

Differences of Opinion:

How Canadian and
US business leaders
think about
gender diversity

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Foreword

Few countries have as much in common as the United States and Canada, and our approach to gender diversity is among our greatest shared values. Across an array of sectors, many Canadian and American companies are global leaders in the advancement of gender issues. Our governments are also working more closely to promote women entrepreneurs, and advocate diversity in business. But as much as we have in common, our countries also face clear differences in how we approach diversity and inclusion. Many large US companies, for example, have made notable strides in increasing awareness of gender diversity and implementing strategies to develop a strong leadership pipeline for women. In Canada, although similar efforts are in play, they have not yet yielded the results once hoped for.

FORTUNE Knowledge Group, with sponsorship from RBC, developed this study to gain insights into how companies in Canada and the US differ when it comes to helping women advance in leadership positions. While both countries experience challenges in doing so, Canadian companies tend to lag behind their US counterparts in several areas, including the importance they place on the issue and the risk they're willing to take in solving it. Of particular interest: Canadian executives are less likely to recognize the career obstacles faced by many women.

Our research uncovers some fascinating reasons for why this is the case and offers innovative solutions to help women achieve their full potential in the C-suite. It also shows what our two countries can learn from each other, and how our business communities might work more closely together to achieve diversity and inclusion.

Changing longstanding stereotypes and biases about gender is a daunting task. And we need to invest time, energy, and resources to effect change. Diversity and inclusion are among the strongest weapons we have to succeed in a fiercely competitive global marketplace.

Jennifer Tory
Chief Administrative Officer, RBC

Survey methodology

In March 2017, FORTUNE Knowledge Group, with sponsorship from Royal Bank of Canada (RBC), carried out a survey of senior Canadian executives. The goal was to gain insights into barriers to gender diversity and how to develop corporate strategies that help women leaders achieve their full potential. This research was part of a global survey of 1,100 executives, including 200 from Canada and 300 from the US, randomly selected from

an opted-in executive panel. This large sample provides a high degree of confidence in comparisons of the differing views and experiences of respondents in Canada, the US, and the rest of the world. More than two-thirds are C-level executives and the rest hold VP or SVP positions. They work for companies with a minimum of 100 employees, with more than half reporting over 1,000 employees.

A growing sense of urgency

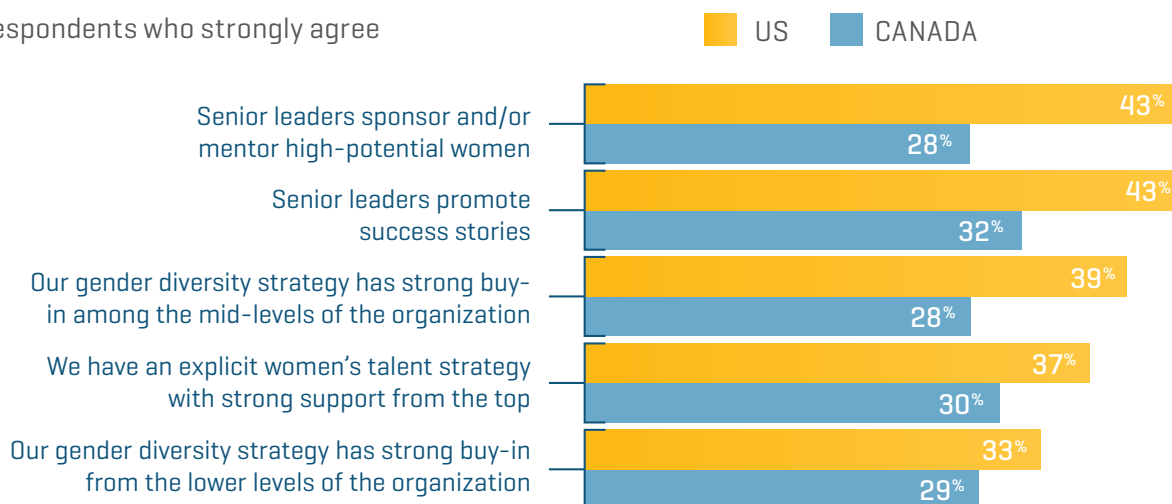
There are significant differences between US and Canadian companies when it comes to developing senior women leaders.

Gender diversity is recognized as a challenge in both countries, but each prioritizes the issue differently. Canadian efforts to address gender diversity are significant, and have been relatively effective at the top, but performance falls behind when it comes to maintaining a robust leadership pipeline for women. This difference in outcomes is partly because of an “awareness gap”: Canadian executives are less likely than their American counterparts to recognize obstacles to women’s career progression, rating every obstacle included in the survey as less severe than their US counterparts do. Moreover, these disparities are larger at certain points in the pipeline, especially pre-recruitment outreach and progression to the C-suite.

Canadian organizations are less likely to have an explicit women’s talent strategy with strong support from the top. They are also less likely to say their gender diversity strategies have strong buy-in at the middle and lower levels of the organization. These differences, in turn, are associated with a lower number of Canadian senior leaders sponsoring high-potential women and promoting success stories (Figure 1).

1 Do you agree or disagree with the following statements about your organization’s strategy for achieving gender diversity?

% of respondents who strongly agree

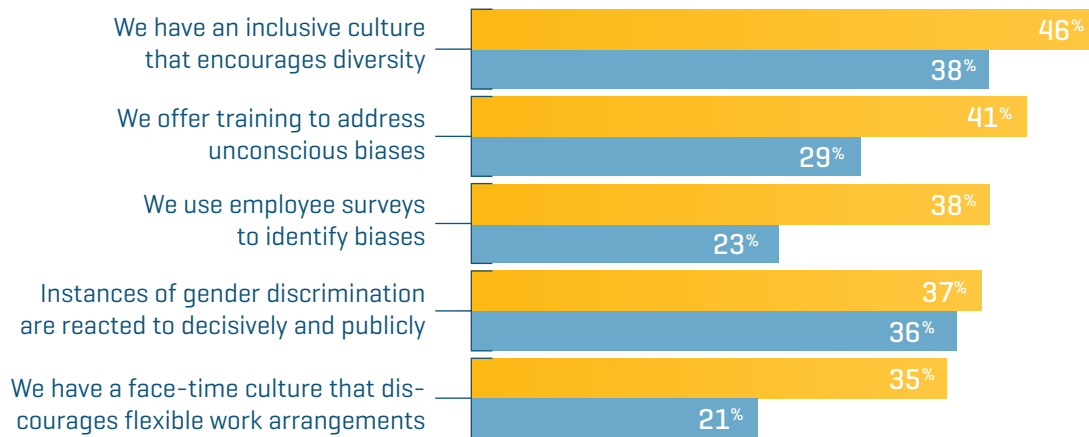


Cultural differences may underlie variations between US and Canadian companies. Only 38% of Canadian executives strongly agree that their organization has an inclusive culture that encourages diversity, compared with 46% of Americans. Moreover, they are less likely to have acted to shape the culture using such tools as employee surveys and training. It appears, therefore, that unseen gender biases may be a root cause of the problem (Figure 2).

2 Do you agree or disagree with the following statements about your organization’s culture?

% of respondents who strongly agree

US CANADA



Canadian companies tend to take fewer risks and are less likely to try innovative solutions than their US counterparts.

Beatrix Dart, a professor of strategy and executive director of the Initiative for Women in Business at the University of Toronto, points to larger cultural issues as the source of the differences between US and Canadian businesses. “The US is quite different from Canada in terms of outcomes,” she says. “In Canada, there are various forces at play – the cultural factors are different in terms of norms for men and women.”

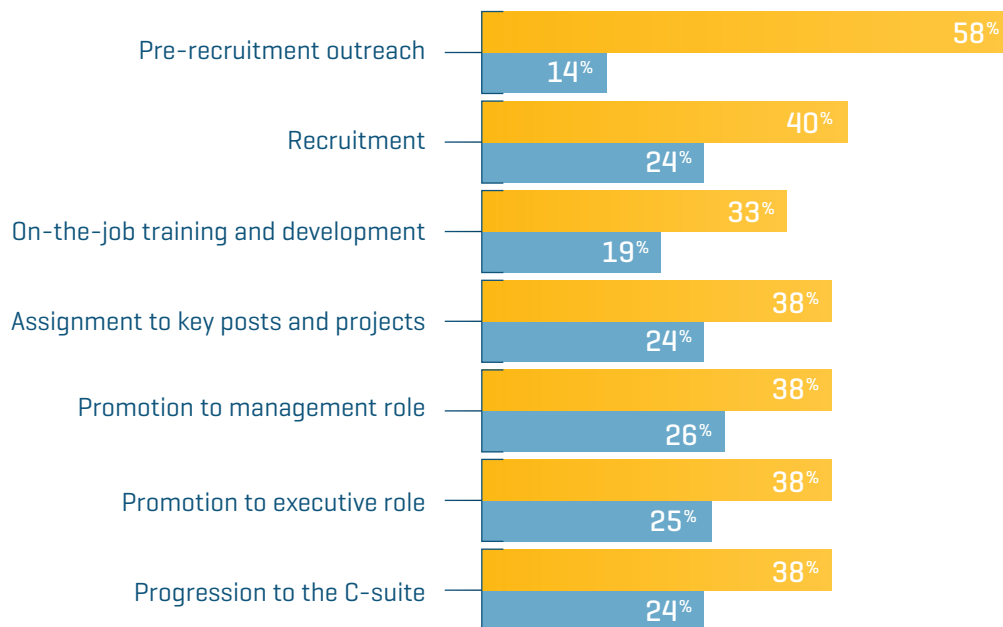
Canadian companies that are “leaders” are more likely to understand and respond to the challenges women face. The survey confirms the results of previous research showing that having a high proportion of women leaders correlates with strong financial performance. Respondents were asked to evaluate their organization’s profitability and revenue growth relative to its peers. Those who identified their firm as market leaders in either category (“leaders”) comprise 30% of all Canadian respondents. Those who do not meet these criteria are referred to as “laggards.”

The Organisation for Economic Cooperation and Development estimates that a 50% reduction in the gender gap in member countries could lead to a GDP gain of around 6% by 2030.

Financial leaders report a consistently higher presence of women in the C-suite and at board and senior management levels, and 58% say that women face “very significant” obstacles at the initial recruitment stage compared to only 14% of laggards (Figure 3). Moreover, more than twice as many respondents from leader companies say that they have experienced gender bias that has compromised their career (47% vs 22%). This supports the finding that failure to recognize the obstacles created by gender bias is a core element of the gender diversity challenge.

3 Please rate the significance of the obstacles that women face at each stage of their careers with your organization.

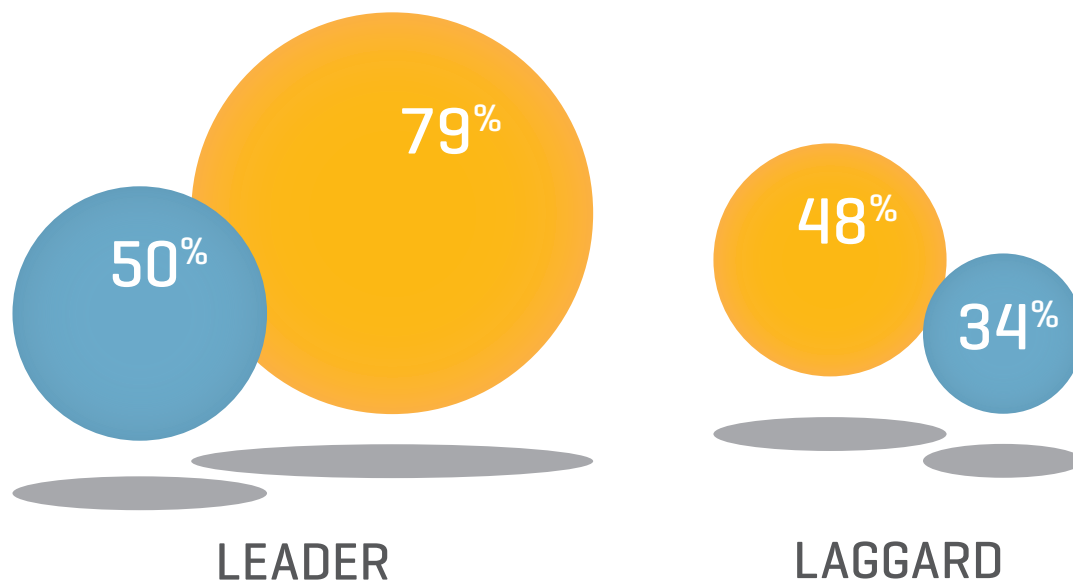
% of respondents rating obstacles as “very significant” LEADER LAGGARD



4 Proportion of women at ‘C-level minus one’

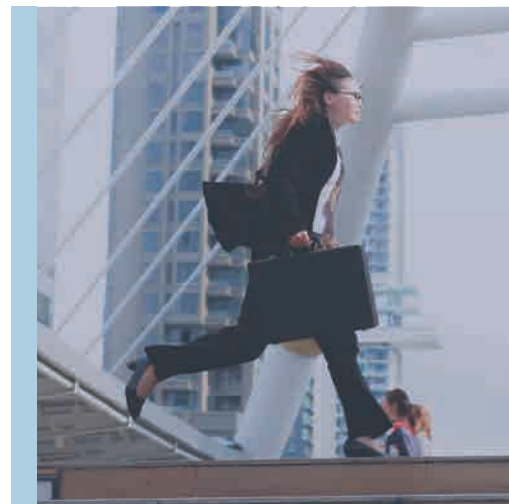
% of respondents

■ US ■ CANADA



In the critical C-level-minus-one category, 50% of Canadian leaders report 30% or higher female participation, compared with 79% of US leaders. Canadian laggards claim only 34% female participation in this group, compared with 48% in the US (Figure 4).

Smaller firms face more obstacles. Larger organizations are generally better equipped to launch leadership development programs for women. Lacking the specialized resources that come from economies of scale, smaller firms tend to implement a narrower variety of gender diversity measures. As a result, they are less likely to make leadership development for women a top priority. This observation is true for both Canada and the US, but since Canada has a larger proportion of smaller firms (54% vs 46%), the challenges faced by smaller firms are a larger concern.



Women hold only 8% of the highest-paid positions in Canada’s top 100 listed companies.

Raising the bar

Canadian women's participation in the labor force is among the highest in the world, and notably high in the middle levels of the banking sector. But gender equality at the top has a long way to go in corporate Canada.

As of 2016, women constituted 59.5% of the workforce at Canada's six largest banks, which is substantially more than any other federally-regulated sector. The banking industry exceeds the government's benchmarks for representation of women at several levels, including executive and middle management levels, with women making up 36.2% of all executive/executive equivalent roles in banking in 2016¹.

When it comes to the top leadership level, however, the ranks of women thin out considerably. There are only three women among the total of 25 named executive officer (NEO) positions among the big five banks, according to the 2017 Rosenzweig Report, which analyzes the 100 largest publicly traded companies, based on revenue, and examines how many of the top leadership roles are held by women. NEOs are the top C-suite executives running a company. Although the number of women NEOs has increased 14.7% this year from 2016, most of them are at companies ranked 51 to 100 on the list – an indication that the largest enterprises are still off-limits to top women leaders².

Globally, "for women, financial services is tougher territory than other industries," notes a recent report by the management consulting firm Oliver Wyman. The report points out that while promotion and exit rates are roughly equal for men and women in global organizations in other industries, in financial services women are less likely than men to be promoted to the next level. They are also more likely than men to leave the industry at all levels above support staff³.

GENDER DIVERSITY AT WORK

Yet numerous research studies over many years have shown a positive relationship between gender diversity and improved

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— Beatrix Dart,
Executive Director,
Initiative for Women
in Business, University
of Toronto



corporate performance. Companies in the top quartile for gender diversity are 15% more likely to have above-average returns, according to a 2015 McKinsey & Company study⁴. In 2016, an International Monetary Fund report said that electing just one additional woman to a corporate board was associated with between 8 and 13 basis points higher return on assets⁵. The research firm Catalyst has found that companies with the most women board directors outperform those with the least on return on sales by 16% and on return on invested capital by 26%⁶.

“Women tell us that when they experience gender inequality in the workplace, the number one issue is unequal promotions relative to men,” says Georgene Huang, CEO of Fairygodboss, a website that helps women job-seekers find work at women-friendly companies. “Therefore, I believe that one reason more women don’t reach the C-suite is in large part due to bias—conscious and unconscious—and the fact that they don’t necessarily have a level playing field. Without women role models in leadership positions, companies who want to get to gender parity risk creating self-fulfilling prophecies if they simply wait for the ‘next generation’ to step up. It’s imperative that more companies extend a hand and help lift mid-level women up.”

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— Georgene Huang,
CEO, *Fairygodboss.com*

Looking ahead: five steps forward

1. Be aware that diversity mandates can backfire. Surprisingly, mandatory diversity training can often have the opposite effect, increasing bias rather than eliminating it. Research over several decades has shown that corporate leaders and managers are less motivated to increase diversity if they are forced to do so. In one study, *Harvard Business Review* researchers who analyzed data from hundreds of US firms found that “companies get better results when they ease up on the control tactics⁷.”

Similarly, national policies that promote gender parity, diversity, and gay rights may be viewed as controlling or policing people’s personal opinions and actions. Equal opportunity or pro-diversity legislation may make organizations “check the boxes” to advertise their compliance with the requirements, but may also make them less likely to make practical efforts to reduce gender or other types of discrimination⁸. Rather, engaging leaders and managers to become advocates for change is more effective. Voluntary training to raise awareness, along with mentoring and coaching efforts, participation in task forces or councils, or leadership of affinity groups, works best.

2. Try more innovative solutions. The most appropriate measures vary across industries and firms, and a decision not to adopt any specific approach cannot be interpreted as a failure. Still, our study shows that companies in both the US and Canada are using only a subset of all the potential strategies. Canadian companies tend to take fewer risks and are less likely to try innovative solutions than their US counterparts. Solutions that have been adopted less frequently in **Canada** than in the **US** may provide ideas for further action by Canadian firms. They include:

- Job auctions or trial hiring (37% vs 43%)
- On-the-job development activities that provide opportunities to generate business impacts (38% vs 44%)
- Support for working parents (34% vs 43%)
- Flex time (48% vs 52%), part-time (31% vs 35%) and childcare subsidies (27% vs 31%)
- Assessing performance relative to gender diversity targets (37% vs 44%)

3. Build a strong business case for women in senior management.

“Fundamentally, having a workforce and a senior management team that represents the clients and communities an organization serves is both an asset and a competitive advantage,” says Jennifer Tory, Chief Administrative Officer at RBC. “Diversity of gender, thought, and background creates inclusive teams that generate better ideas and solutions. Inclusive teams are strong teams, and strong teams make better business decisions.”



Among the S&P 500, women hold just 6.8% of all board leadership positions, and only 3% are board chairs.

4. Invest in retraining and reintegrating women into the workplace. One of the biggest challenges in both the US and Canada is the issue of parental leave and how it affects women's careers. The two countries differ markedly with respect to national policies. In the US, women who take maternity leave do not receive guaranteed payments from the federal government. The Family and Medical Leave Act protects their job for up to 12 weeks; some individual companies and states may offer more generous policies or a short-term disability policy that pays women during their leave of absence. By contrast, Canada is far more generous; its mandated 12-month parental leave is expected to stretch to 18 months in 2018.

In a way, that could "create unintended consequences" for women's advancement in Canada, says the University of Toronto's Dart. She notes that although both parents can share the leave, men are often reluctant to take time off. "In many Scandinavian countries paternity and maternity leave are mandatory. Both men and women leave the workplace for a time when they have children, so there is less of an opportunity for gender bias. It has to be mandatory. You have to make it an equal playing field."

In Canada and other countries where equal parental leave is not mandated, being away from the job for so long could be detrimental to women's careers, she adds. "Women step out, often because of family pressure, and find it very difficult if they want to come back later on. They have lost their professional networks and they don't know if their skills are up-to-date. Many companies don't actively work on bringing women back to work; it is easier to advance the women who have stuck it out."

5. Make a concerted effort to change societal perceptions. Here's where male role models, influencers, pressure groups, and governments play a big part. "With regard to progressing in their career, women are working really hard, but they need networks and sponsorship much earlier in their career," says Jennifer Reynolds, CEO of the Toronto Financial Services Alliance (TFSA), a public-private partnership that supports the financial services industry. "We need to actively challenge senior management on that, and we have to have men in this dialogue."

Dart advocates going even further. "There is a very large gap in the middle part of the pipeline," she says. "There's always more commitment that we need to see in senior leaders. We need more CEOs and board chairs to advance their support of women. But this battle is not lost at the corporate front. This battle is lost at the home front. The expectations of women, the roles they are supposed to play, are different in different cultures. That's where we need to start: changing role expectations."



Since Ontario instituted new "comply or explain" rules in 2014, the number of women on the boards of Canada's FP500 companies has increased from 16% to 21.6%.

FOOTNOTES

¹ Canadian Bankers Association, 2016.

² The 12th Annual Rosenzweig Report on Women at the Top Levels of Corporate Canada, 6 March 2017

³ Women in Financial Services 2016, Oliver Wyman, Marsh & McLennan Companies

⁴ "Why diversity matters," McKinsey & Company, January 2015

⁵ IMF Working Paper: Gender Diversity in Senior Positions and Firm Performance: Evidence from Europe, March 2016

⁶ "Why Diversity Matters," Catalyst, July 2013

⁷ "Why Diversity Programs Fail," Harvard Business Review, July-August 2016

⁸ "The Diversity Tradeoff: A Perspective from a School of Management," University of Toronto and Michael Lee-Chin Family Institute for Corporate Citizenship, forthcoming

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