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# Are Companies Ready for the Female Talent Explosion?



By Claudia Zeisberger , INSEAD

**Demographic dividends are set to dwindle as the size of working age populations shrinks. Further female empowerment is needed for companies to plug the impending talent shortfalls.**

International Women's Day (8 March) reignited and amplified conversations about entrenched gender disparities in the workplace. Why is it, many observers asked, that the advancement of women into C-suite positions seems to have stagnated in the past few years? After 25 years of struggling for equality, why haven't women achieved anything near equal representation on corporate boards? Often invoked in the literature of gender equity in the corporate world is the notion of the "leaking pipeline," i.e. the tendency of women to drop out as we climb up the corporate ladder, resulting in minimal female representation at the top rungs. This glass ceiling effect has been attributed to various pressures, including unequal pay, the difficulty of maintaining work/life balance, and a lack of faith in women's professional competence.

## **Extending the pipeline**

Focusing all our attention here, however, doesn't adequately address the important ways the wider world influences corporate culture. Demographics gives us the ability to extend the pipeline much further back, all the way to the formative experiences from childhood that set the tone for today's mature professionals (both male and female). Historical perspective can perhaps help us understand the current situation by showing us that today's generation of C-suite-eligible executives grew up in a world where the literacy rate amongst women was significantly lower than nowadays. In the United Kingdom, for example, the number of years of schooling received by the average woman has increased by more than one-third since 1970, from nine years to more than 12.

In some Asian emerging markets, transitions like these are especially significant. In 1950s China, for example, education of any kind for women was practically unheard of. At the end of the decade, fewer than 10 percent of Chinese women were literate. In today's China, female literacy is around 100 percent, and there are more than three million female tertiary graduates annually (compared to 4 million male). If the trend continues, women will soon be China's best-educated sex.

These statistics certainly don't disprove the existence of the corporate glass ceiling, but they do help companies prepare for the imminent changes in future. Indeed, women have already made considerable progress – from zero female Fortune 500 senior execs in 1980 to nearly 18 percent of the total in 2011 – and, given enough time, this progress will catch up with contemporary, gender egalitarian attitudes.

### **Falling fertility rates**

As incremental as the ripple effect may be, the impact can be significant. Increasing education for women correlates strongly with the downward trend in fertility rates worldwide. As women make greater inroads into the world outside the home, they chose to raise fewer children.

Evidence to support this can be found in India, where fertility rates among women with secondary education have fallen below 2.0 in all but two of the country's 28 provinces. In four provinces, educated women are having fewer babies than women overall in Japan, China, and Germany.

Perhaps nowhere is the correlation more striking than in South Korea. The average number of years of schooling per woman there has doubled since

1970, and as of 2010 was on the verge of surpassing the male number. In the same period, the birthrate fell by half to a rate of 1.21 children per couple, the lowest in the developed world.

Ironically, the steep decline has prompted authorities to try to diminish the importance of university education in Korean society, so that tuition costs won't make parents think twice about having more than one child.

## **Underrepresentation**

Data from 2012 show South Korea's corporate boards to be among the least gender-diverse in Asia, with just one percent female representation (whereas women comprise 55 percent of the general South Korean workforce). But in the years to come, the plummeting birthrate will test the country's commitment to the status quo: According to the OECD, South Korea's ratio of workers to elderly people will fall to just 1.2 by 2050. With such a huge contraction in the working population and a bigger-than-ever pool of educated women, will Korea still be able to afford to restrict women's professional prospects?

And as fertility rates are declining in most of the world, this dilemma surely won't be confined to South Korea. Just look at Saudi Arabia, where fertility rates are less than half what they were in 1980 and where we find more female than male tertiary graduates (up from approximately zero in 1980). In the 2030s, when these educated women are in their forties and fifties, who will run Saudi Arabia's companies?

## **The Glass Ceiling vs. Networks**

Once the new influx of talented, educated women into the workforce gets underway, it may promptly gather steam and propel other women forward. Women complain frequently about the lack of supportive professional networks, including role models and mentors to guide a woman's advancement through the executive ranks – a must-have for women striving to break the glass ceiling. A sudden proliferation of female role models may inspire and empower other women to realise their true potential.

Such a change in the fundamentals opens the door for exciting changes that would benefit both women and men. More rigid, hierarchical institutions are generally less able to absorb structural changes, so there may be opportunity for more meritocratic firms (e.g., startups, or fast growing

businesses supported by growth capital) to seize the opportunity and adapt quickly. With the demographic foundation in place, suitable candidates meeting the requirements for job vacancies are increasingly likely to be female. It's time for companies and their shareholders to get set up for this demographic change and turn it into an opportunity.

### Find article at

<https://knowledge.insead.edu/leadership-organisations/are-companies-ready-female-talent-explosion>

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### About the series

#### Gender Initiative

The **INSEAD Gender Initiative** integrates research, business and pedagogy to engage the full potential of both women and men.

Its community of gender researchers conduct cutting-edge research on the experiences and impact of women in business and society. The initiative builds relationships with organisations to enhance their commitment to gender balance and their ability to fulfil this goal. It further strives to create a pipeline of future business leaders who are passionate and equipped to drive gender balance within their existing and future organisations.

Its mission is to create and disseminate knowledge that advances women leaders and optimises their contributions within and beyond their organisations. The Gender Initiative strives to engage both men and women in this effort, inspiring all to take action.