

Research Title A Study on the Strategies for Expanding the Ratio of Female Executives in the Enterprise

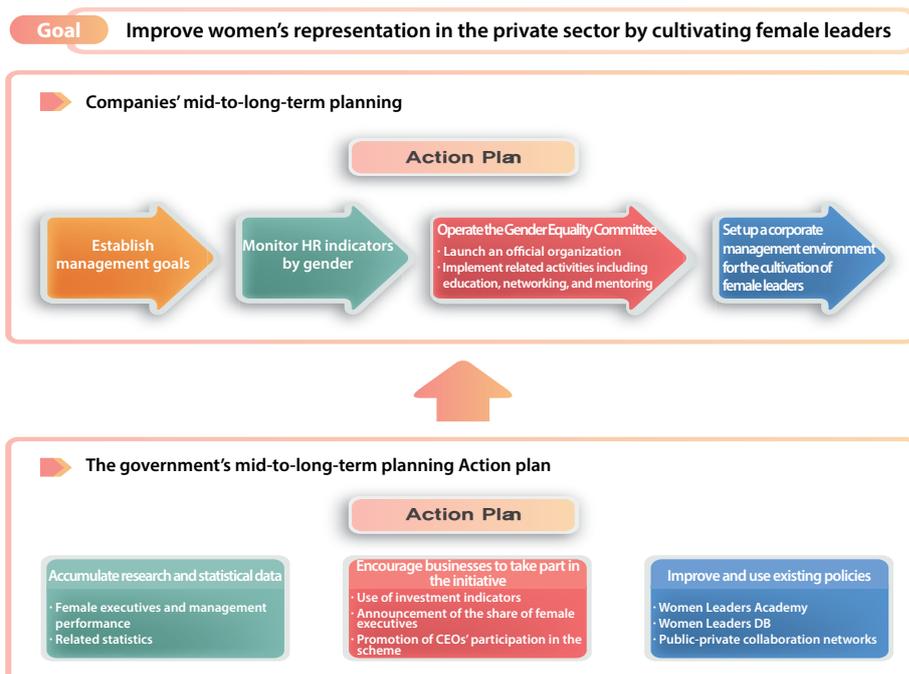
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Mid-to-Long-Term Strategies in Raising the Ratio of Female Executives in Private Enterprises

Abstract

■ This research aims to review theoretical discussions on why the share of female executives in enterprises should rise, as well as local and global cases, and to identify obstacles to and success factors for increasing the percentage of female executives in the private sector, as well as policy issues, via data analyses and case studies. There is still gender discrimination in the labor market and many women have failed to be promoted to the position of managers or higher due to the burden of maintaining work-life balance. Moreover, even women who have succeeded in maintaining their careers have not been chosen by HR managers most of whom are male. In other words, the main causes of failure to raise the share of female executives in the corporate environment have yet to be effectively addressed. Therefore, without policy intervention and corporate endeavors, the percentage of female executives in the private sector is expected not to jump for a while. Against this backdrop, this research study presents the following policy measures: mid-to-long-term planning (the government and businesses), the establishment of official systems for the promotion of female leaders (companies), ways to encourage enterprises to actively participate in the initiative (the use of investment indicators), the expansion of education and networks, and the active use of existing policies including the Women Leaders Academy and Women Leaders DB.

The government and businesses' mid-to-long-term strategies to increase the share of female executives



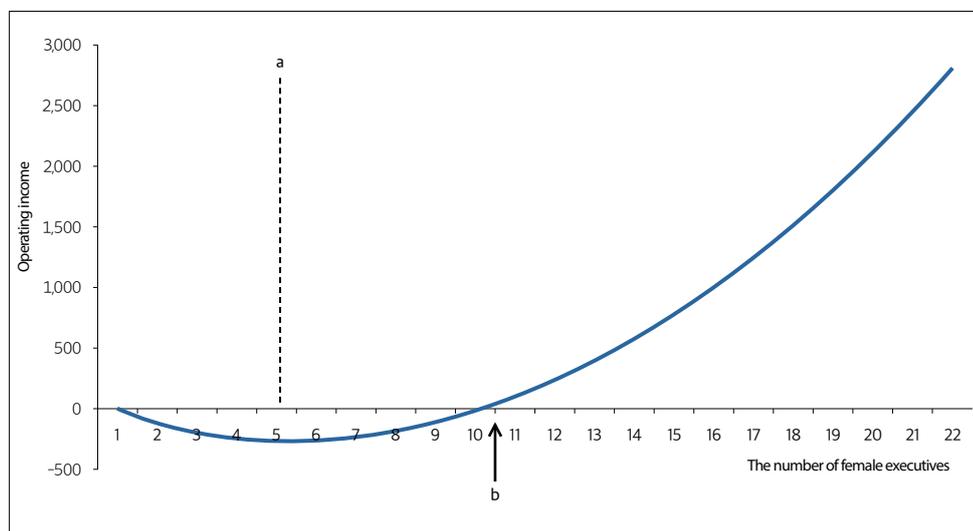
1. Background and issues

- ④ Korean women's participation in the labor market has gradually expanded, against the backdrop of diverse policy efforts being made to nurture female managers. However, the percentage of female executives in the private sector is still as low as less than 3%.
- ④ The share of women among executives not only relates to achieving gender quality but also is regarded as an important business issue in companies ensuring sustainability, transparency, and fairness in market economy. Unlike the share of women in the labor market or among managers, the percentage of women among executives is understood as a key issue in securing gender diversity in decision-making positions, going beyond simply increasing the number of women, changing corporate structures and culture, and thereby bringing innovation to the corporate environment. In particular, the percentage of women in boards of directors where key decisions are made is deemed to be especially important because only when gender balance is maintained, diverse opinions and reasonable decisions are exchanged and made, respectively.
- ④ Referring to diverse statistics and the policies of advanced nations in connection with female executives and identifying barriers to female managers being promoted to executives and required policy support, this research aims to present specific policy measures to increase the percentage of female executives in the private sector. At the same time, this study is also designed to provide fundamental data for short term and mid-to-long-term policy-making including the improvement of existing policies and the feasibility of new policies such as a female executive quota system. In particular, identifying fundamental reasons for women's low representation in decision-making positions such as the invisible glass wall, the glass ceiling, and women's lack of career desires (voluntary or involuntary), this research aims to present specific strategies to resolve such issues.

2. Survey & results, global cases

- According to the 2016 OECD statistics, employment rates among male and female college graduates are estimated at 88.5% and 63.3%, respectively. The latter is deemed to be much higher than the 1995 figure (14.7%). However, the fact that the share of female executives in the private sector is as low as about 3% reveals that women's representation in decision-making positions is still far from satisfactory.
- CEO score data, which are the revised version of DART, the Financial Supervisory Service's e-disclosure system, were analyzed in order to identify the current status of female executives in enterprises. The results show that the shares of women and female executives in Korea's top 30 business groups were 24.4% and 3.0%, respectively, in 2017.
- Business performance was also analyzed in connection with the number of female executives. Non-linear relationships between the number of female executives and operating income were found, signifying that the former may negatively affect the latter before the former reaches a certain level but that the former affects the latter in a positive and visible way, if the former gets to a certain level.

<Figure 1> The number of female executives and business performance



Note: N=292; companies at home and abroad

Sources: 2017 Financial Supervisory Service Dart Business Report (CEO Score) Source Data Analysis

- ④ FGI with female executive candidates show the following results. Obstacles to being promoted to executives are understood in the organizational context while success factors for maintaining careers are explained in the individual context. In connection with 'superficial leadership training and network programs' among obstacles to being promoted to executives, the government's policy and institutional leadership and network programs are found to have functioned positively.
- ④ As of 2015, the EU members where the gender quota system for boards of directors was legalized are the Netherlands, Denmark, Belgium, Slovenia, Spain, Ireland, Austria, Italy, Portugal, Finland, and France while non-members where such a system is legislated are Norway and Iceland. In 2014, Germany introduced a quota system where the share of female executives should be 30% or more while the UK encouraged top 100 listed firms to voluntarily work hard to increase the percentage of registered female directors to 25% or higher.

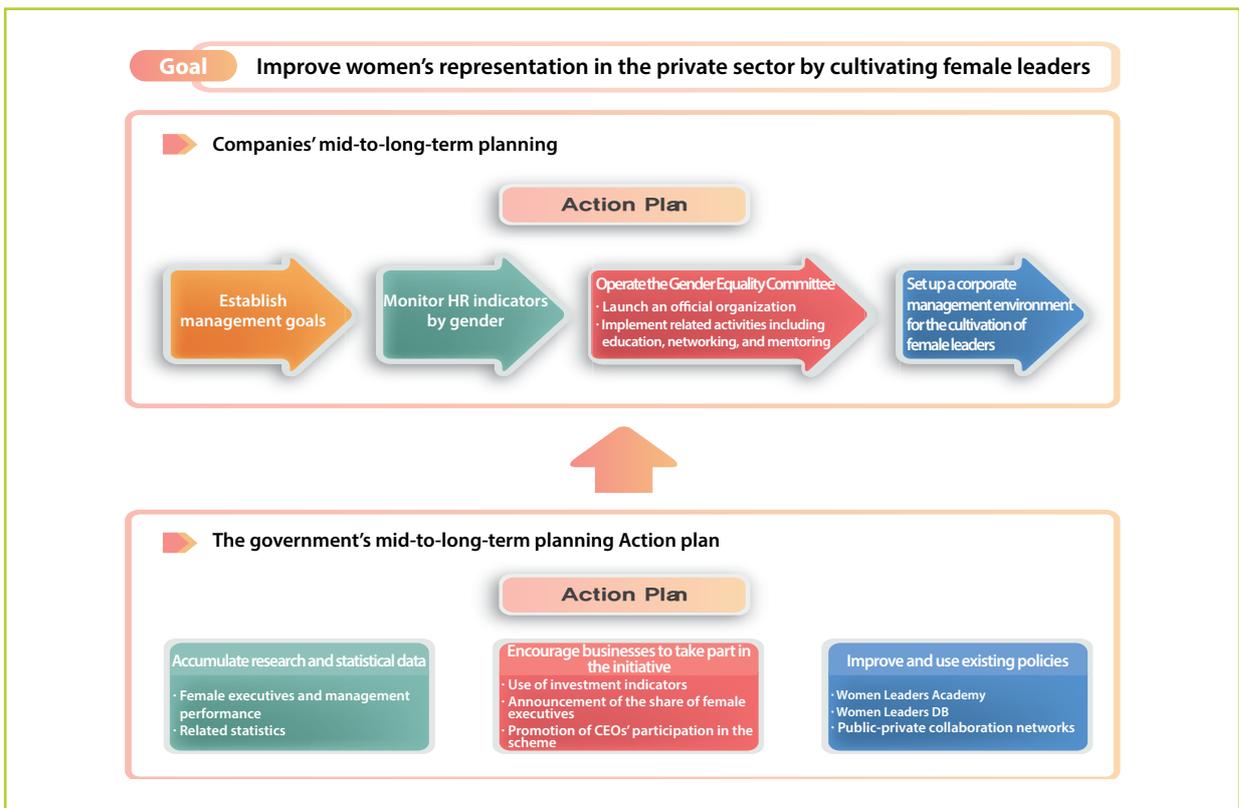
3. Policy suggestions

- ④ The following policy direction is proposed: First, affirmative action should be taken to expand the share of female executives. Second, the issue of raising the percentage of female executives can't be resolved by simply increasing the number of female executives, requiring policies to be made on a long-term basis. Therefore, businesses should also craft long-term plans. Third, even though affirmative action should be taken to expand the share of female executives, enterprises should not be simply pressured to do so. Instead, the issue should be approached in terms of HR-based management and sustainable management, leading companies to recognize the cultivation of female executives not as costs but as a means to enhance business performance. Policies should be devised and implemented in this way. Fourth, effectively considering the characteristics of businesses, different approaches and support measures should be devised. Fifth, policies should be prepared, reflecting the changing times. Sixth, CEOs and executives having authority over human resources should be encouraged to change. Seventh, taking into account that the number of female leaders is very small, opportunities for strengthening role models and networking should be given in terms of

policy-making. Eighth, academic and empirical research data should be accumulated in connection with women’s representation in the labor market characterized by the number of female executives and female leadership. Lastly, circumstantial changes should be facilitated via mid-to-long-term training and cultural changes in order to continuously ensure the effectiveness of policies.

Accordingly, the following mid-to-long-term plans and specific policy issues are presented:

<Figure 2> The government and businesses’ mid-to-long-term strategies to increase the share of female executives



	Obstacles	Success factors	Policy issues
Individual level	<ul style="list-style-type: none"> • Difficulties in balancing work and childcare • Difficulties in networking • Disconnection with the 1st generation female executives • Dual discrimination by gender and age • Burden and excessive attention from the identity of minorities • Tendency not to actively show their own performance 	<ul style="list-style-type: none"> • Avoid excessive interest in child care • Family members' active support for their economic activities • Active endeavors and willingness to improve expertise • Favorable field of study • Diverse work experiences • Sincere attitude and leadership based on their own strengths 	<ul style="list-style-type: none"> • Strengthen customized support for each career process (ex. reduce the burden of pre-school child care for those in the position of managers and child education for those in the position of deputy general managers and general managers) • Expand opportunities for external networking and the cultivation of expertise • Offer training services for the development of leadership and careers from a young age onwards
Organizational level	<ul style="list-style-type: none"> • Male-centered corporate culture • The management's lack of awareness of the use of female human resources • HR managers most of whom are male • HR management systems based not on capabilities but on connections • Lack of female executive candidates • Prejudice that women are not breadwinners • Lack of role models • Expanding the number of female executives via external recruitment • Personnel congestion due to HR aging 	<ul style="list-style-type: none"> • Operation of the gender equality committee and mentoring not as friendship promotion but as an official organization • CEOs focusing on capabilities for HR management • Professional executive systems • Use of work-life balance promotion systems including maternity protection and flexible working-hour systems • Existence of female HR managers • Flexible and horizontal corporate culture 	<ul style="list-style-type: none"> • Use female employees and their perspectives to assess management goals, CEOs, and the management • Give incentives to CEO to lead them to have interest in the cultivation of female human resources • Encourage mid-to-long-term planning for expanding the share of female executives • Regularly monitor the status of female human resources not by business group as a whole but by affiliate and team • Operate the gender equality committee as an official organization • Lend full support to education/training and external activities • Resolve intergender and intergenerational conflicts
Policy and system level	<ul style="list-style-type: none"> • Diverse economic policies affecting business operation • Continued economic slump • Mistrust and misunderstanding of female leaders • Temporary and pretentious policies • Gender discrimination in the labor market featuring gender pay gap and occupational gender segregation • Conventional gender role segregation (child care leave used only by women) 	<ul style="list-style-type: none"> • Inter-generational differences in the awareness of promotion to executives • Policy interest in cultivating female executives • Female Talent Academy • Promote and expand work-life balance systems • Shorter working-hour policies • A rise in social demand for gender equality • Social atmosphere highlighting work-life balance 	<ul style="list-style-type: none"> • Devise and implement long-term plans to expand the share of female executives • Promote, substantiate and link WIN to private women networks • Reinforce the promotion of the Female Talent Academy • Regularly announce the share of female executives • Actively use female executives for policy-making • Make it mandatory to give diversity training • Include indicators on the use of female human resources in key management items such as borrowing and investment • Include the share of female executives in AA results (disclose company names) • Include the use of female human resources in Advanced Management Programs operated by colleges • Help analyze and study relationships between the number of female executives and business performance

✔ **Key policy issues can be summarized as follows:**

Craft mid-to-long-term plans

- ▶ Devise mid-to-long-term policies for raising the share of female executives (government)
- ▶ Devise mid-to-long-term plans for cultivating female executives (companies)
- ▶ Accumulate research on relationships between the number of female executives and business performance

Establish official systems for the cultivation of female leaders (companies)

- ▶ Expand and substantiate the operation of the gender equality committee
- ▶ Strengthen mentoring for promoting the sustainable development of female executives

Encourage businesses to participate in the initiative

- ▶ Include indicators on female executives in investment indicators
- ▶ Announce the percentage of female executives
- ▶ Hold seminars for female executives planned by the Blue House or Ministries

Expand training and networks

- ▶ Expand training and support for women by using online systems
- ▶ Make it mandatory to give diversity training in order to resolve inter-gender and intergenerational conflicts and to promote mutual communication
- ▶ Provide more opportunities for women to set up networks

Improve and use existing policies actively

- ▶ Women Leaders Academy
- ▶ Women Leaders DB
- ▶ Family-Friendly Management Certification System

Management Ministry: Women's Resources Development Division, Ministry of Gender Equality and Family

Affiliated Ministries: Women's Employment Policy Division, Ministry of Employment and Labor