



Wake Up Denmark!

Denmark Is Forfeiting the Value of Workplace Diversity



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Denmark Is Forfeiting the Value of Workplace Diversity

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AT A GLANCE

For business leaders committed to changing the diversity agenda, Denmark is at a turning point. Now is the time to break the cycle that limits the ability of companies and society as a whole to profit from the full talent pool of a highly educated population. Companies that build diverse leadership teams and maintain an inclusive culture will be positioned to make better and more nuanced business decisions that drive value creation and growth.

DENMARK: TRAILING ITS PEERS

Despite Denmark's history as a global front-runner with policies that boost gender equality and balance and companies that keep gender diversity high on their strategic agendas, the share of females in leadership teams has only marginally increased over the past ten years, according to the World Economic Forum. Ranked 13th globally, Denmark lags far behind its Nordic peers, which are ranked at the top of the list. In terms of women's share in leadership positions, Denmark's rank is 95.

TIME TO WAKE UP

A recent BCG survey that included thousands of respondents worldwide, revealed that Danish men, highly represented in leadership, do not believe that gender bias exists in Denmark, and Danes—both women and men—are unaware of the problem.

DANISH LEADERS OF TODAY deal with a complex, fast-changing, and increasingly multicultural society. Four imperatives top their agenda: win the fight for talent, engage in the customer journey, embrace Industry 4.0, and stay ahead of the innovation curve. To respond successfully to these imperatives, leadership teams must demonstrate a wide set of competencies and personality traits.

Diversity and inclusion (D&I), a cornerstone of the solution, is widely established and acknowledged to impart tangible results in companies and organizations. Corporate leaders around the world understand the importance of diversity when it comes to attracting and retaining talent. Although it is mathematically hard to quantify and establish causality, many studies have shown that companies with diverse leadership teams outperform in terms of profit margins, return on equity, and revenues generated from innovations. (See “How Diverse Leadership Teams Boost Innovation,” BCG article, January 2018.) Diverse teams ensure a company’s best ability to act and perform in the current and future business environment. It is paramount that leaders build an inclusive culture to capitalize on their teams’ diverse strengths.

Diversity must be established within the realms of decision making: in the leadership. Leadership should encompass diversity in both capabilities and personality traits. As easy and straightforward as it is to curate a team on the basis of capabilities, it is difficult to curate and measure diversity on the basis of personality traits. Gender—as well as age, nationality, and race—is one of the core and most visible diversity drivers. *The Global Gender Gap Report 2018* of the World Economic Forum places Denmark in 13th place globally on overall gender diversity—a drop of five places since 2006. (See the sidebar “The World Economic Forum’s Gender Gap Report.”) The picture of gender diversity in leadership, specifically, looks even grimmer for Denmark, whose current rank of 95 represents a decline of 42 positions since 2006.

Denmark’s weakening vitality of gender diversity in leadership and its clear step backward relative to the progress of other countries solidify the need to advance the gender diversity agenda. Denmark has the chance—and the obligation—to ensure that the nation’s full talent pool is tapped to maximize value creation in society.

The Need to Act on Underlying Root Causes

Denmark’s worsened relative performance on gender diversity was driven by lower rankings in measures of labor force participation (down by 5 positions), wage equality (down by 14), and women in leadership (down by 42).

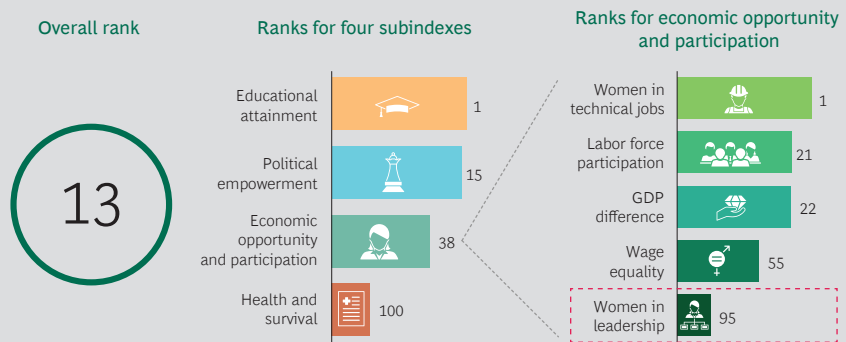
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THE WORLD ECONOMIC FORUM'S GENDER GAP REPORT

The Global Gender Gap Report 2018, which surveyed 149 countries worldwide, integrates the most recent statistics from international organizations and surveys of executives. It defines the gender gap as a measure that comprises four underlying indexes: educational attainment, political empowerment, economic opportunity and participation, and

health and survival. The health and survival index is based on demographics and is not referenced in this report. The economic opportunity and participation index is based on a number of interesting subindexes, including women in technical jobs, labor force participation, GDP difference, wage equality, and women in leadership. (See the exhibit below).

Denmark Does Not Rank as a Global Leader in Gender Diversity



Source: World Economic Forum, *The Global Gender Gap 2018*.

Although the absolute number of women in the labor force is high—almost at parity with men—women’s actual participation is lower. In Denmark, labor force participation of women is high, almost reaching parity with men: 0.94 females per male. This puts Denmark at a rank of 21 globally. However, the participation of men and women in the labor force is not the same. It is more common for a woman to hold a part-time position (a workweek of 32 or fewer hours): a ratio of 1 to 1.6, men to women. Circumstances surrounding women’s and men’s reasons for taking part-time positions seem to differ. Women with part-time positions are more likely than men to have children at home. Statistically, women in Denmark take approximately 90% of parental leaves, a 75% larger share of sick-children days, and more family responsibilities overall. The implication: women are more commonly primary caretakers.

Denmark lags behind on wage equality, the primary drivers being gender split differences across sectors and the so-called glass ceiling. Denmark’s wage equality score is 68%, according the World Economic Forum report, a 2 percentage point increase since 2006. This places Denmark at a rank of 55 globally. By comparison, Finland and the US have equality scores of 80% with 12-year increases of 8 and 12 percentage points, respectively. The main drivers of the wage gap in Denmark are the

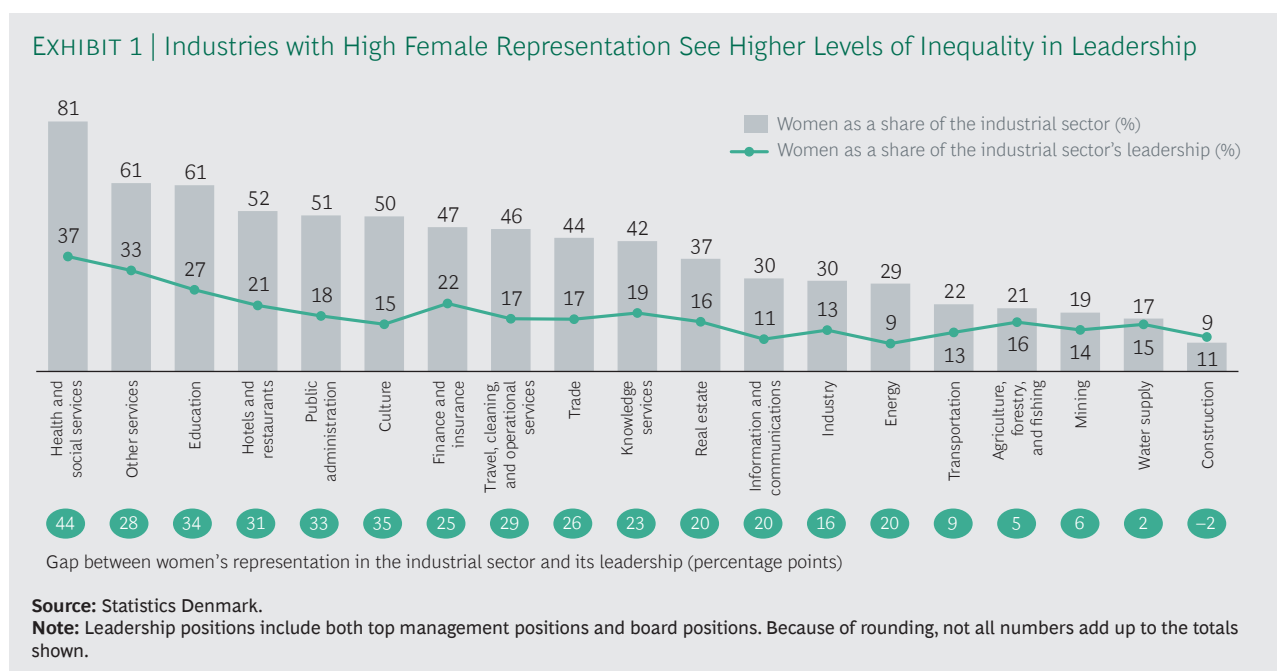
difference in pay levels between typically female- and male-dominated industries and positions—men occupy 70% of higher-paid private-sector jobs—and the effect of the glass ceiling. (See *How Policies Can Drive Gender Diversity in Denmark*, BCG Focus, April 2018.) The term glass ceiling describes the set of conditions—context, cultural norms, social expectations, and distribution of roles in relationships—that, in effect, support the disproportionate share of men in leadership despite women’s high educational attainment. The balance distribution by gender is much better at the lower levels of organizations, signaling a consistent loss of female talent throughout careers.

The share of women in leadership positions in Denmark is low and stagnant. In Denmark, 27% of leadership positions are held by women, according to the World Economic Forum. And it is this that puts Denmark in 95th place globally. Denmark is stagnating while other countries have higher and increasing levels of women in leadership.

Although, the total absolute number of women in leadership positions has risen slightly, the proportion of women to men remains the same. Across industries, female participation is very high, but women drop out or do not make it to leadership positions. The bigger surprise: the gap between the overall share of women and the share of women in leadership is largest in those sectors that are dominated by women. (See Exhibit 1.) This situation exists primarily among large and midsize organizations.

Root Causes and Required Responses

Three underlying root causes form the base of the recent aggravation, and the response in policies and cultural norms must come from educational systems and other organizations.



Low female representation is particularly noteworthy in science, technology, engineering, and math.

A Segregated Workforce and Education. Fields of study are gender segregated. Low female representation is particularly noteworthy in science, technology, engineering, and math, as well as in historically leader-generating study programs, such as business administration (Cand.Merc), economics (Cand.Oecon), and engineering (Cand.Polyt). (See *Universities Are Key to Unlocking Diversity in Denmark*, BCG Focus, September 2017.)

In these fields, the female share is a scant 30%. By contrast, 56% of all university students in Denmark are women. The result is a gender-segregated pipeline of students heading into the industrial job market who are set to become tomorrow's business leaders.

Educational institutions must work to promote a gender-balanced pipeline of future leaders in Denmark, ensuring that all sectors benefit from diversity, whether the sectors are predominantly female or male. Concrete actions include the following:

- Strengthen career planning in high school.
- Embed gender diversity in the mandatory high school curriculum.
- Inspire informed study choices in universities.
- Promote diversity through marketing in universities.

The Glass Ceiling Generated by Policies and Cultural Norms. Denmark, like the other Nordic countries, has some of the most generous parental-leave policies in the world. Danish policies earmark part of such leaves for women, but most of this benefit is shared with men. The benefits to fathers and mothers of shared leaves are well documented and help mitigate the impact on women's careers. Shared leaves also address potential unconscious bias within organizations and the cultural norms that expect women to assume the lion's share of household responsibilities.

Organizations and policymakers must act to change the current societal framework and promote a more equitable gender split. Concrete actions include the following imperatives:

- Promote policies that incentivize shared parental leave and increase reserved paternity leave.
- Promote policies on family expansion that incentivize private household support and extend daycare hours.
- Tackle unconscious bias in organizations and society.
- Design flexible career journeys within organizations.

Gender Stereotypes and Social Norms. Danish society assigns women the central caregiver role through gender stereotypes and parental-leave policies, influencing

men's and women's preferences and prioritizations. Women take on the larger role at home, and in many couples, the mother reduces the priority of her work by taking more parental leave and part-time employment.

Organizations and policymakers must act to change the societal framework by breaking down gender stereotypes to ensure gender neutrality in policies and norms. Concrete actions include the following:

- Integrate diversity into candidate selection processes in education and for entry-level jobs.
- Review and adapt communications strategies to attract the right candidates to both universities and entry-level jobs.
- Promote male diversity champions within organizations.
- Broaden the perception of leadership traits within organizations.

The necessary efforts cover a wide span, yet these represent only a very small share of what is needed: engaging only in the later stages of the pipeline is not sufficient. Even before people are engaged in educational systems and organizations, the problems manifest themselves in our families, among our friends, in daycare institutions, and through the media and other communications.

Wake Up, Denmark! Recognize the Problem

Denmark's rankings on labor force participation, wage equality, and women in leadership clearly show that the country is not only out of the driver's seat when it comes to advancing diversity in the world but also that Denmark is lagging far behind its Nordic peers and many other countries in the world.

Aiming to identify the most effective measures and to understand recent status changes and developments in diversity advancement and awareness, BCG recently surveyed thousands of respondents worldwide on the D&I topic. (See the sidebar "Methodology: The Global BCG D&I Survey.") The results, from a Danish perspective, were surprising.

The people of Denmark seem unaware of the situation. Only 3% of Danish men—significantly fewer than their Nordic peers—see diversity bias problems. In Norway, 23% of the male respondents indicated that they see a bias problem. This awareness is complemented by the fact that Norway holds second place on diversity among the world's countries.

The lack of awareness among Danish men is highly problematic: men occupy most of the leadership positions that drive major decision making in organizations.

We see two factors that contribute to a country's ability to drive change: gender balance in leadership, which is a critical component in value creation and D&I advancement overall, and the awareness of bias and obstacles. The intersection of

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METHODOLOGY: THE GLOBAL BCG D&I SURVEY

To understand employees' perspectives on workplace diversity and the obstacles that they (and their colleagues) face, BCG surveyed people in 14 countries (Australia, Brazil, China, Denmark, Finland, France, Germany, Japan, India, Italy, Norway, Spain, the UK, and the US) across a range of industries. Respondents in Denmark were split almost evenly between males and females. The survey covered 31 discrete diversity initiatives, including flexible working arrangements and blind screening. Respondents were asked to identify those initiatives that their organizations offered and to rank those that they considered most and least effective.

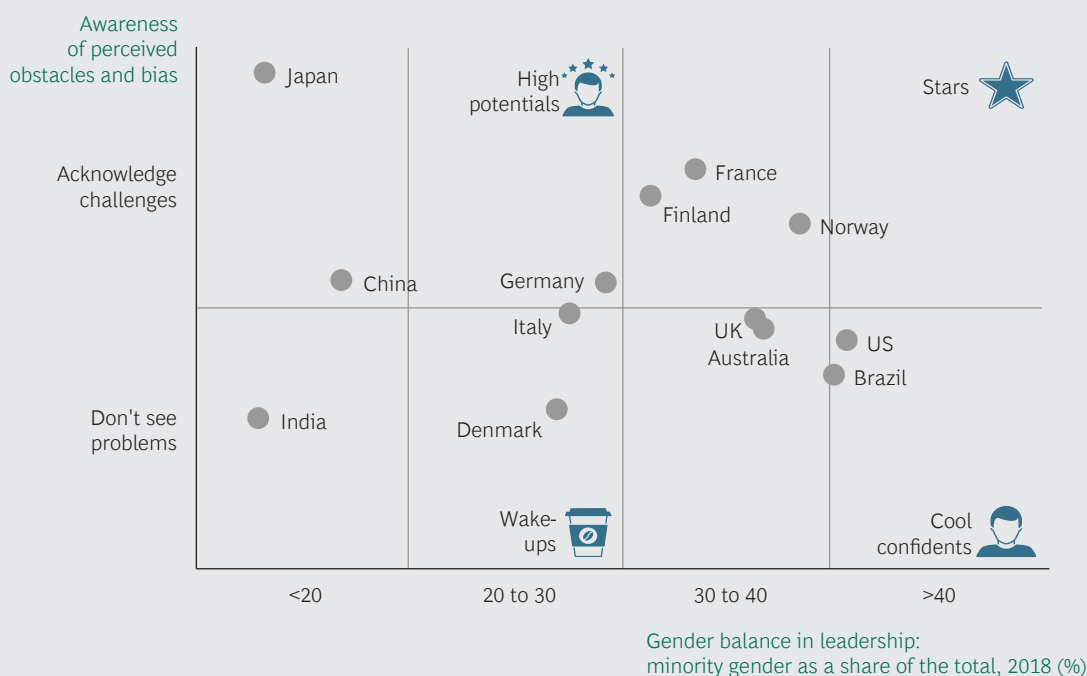
To measure awareness, we computed a combined score of the responses to

two awareness-related statements from the BCG survey: "There are obstacles to diversity and inclusion in my company." And "My day-to-day experience is free of bias." For the first, we included the percentage who answered, "somewhat disagree" or "strongly disagree." For the second, we included the percentage who answered "somewhat agree" or "strongly agree." We computed a simple average of the scores of each statement, and this result constitutes the awareness dimension. The gender-balance-in-leadership dimension is extracted from *The Global Gender Gap Report 2018* of the World Economic Forum and is defined as the share of the minority gender (in all cases women) of the total leadership.

these two dimensions help categorize countries within the following framework. (See Exhibit 2.)

- **Cool Confidants.** The cool confidants in the lower-right-hand quadrant are very advanced when it comes to gender diversity in leadership, and they have relatively low awareness of obstacles and bias as the potential consequences of their high performance.
- **Stars.** The stars in the top-right-hand quadrant—including countries such as France, Finland, and Norway—are the real pioneers in the world. Although they are top performers, they remain aware of the challenges. Their awareness is reflected in their pushing forward and driving progressive change for the world to follow.
- **High Potentials.** The high potentials in the top-left-hand quadrant, such as Japan, come from a position of low performance, but they acknowledge and are aware of the issues. In this quadrant, the countries are receptive to acting on the changes needed.
- **Wake-Ups.** The group of countries in the lower-left-hand quadrant risk falling behind because they don't recognize that they are sacrificing value and that their performance compares badly with that of other countries. They are, in effect, caught in self-perpetuating downward spirals while the rest of the world

EXHIBIT 2 | Denmark Trails Its Peers on Gender Balance in Leadership and Awareness of the Issues



Source: BCG analysis.

advances. A shock is needed to get them to leave the spiral. If their lack of awareness persists, the countries in this quadrant will fall even further behind. Denmark is within this group.

Even though many of Denmark's policies are on a par with those of other Nordic countries, it is evident that a significant gap exists between Denmark and its Nordic peers, not to mention the global scene. This is a clear call for action: Denmark must wake up and act.

Fixing the core is the first step Denmark must take to turn things around. Awareness creates the foundation for cultural change, and, in effect, creates buy-in for the initiatives needed to reset the gender balance in Denmark. Consequently, initiatives to improve gender balance in leadership should be prioritized.

Business Leaders: Get Denmark Back on Track

As we have established, action is needed across all facets of society. Establishing diversity throughout the pipeline requires focused efforts from society, through educational systems, and in organizations. The lack of awareness was clearly noted in the results of BCG's survey, so it's critical to focus on high-value areas as an immediate next step. Value is created first and foremost by organizations and is driven from the top by the executive leadership team. Leaders who understand the problems must step forward and take on responsibility to drive change. Business leaders

must apply the same rigor to achieving diversity that they do to executing any other business priority.

Our recent survey highlights several enablers that are critical to delivering impact. Enablers can be structured and described as follows:

Business leaders must apply the same rigor to achieving diversity that they do to executing any other business priority.

Committed leadership is a prerequisite. Successful implementation requires true leadership commitment, not superficial words and platitudes. Leaders must build a case for change, determine the company's current performance in terms of D&I, and ultimately show the way forward, demonstrating how a more diverse workforce can lead to better performance. It is most important that leaders set goals and priorities on the basis of the determination of the sources of the biggest challenges and the ways to have the greatest impact.

Change must be driven through concrete and tailored actions. Using the company's specific culture as a starting point, the leadership should initiate actions that drive change while ensuring the right mix of bottom-up and top-down initiatives and—even more important—securing purpose and buy-in. Several “hidden gems” are characterized by being both underestimated by the majority and truly valued by the diverse minority. Examples of these include the following:

- Structural interventions
- Visible diverse role models across the organization, particularly at the top
- Visible endorsement of paternal leave and normalization of the practice
- Formal sponsorship of individuals and individualized roadmaps for advancement
- Flexibility programs that are respected and endorsed by the leadership

Continued measurement and tracking are required. Establishing and tracking clear metrics is critical. Top-performing companies set clear, quantifiable diversity goals, measure their progress over time, and foster transparency by reporting their progress publicly. For implementation that has a significant impact, the metrics should be funneled back into accountability processes to ensure target setting, traction, and execution. These are not experienced in normal day-to-day processes, but they are paramount for the success of diversity improvements.

Companies must not simply launch programs and then await results. Instead, they need leaders who prioritize a strong focus on implementation as they would for any other business goal. Specifically, the success of each of these initiatives requires strong leadership commitment, a tailored approach that is based on the unique needs of the organization, and metrics for gauging progress. Furthermore, the leaders must involve employees throughout the organization in both the choice of specific solutions and the assessment of the impact of ongoing measures.

THERE IS STILL plenty of room for progress in the advancement of diversity in Denmark, and there is plenty of potential to pursue. Awareness is a key factor that must be addressed to create a receptive environment for initiatives and ensure proper traction. The good news is that there are many possible approaches and actions, and Denmark can learn from what other countries are doing. Denmark should be ambitious and regain the higher ground and standards, in turn reverting to a position of progressive reform that pushes the world forward. Business leaders play a vital role as well. They must drive diversity forward despite current social and cultural norms. Organizations should secure leadership commitment to D&I, tailored actions, and, most important, continued measurement and tracking to ensure and display the value derived.

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