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COMMENT

The Global Glass Ceiling

Why Empowering Women Is Good for Business

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Over the last several decades, it has become accepted wisdom that improving the status of women is one of the most critical levers of international development. When women are educated and can earn and control income, a number of good results follow: infant mortality declines, child health and nutrition improve, agricultural productivity rises, population growth slows, economies expand, and cycles of poverty are broken.

But the challenges remain dauntingly large. In the Middle East, South Asia, and sub-Saharan Africa, in particular, large and persistent gender gaps in access to education, health care, technology, and income -- plus a lack of basic rights and pervasive violence against women -- keep women from being fully productive members of society. Entrenched gender discrimination remains a defining characteristic of life for the majority of the world's bottom two billion people, helping sustain the gulf between the most destitute and everyone else who shares this planet.

Narrowing that gulf demands more than the interest of the foreign aid and human rights communities, which, to date, have carried out the heavy lifting of women's empowerment in developing countries, funding projects such as schools for girls and microfinance for female entrepreneurs. It requires the involvement of the world's largest companies. Not only does the global private sector have vastly more money than governments and nongovernmental organizations, but it can wield significant leverage with its powerful brands and by extending promises of investment and employment. Some companies already promote initiatives focused on women as part of their corporate social-responsibility programs -- in other words, to burnish their images as good corporate citizens. But the truly transformative shift -- both for global corporations and for women worldwide -- will occur when companies understand that empowering women in developing economies affects their bottom lines.

The majority of global population growth in the coming decades will occur in those countries where gender disparities are the greatest and where conservative religious traditions and tribal customs work against women's rights. As multinational corporations search for growth in the

developing world, they are beginning to realize that women's disempowerment causes staggering and deeply pernicious losses in productivity, economic activity, and human capital. Just as many corporations have found that adopting environmentally sensitive business practices is not only good public relations but also good business, companies that embrace female empowerment will see their labor forces become more productive, the quality of their global supply chains improve, and their customer bases expand. They will also help drive what could be the greatest cultural shift of the twenty-first century.

BENEFITS PACKAGE

In 2006, General Electric was facing a growing disaster. Its ultrasound technology had spread to India, and Indian human rights groups and gender activists began to accuse the company of being complicit in female feticide. This was a burgeoning public relations nightmare that also threatened GE's profitable Indian ultrasound business.

In India, as in many other countries in South and East Asia, the heavy burden of dowry payments and/or patriarchal traditions make parents prefer male children to female ones. The spread of GE's portable sonogram machines to clinics across rural India brought low-cost fetal sex screening to millions -- which meant that parents could now easily abort unwanted girls. Although in 1994 the Indian government passed a law prohibiting sex-selective abortion, the problem persists. In some parts of the country, as many as 140 boys are born for every 100 girls. Comparing the cost of an abortion to a future dowry, abortion clinics lure customers with advertisements warning that it is better to "pay 500 rupees now, save 50,000 rupees later." Because abortion providers have continued to flout the 1994 law, in 2002 the Indian government amended it to make the manufacturers and distributors of sonogram equipment responsible for preventing female feticide.

To protect its ultrasound business and avoid legal damages, GE created a series of training programs, sales-screening procedures, and post-sale auditing processes designed to detect misuse, and it also put warning labels on its equipment. Nonetheless, GE was caught off-guard by the media campaign launched by Indian activists, who accused it of enabling female feticide. Before long, GE realized that if it hoped to continue to dominate the country's ultrasound market, it would have to confront the low status of women in Indian society. It met with activist groups and launched a poster campaign to change attitudes about women's rights. At the same time, it began to fund education for girls and to sponsor a hip, young Indian female tennis star as a progressive role model.

As often happens when the private sector gets involved in the touchy subject of women's rights in the developing world, the case of GE in India was disappointingly reactive. Too often, companies act only after they face a public relations problem, whether being charged with female feticide or with hiring underage girls in sweatshops. Perhaps it is not surprising that multinational companies tend to approach the topic gingerly and belatedly, given the cultural sensitivities regarding women in many emerging markets and the fact that the senior management of local subsidiaries is often overwhelmingly male.

Slowly, however, attitudes are beginning to change. Partly in response to shareholder demands, some companies are becoming increasingly proactive regarding women's empowerment. In addition, investors have put more than \$2 trillion into socially responsible investment funds, which weigh both financial returns and societal impact. Although supporting women's rights is not yet a primary concern of most such funds, it is becoming an increasingly high-profile component of the larger social justice agenda that dictates how and where socially responsible investment funds invest. Meanwhile, the rise of female senior managers, board members, and CEOs in Western companies is also raising the profile of women's rights in the global corporate agenda.

Nike is one company that has decided to take a proactive approach to women's empowerment. Having been regularly hit in the 1990s with accusations of relying on sweatshop labor abroad, Nike instituted an elaborate inspection system to root out the worst labor practices among its suppliers. Along the way, it realized that many of its overseas factories were overwhelmingly staffed with female workers, meaning that the problems of oppressed girls and women -- including a lack of education and access to health care, child marriage, vulnerability to HIV/AIDS, human trafficking, and domestic violence -- were its problems, too. In 2004, the company created the Nike Foundation, which invests in health, education, and leadership programs for adolescent girls in the developing world. So far, it has distributed close to \$100 million. Perhaps more important, Nike has deployed its powerful brand and marketing skills in support of young girls. In 2008, it launched *The Girl Effect*, a dramatic, smartly produced video that has since gone viral on the Internet.

In 2008, Goldman Sachs put its own recognizable brand and considerable resources behind female empowerment when it launched a program called 10,000 Women, a five-year, \$100 million global initiative to invest in business and management education for female entrepreneurs in developing countries. The initiative helps make up for the lack of business education available to women in the developing world: in all of Africa, for example, there are fewer than 3,000 women enrolled in local MBA courses. Goldman touts the program on the economic grounds that closing employment gender gaps in emerging markets stimulates growth.

The company's CEO, Lloyd Blankfein, says that the program is a way of "manufacturing global GNP," which, in the long run, is good for Goldman. Early assessments in the press indicate that graduates of the program have seen increases in the revenues of their businesses and have hired more employees, thus growing local GNP and raising the economic stature of women. The 10,000 Women program is also funding new teachers and curricula to educate future generations of female entrepreneurs in Africa, Asia, Latin America, and the Middle East. Just as governments and international development organizations have realized that empowering women is much more than a human rights issue, leaders in the private sector, such as Goldman Sachs and Nike, are starting to understand that enhancing women's economic power is good business.

RANI THE RIVETER

A 2009 McKinsey survey of corporations with operations in emerging markets revealed that less than 20 percent of the companies had any initiatives focused on women. Their executives have simply not made the issue a strategic priority. Perhaps they should reconsider. According to the

same study, three-quarters of those companies with specific initiatives to empower women in developing countries reported that their investments were already increasing their profits or that they expected them to do so soon. Such investments pay off by improving a company's talent pool and increasing employee productivity and retention. Corporations also benefit as new markets are created and existing ones expand. In the developing world especially, networks of female entrepreneurs are becoming increasingly important sales channels in places where the scarcity of roads and stores makes it difficult to distribute goods and services.

One example of how a corporation can simultaneously expand its business and empower women is Hindustan Unilever, India's largest consumer goods company. It launched its Shakti Entrepreneur Program in 2000 to offer microcredit grants to rural women who become door-to-door distributors of the company's household products. This sales network has now expanded to include nearly 50,000 women selling to more than three million homes across 100,000 Indian villages. Not only do these women benefit from higher self-esteem and greater status within their families, but they invest their incomes in the health, nutrition, and education of their children, thereby helping lift their communities out of poverty. Hindustan Unilever, for its part, was able to open up a previously inaccessible market.

Training women as local distributors of goods and services is important, of course, but so is incorporating women-owned businesses into global supply chains. As giant retailers such as Walmart and Carrefour move aggressively into emerging markets, they are trying to buy more of their products, particularly food, directly from local producers -- both to lower prices and to improve quality. With more than \$400 billion in annual sales, Walmart is the world's largest retailer, so its purchasing decisions have a cascading effect throughout the global supply chain. Its recent sensitivity to environmental issues, for example, is starting to transform how companies around the world produce goods. This February, it announced a plan to reduce the greenhouse gas emissions produced by its global supply chain by 20 million metric tons within five years; it plans to do this by forcing its suppliers to adjust how they source, manufacture, package, and transport their products.

Similarly, there are signs that Walmart is beginning to understand the importance of women's empowerment in the developing world, where it projects that most of its future growth will take place. Since almost 75 percent of its employees are women, the company has a clear interest in promoting women's economic empowerment in its new markets. Working alongside CARE, a humanitarian organization that combats global poverty, Walmart has launched several pilot programs to teach literacy and workplace skills in the developing world. In Peru, it is helping female farmers meet the company's quality-control standards. In Bangladesh, it is training local women in the garment industry to move up from fabric sorters to seamstresses and cutters. Similarly, it is developing the skills of female cashew farmers in India so that they can progress from low-level pickers to high-end processors. Walmart expects to see increased productivity, higher quality, and greater diversity in its supply chain as a result. "We aren't engaging with Walmart solely for the financial resources they bring to the table," says Helene Gayle, president and CEO of CARE. "We are working together to make change on a global level. Walmart has enormous potential to transform women's lives in the emerging markets in which it operates."

It is ironic, of course, that Walmart is embracing women's empowerment in emerging markets even as it fights the largest class-action sex-discrimination lawsuit in U.S. history. (Walmart is accused of discriminating against women in pay and promotions.) Undoubtedly, its women's empowerment initiatives could have multiple motivations, including diverting negative public attention. But Walmart's efforts will be sustainable only to the extent that the company considers them central to its long-term growth and profitability and not just part of a public relations strategy. The potential for its female employees and suppliers in the developing world is enormous: if Walmart sourced just one percent of its sales from women-owned businesses, it would channel billions of dollars toward women's economic empowerment -- far more than what international development agencies could ever muster for such efforts.

Interestingly, one organization that seems to understand the power of using its supply chain to further women's economic empowerment is the U.S. military. In Afghanistan, the United States has made strengthening the role of women in Afghan society a central element of its counterinsurgency strategy. To this end, the U.S. military is experimenting with setting aside some contracts for Afghan women entrepreneurs to supply uniforms for the national police and army. Initial results in the fall of 2009 were disastrous, however: proposals came back with mistakes and with product samples in the wrong color, fabric, and sizes. In response, the U.S. military has held several training courses to educate Afghan businesswomen on how to meet quality standards and navigate the complicated "request for proposal" process. It is too early to tell if any women-owned companies will be able to fill large military orders -- the minimum is for \$300,000 worth of goods -- but according to news reports, the women who have participated in the program say that the experience has been invaluable.

ATTITUDE ADJUSTMENT

Companies that are interested in women's empowerment -- whether driven by corporate social responsibility or by business strategy -- now have more tools and support available to guide their investments than ever before. The World Bank is one example of an institution that is partnering with private-sector firms in this effort. For two decades, economists at the World Bank have been making the case that girls' education and women's economic empowerment are among the best investments that the developed world can make to reduce poverty and stimulate growth in the developing world. As Robert Zoellick, president of the World Bank, frequently says, "Gender equality is smart economics." The World Bank's Gender Action Plan invests in infrastructure in the developing world, in areas such as energy, transportation, agriculture, water, and sanitation, in ways that are specifically focused on promoting women's economic empowerment. But the plan is short on resources, with only \$60 million in funding over four years. Not surprisingly, then, the World Bank is looking for other ways to steer funding toward women in the developing world. In April 2008, it launched the Global Private Sector Leaders Forum to engage corporate executives in developing countries. Already, the 23 member companies in the forum and the World Bank itself have committed to spending \$3 billion on goods and services from women-owned businesses over the next three years. Initially, much of this procurement will take place in developed economies, where women-owned business are more established and the commitments are easier to track. But these conditions are beginning to change, thanks to organizations such as WEConnect International, which certifies the operations of women-owned businesses in the developing world according to international standards. Although the Global

Private Sector Leaders Forum is composed largely of blue-chip companies based in the United States, such as Boeing, Cisco, ExxonMobil, and Goldman Sachs, it also has a sprinkling of prominent companies from emerging-market economies, such as Egypt, India, Peru, and Turkey.

Governments in emerging-market countries are beginning to understand that to be competitive, they will need to respond to the growing demands of the global economy regarding women's empowerment. For example, in 2008, Morocco retracted its reservations about the UN's Convention on the Elimination of All Forms of Discrimination Against Women -- the leading international treaty to protect women's rights -- partly so that it would become more attractive to foreign companies. Even Saudi Arabia, an oil-rich state that has rejected any international standards on women's rights, is finding it harder to resist the demands of the global economy. In 2009, recognizing that it must upgrade its educational system to produce enough skilled professionals to fuel growth, it opened a new \$10 billion university for science and technology -- and, for the first time in the country's history, enrolled women alongside men.

THE FIVE-POINT PLAN

Five principles should guide the efforts of those corporations that are just now beginning to consider women's empowerment as a strategic aspect of their emerging-market operations.

First, success must be defined and measured appropriately. Success cannot be reduced to the types of metrics now familiar in Western corporate suites, such as how many women are in senior management positions. Instead, corporations must track the most basic information about their female employees, suppliers, and customers in emerging markets. For example, do their female employees have access to financial services so that they can actually control their incomes? Do they have identity cards that allow them to be counted as citizens? Do they need a male family member's permission to work? Since obstacles to female empowerment differ across regions, companies should rely on local market studies and work-force surveys to identify the relevant issues for corporate growth in each market.

Second, although donating money to women's empowerment initiatives is a good start, incorporating such objectives into actual business practices is even better. Bringing female farmers into the global supply chain probably has the most potential in this regard. In sub-Saharan Africa and South Asia, for example, although farm labor is more than 70 percent female, women tend to focus on subsistence crops rather than cash crops, a sector that men still dominate. Using women to increase sales also holds great possibility, as the experience of Hindustan Unilever shows. Even sectors that employ a low percentage of women, such as the extractive industries, could target women-owned businesses for support services, such as catering, laundry, office cleaning, and transportation.

Third, companies should concentrate on providing skills and resources to female entrepreneurs and business leaders. For some firms, this could mean expanding their financial services to female clients -- not just credit but savings products, too. Or it could take the form of supporting an existing local organization that helps women obtain access to health care, identity cards, or property rights. Leadership training, as well as secondary and university education, is central to developing the next generation of female business leaders and managers.

Fourth, even though companies are understandably wary of being associated with controversy, they cannot deny that they have an interest in the outcome of conflicts taking place over the role of women in many developing countries. Important and growing markets, such as Indonesia, Nigeria, and Pakistan, are home to protracted debates between moderates and extremists. Such thorny subjects as child marriage, domestic violence, and women's access to reproductive health may seem off-limits to corporations. But consider just one example: rapid population growth in Nigeria, already Africa's most populous state, will strain the country's resources and threaten its stability, thus jeopardizing substantial Western investments. Similarly, decades of research have shown that societies with a disproportionately high number of men -- as is the case where families prefer male children to female ones -- are less stable and more prone to violence, which hinders economic growth.

Fifth, corporations should not try to reinvent methods that have already been perfected by others simply to appear innovative and committed. Instead, they should look to partner with the many excellent nonprofit organizations that have been working on issues of women's empowerment for decades. Organizations such as CARE, Vital Voices, and Women's World Banking are eager to work with the private sector to develop programs that can take advantage of corporations' expertise and assets, including their brands, employees, supplier bases, technology, and funding. Nike and ExxonMobil have formed a number of such partnerships. Likewise, Goldman Sachs is working with more than 70 academic institutions and nongovernmental organizations around the world to develop its 10,000 Women initiative. Walmart, meanwhile, is working with CARE in Bangladesh, where the organization has more than 50 years of on-the-ground experience.

Closing the gender gap and improving women's rights in the Middle East, South Asia, and sub-Saharan Africa may take many generations, but the benefits will be huge -- not only for the individual women and their families but also for global markets. As companies seek new sources of revenue in emerging economies, they will find that gender disparities pose an obstacle to doing business. The sooner the private sector works to overcome gender inequality, the better off the world -- and companies' own bottom lines -- will be.

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