Companies Do Better With Women Leaders (But Women Need More Confidence To Lead), Study Says

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The companies that perform best financially have the greatest numbers of women in leadership roles, according to a new study that is one of the most comprehensive ever. According to the worldwide survey, conducted by Pittsburgh-based human resources consulting firm DDI together with nonprofit business research group The Conference Board, in the companies that have the top 20% of financial performance, 27% of leaders are women. Among the bottom 20% of financial performers, only 19% of leaders are women.

The DDI study differs from previous studies in several ways. While most examinations of women’s leadership focus on the top of the corporate pyramid, DDI looked at women leaders throughout companies’ organizational structure, from the C suite all the way down to supervisors of production and manufacturing teams. In an insurance company, that might mean a leader who directs an actuarial team of 15 people, explains DDI senior vice president Rich Wellins, the report’s co-author. The study also looks at a huge sample size of 13,000 leaders and 1,500 human resource executives at 2,000 organizations in 48 countries. Overall, women hold just 28% of leadership positions in the study.

Wellins says that when he and his team looked for explanations about why women make up a greater share of leadership positions at more successful companies, they decided to ask survey participants about their confidence levels. Some 12% of male leaders rated themselves among their organizations’ top 5% of
performers, while only 9% of women gave themselves that confidence rating. “If we assume that they have an equal ability to lead, there’s a question of why men think they’re better than women,” says Wellins.

One explanation, according to DDI: Men take more international assignments than do women, which boosts men’s faith in themselves as leaders in challenging situations. The study shows that 35% of male leaders completed at least one international assignment, versus only 28% of women. “Success makes you feel successful,” says Wellins. “The more experience you have, the more your confidence builds.” Wellins believes that fewer women may volunteer for international assignments because they may not want to disrupt their families’ lives and they also may be reluctant to move to a place where society is more sexist. But he also speculates that women may not get as many opportunities as men because of discrimination in the workplace.

What countries have the most women leaders? According to the study, Canada ranks No. 1 with a striking 50%. The Philippines and the US are tied for second with 41% and Thailand is third, at 40%. The country with the worst record: Japan, with women making up just 8% of leaders. The second-worst country is India at 14% and Taiwan is third-worst, at 21%.

It’s worth noting that the strong showing by the US does not hold true if you look only at upper levels of management. According to recent data from The Center for American Progress, just 14.6% of executive officers in the 500 highest-grossing American companies are women. Only 4.6% of CEOs in those companies are female.

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The story for executive women is similar in other countries. In Japan, according to a 2011 McKinsey study cited by The Economist, only a minuscule 1% of executive-committee-level managers are women. Thailand and the Philippines
are notable exceptions. According to one report, women make up 38% of Thai board members and CEOs. In the Philippines, the number is an impressive 47%.

The DDI study is not the first to suggest that women leaders boost companies’ financial performance. In a widely-cited 2012 Harvard Business Review blog post, consultants Jack Zenger and Joseph Folkman described their survey of 7,300 business leaders. They asked respondents to rate the effectiveness of male and female managers. Like the DDI study, they looked at women in leadership roles throughout organizations, and not just in executive positions. They examined 16 different “competencies,” like taking initiative and driving for results, and found that women rated higher than men in 12 of the categories. When it came to total leadership strength, “at every level, more women were rated by their peers, their bosses, their direct reports, and their other associates as better overall leaders than their male counterparts — and the higher the level, the wider that gap grows.”

Wellins says the DDI study underlines the gap between women as a share of the world’s working population, which he says is 46% and growing, and the share of women in leadership roles. “It’s pitifully low,” he says. “At the same time there is evidence that recruiting and promoting women will drive high performance.”

_In February 2018, I took on a new job managing and writing Forbes' education coverage. I'd spent the previous two years on the Entrepreneurs team, following six years writing for the Leadership channel. My mission with education is to explore the intersection of education a... MORE_