Gender Über Alles

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HAMBURG, Germany—The appointments of German Chancellor Angela Merkel, General Motors' CEO Mary Barra, and IMF managing director Christine Lagarde signify a trend toward increasing the number of women in leadership. Less obviously, they also reflect a new global awareness that sex and gender are paramount in the development of politics, economics, and society in the 21st century.

Women are finally, slowly yet irrevocably, taking a lead role in realms that historically were toughest for them to penetrate, such as business and politics. That's due partly to the global financial crisis of 2008, whose after-

INTERNATIONAL MONETARY FUND

INTERNATIONAL MONETARY FUND MANAGING DIRECTOR CHRISTINE LAGARDE math sparked a call for new approaches to economic policy and business practice. But it's also thanks to some promising young academics and scientists, whose research already had begun to change mainstream thinking. What's more, it reflects a growing willingness to discuss the role of sex and gender in society.

Indeed, western societies' increasing open-mindedness about sex and gender has expanded rapidly in recent years to encompass lesbian, gay, bisexual, and transgender persons, as well as the biological differences between men and women. This rapidly evolving mindset can be found as much in professional as in personal life. The significance of this new open-mindedness should not be underestimated, as it is changing society in two closely related ways. It's become an acceptable belief, at least in developed nations, that men and women are indeed quite different, and that each sex has its own identifiable strengths and weaknesses. Acknowledging these basic differences between the sexes, in turn, is a crucial step toward accepting other approaches to gender identity and allowing gender to enrich the workplace, politics, and society at large.

RESEARCHING SEX AND GENDER

A growing body of research in fields as wide-ranging as neuroscience, behavioral economics, hormonal research, and managerial consulting supports such beliefs. From mapping divergent brain patterns of men and women to measuring hormonal differences between the sexes, researchers have shown that certain personality traits tend to be more female than male.

After studying the human brain for decades, the renowned German neuroscientist Christian Elger founded the Center for Economics and Neuroscience at the University of Bonn to promote interdisciplinary research of economic and social behavior. Today, he quickly counters the feminist Charlotte Perkins Gilman's influential 1898 statement that "there is no female mind" with his own scientific observations of male versus female brains. Magnetic Resonance Imaging (MRI) has shown that women's brain patterns change along with their menstrual cycles. Language takes over a large part of the brain's right hemisphere early in the cycle, leading to an increased emphasis on communication. In similar MRI research, women's brains have shown a greater propensity for empathy and conflict resolution, but less capacity for spacial orientation than men's brains. Elger's conclusion: male and female brains function very differently. What's more, he says, these basic differences will lead to a revolution in business practice, as more women take leading roles in the economy.

Paul J. Zak, founding director of the Center for Neuroeconomic Studies at Claremont University, has found that oxytocin, a hormone secreted during labor to control contractions, is responsible for women's greater likelihood to work cooperatively in business settings. Men under stress tend to secrete high levels of testosterone and become aggressive. Women under stress secrete oxytocin, and this in turn makes them want to bond with colleagues and work collaboratively. Due to these hormonal differences, Zak says, women tend to be more

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effective than men when managing a team of people who have to work cooperatively. Oxytocin increases empathy, patience, and trust, and it cultivates a leadership style more suited to today's economy.

Elger and Zak are far from alone in their convictions. A growing body of research about the brain is now being applied to the role of sex and gender in business.

SEX, GENDER, AND ECONOMY

Economists are breaking important ground, too. In 2011, the French academic Marie-Pierre Dargnies's mixed-gender competition study found that financial teams comprised of men only were less likely to perform well than mixed teams.

Research suggests that substantial benefits can be reaped from a more gender-balanced global workforce. And while it's important not to exaggerate gender patterns, it's equally important to recognize that science now supports differences between the sexes. We need the leadership and innovation of men and women to cope with future challenges. On a microeconomic level, the more evenly a company's management-board positions are distributed in terms of men and women, the better the financial and organizational performance. Catalyst, a global non-profit organization, revealed in a 2011 study that Fortune-500 companies whose boards were comprised of 19 percent to 44 percent women had a return on sales that was 16 percent higher than companies with no women on their boards.

At the height of the global financial crisis, the impact of diversified management around the globe was even more pronounced. In France, a 2009 study by management professor Michel Ferrary found that companies whose management was comprised of at least 38 percent women suffered a share-price decline of 8 percent to 29 percent in 2008. The CAC-40 benchmark French stock index, by contrast, fell 43 percent. Losses of 70 percent to 82 percent were suffered by companies whose management was at least three-fourths male.

The benefits of such diversity are not only confined to industrialized nations. A study by private-equity firm Mekong Capital found that during the 2008 financial crisis, shares of publicly traded Vietnamese companies run by women outperformed the market by 9 percent, while those run by men fell an average of 20 percent.

ICELAND HAS RANKED AS THE MOST GENDER-EQUAL COUNTRY IN THE WORLD EVERY YEAR SINCE 2009.

That's not to say categorically that women do business better than men. But women in leadership positions tend to exhibit cooperation, risk awareness, empathy, and flexibility more often than men. McKinsey & Company, the management consulting group, found in a multi-year international project, that women are more likely than men to motivate and inspire employees or create a culture of cooperation and set clear and realistic goals for their company. Moreover, companies trying to get ahead in the global marketplace now expect these traits in their leaders.

NEW APPROACHES

Impediments to women in leadership still abound, even in developed nations such as Germany and Japan. But it is precisely these societies, which are facing aging populations and shortages of highly skilled labor, that cannot afford to ignore half of their own home-grown talent when it comes to setting future economic agendas.

Iceland is a powerful example of what a new, more gender-diverse approach to economics could bring. The tiny island nation, with a population of 320,000, bore the brunt of the 2008 global financial crisis after a small group of mostly male bankers made far too risky investments, effectively bankrupting its major banks and draining the national treasury.

Yet Iceland overcame that crisis, largely due to new female leadership in companies and in government. In 2009, the country elected a lesbian prime minister (who served until last year). Her first order of business was to reorganize the government's cabinet so that exactly half of all posts were filled by women, who promptly went to work repairing the post-crash economy.

Katrin Jakobsdottir was one of those women. As Minister for Education, Science, and Culture between 2009 and 2013, Jakobsdottir recalls how she was "very focused on developing our cultural and creative industries, not only because it was good for our society after the crash, but because it was good for the economy." Jakobsdottir, leader of Iceland's Green Party, fought against budget cuts that would have stopped construction of Harpa, a shiny new concert and convention center that stands like a gigantic iceberg on the edge of Reykjavik's harbor. Today, Harpa is a magnet for locals and foreigners alike. The Icelandic online gaming company CCP recently hosted a fan festival there, drawing several thousand visitors from around the world to the remote island nation. Iceland's creative industries have become the second-largest growth engine after the age-old fishing industry—indeed contributing as much income as an environmentally harmful aluminum smelter. Theater companies, design firms, horse breeding farms, and even fishing companies—all traditionally male-oriented fields in Iceland—are now managed by women in the wake of the economic crisis. Meanwhile, nearly a third of all management-board posts in the nation's financial services sector are currently held by women. Pre-crisis, not a single woman could be found on those same boards. A new quota law also took effect last fall, requiring supervisory boards at public companies to comprise at least 30 percent women.

The tiny country still has problems. Strict government controls limit the movement of capital out of Iceland and prevent foreign investors from moving in. Corporate and household debt remain high. Yet gross domestic product grew 1.6 percent in 2012. That may seem modest compared with the United States, where GDP grew 2.2 percent in the same year, but it is a huge win compared with such European peers as Greece (-6.4 percent), Portugal (-3.2 percent), Italy (-2.4 percent), or even Germany (0.7 percent). What's more, Iceland has ranked as the most gender-equal country in the world every year since 2009, according to the Global Gender Gap Report of the World Economic Forum.

LABOR TRADITIONS

A new gender-equal approach to business can be found in other surprising places. Despite having a female chancellor since 2005, Germany is notoriously short on high-profile career women. Companies listed on the stock exchange have rarely been run by women, and at the start of 2014, there still was not a single female CEO in the top 50 listed companies. But in the country's lower-profile Mittelstand, or mid-sized private companies, women hold a third of all leadership posts, making significant contributions to the economy. Germany's Mittelstand contributes more than half of the nation's total economic output.

Sometimes, these female Mittelstand leaders have inherited the post due to lack of male successors in the family. But often, they've simply been the best fit for the job. Nicola Leibinger-Kammüller, CEO of Trumpf GmbH, a high-tech machine-tool maker and one of the largest Mittelstand companies, edged out her brother in the company's succession battle. She promptly took on, with remarkable success, Germany's infamously strong labor unions and age-old rigid workplace traditions to create more flexible work environments and career tracks for men and women alike. Today, Trumpf is one of the most popular employers in Germany despite its remote location in a suburb of Stuttgart. And other top managers—from small family-run companies all the way up to behemoths like Siemens AG—contact Trumpf's CEO to find out how they, too, might break from German work and leadership traditions.

Such changes in the world of business will only be sustainable if underlying economic thinking changes at the same time. Only new ways of approaching the roles of women and men in the workplace and the broader economic landscape will make a more diverse economy all but impossible to reverse.

THINK LIKE A MALE?

Indeed, it is a long history of male-dominated economic thinking that led to gender imbalances in business practice. In the old economic model, deeply ingrained in the modern global economy, the world was a place of superrational and egoistic beings competing as independent agents, pitted against one another rather than working for a common good. This closed society of male economists had developed an equally closed model of the economy based on the idea that man rationally pursues his own self-interest at all times.

In this male-dominated economic thinking, there appears to be little room for a broader tableau of human motivations that influence people's everyday economic decisions. Economic theory flatly ignored the existence of key contributors to the economy—pro-bono work, household work, care services for children and the elderly, and even local community structures.

Such narrow approaches to economic thinking are now changing, and not just on the fringes. Since the beginning of this century, more economists are looking at different kinds of behavior and motivations in business and economic dealings. They're also tackling real-world problems rather than the hypotheticals embedded in economic models. These days, it's hard to ignore the fact that women are among the most innovative economists. Three of the past six recipients of the renowned John Bates Clark Medal for outstanding economists under the age of 40 have been women.

> IN 2000, WOMEN HELD ABOUT 14 PERCENT OF TOP LEADERSHIP POSITIONS IN FORTUNE-500 COMPANIES AND ABOUT 12 PERCENT IN FTSE-100 COMPANIES.

French-born Esther Duflo, 41, now based at MIT, has proven through a refreshing approach to development economics that incentives to parents in third-world countries such as India and Pakistan—offering a small bag of lentils for each child's immunization, for instance—can substantially raise the national level of childhood health, while bolstering the local economy. In rural India, Duflo and colleagues have shown that modest financial incentives can reduce teacher absenteeism (a severe national problem) and help bolster students' test scores. In another field experiment in Morocco, Duflo has shown that residents are willing to take out loans and pay twice as much for water per month to have it piped into their homes. Despite the additional costs, these residents reported significant improvements in well-being and happiness—reinforcing her theory that economics has great potential as a lever of action globally.

THINKING DIFFERENTLY

In 2000, women held about 14 percent of top leadership positions in Fortune-500 companies and about 12 percent in FTSE-100 companies. It seemed as if the glass ceiling had been broken. Yet a decade later, the numbers hadn't budged. Countries as diverse as Japan, China, Mexico, and Turkey, each with its own cultural biases, saw little advancement of women in the upper echelons of business. Despite such challenges, the new approach to economics in many nations recognizes that drawing the best from both genders will be one of the make-or-break questions for developed and less-developed nations alike in the 21st century.

Microfinance pioneer Muhammad Yunus first targeted women back in 1976 as his main microcredit clients in the villages of Bangladesh. Yunus, awarded the Nobel Peace Prize in 2006, recognized that women in developing and developed countries make crucial household decisions—decisions that can make the difference between absolute poverty and the start of an ascent into the middle class.

A young Canadian economist and her American counterpart, applying a different approach to analyzing poverty, first recognized that the profound neglect of women in rural India from birth through young adulthood to old age constitutes a huge impediment to the economic development of that country. Through innovative data collection, Siwan Anderson of the University of British Columbia and Debraj Ray of New York University proved there is immense potential for both economic development and social fairness by addressing such neglect. In poor countries, they concluded, it is especially important to experiment with what works for real people in real-life situations.

POSITIVE SIGNS IN SAUDI

Arriving at answers to gender-related questions will improve life in industrialized nations, but can also lead to more significant change in developing nations. Take Saudi Arabia, known for its social, economic, and political repression of women, who are not allowed to drive a car, and only rarely can work side by side with men. Yet Lubna Olayan, CEO of Olayan Financing Company, ranks among Forbes' 100 most influential women. Olayan is optimistic about the future of gender equality in her country, since she has so much faith in her female peers. She touts the "phenomenal" qualifications of these Saudi women, and stresses that women must continue to move forward in the local economy. "We can't allow ourselves to be distracted by the hurdles," she says simply.

Olayan's success is showing younger Saudi women the way. But so are companies like the electronics conglomerate Alfanar, which has developed special factory sites where women employees can work without breaking the law, and the Princess Nora bint Abdul Rahman University, the largest women-only university in the world. Located in a self-contained campus north of the capital, Riyadh, the university is composed of 15 colleges in a wide variety of fields and hosts 40,000 female students. Thanks in part to these educational—though still deeply segregated—opportunities, the women of Saudi Arabia are now slowly fighting their way into parliament and the economy. So it may be only a matter of time until some of the restrictions on everyday life will be lifted in order to tap this human capital for the economy.

Iceland, Germany, Saudi Arabia—in these and other countries, a new energy can be detected, one that is driving the world toward more female participation on all levels. It's a smart move. Aging societies, such as Japan, which face both a workforce shortage and an abundance of highly qualified women dropping out of the work force, can no longer afford to leave women behind.

Last fall, Japan's prime minister, Shinzo Abe, acknowledged this need when he announced that his administration would make the promotion of women a signature feature of the country's growth strategy. Abe reinforced these beliefs at the World Economic Forum in January, stressing that Japan "must become a place where women shine." By 2020, at least 30 percent of top management in the country will need to be occupied by women. Abe is introducing legislative measures to achieve a greater gender balance in the economy and politics.

Companies, governments, and societies worldwide also recognize the impact diversity can have. The most innovative ones are trying hard to provide a system of incentive, motivation, and cooperation that can accommodate both men and women. Of course there remain counterforces. Many men regard the gender question as a zero-sum game. Even women in power erect their own barriers to workplace diversity. Last year, Marissa Mayer, newly named CEO of Yahoo, banned telecommuting for all company employees and was roundly criticized for her decision.

But the movement toward gender diversity is regularly winning over new allies. Some male CEOs who've weathered crises have admitted that more diverse thinking in the boardroom could have saved considerable trouble. Economists value new and growing contributions of female researchers. Heads of state are mulling over or installing quotas for women on corporate boards and in politics to effect rapid change.

Norway is a pioneer. Though one of the world's most egalitarian societies, by 2003, fewer than 7 percent of private sector board seats were held by women. Finally, the government, unhappy with the pace of change, introduced a controversial 50 percent quota for women on domestic corporate boards. Today, even the legislation's heftiest critics support the quota in word and deed. Other European, Asian, and even Latin American countries are now following suit, introducing partial or full quotas to raise the number of female board members.

No doubt, challenges remain. Achieving an ideal gender balance in global systems based so long on patriarchal societies will take time. But as the expanding emphasis on gender's role in the economy reflects, great inroads are being made. ●