist Corporate Network

The Economist Corporate Network is The Economist Group's advisory service for organisational leaders seeking to better understand the economic and business environments of global markets.

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