

Creating Diversity on Decision-making Boards

~Results of a survey conducted on companies' appointment and use of
female managers and executives~

(Summary)

November, 2013

Keizai Doyukai (Japan Association of Corporate Executives)

1. 【Summary】 ~Background and results of the latest survey~

(1) Background

- Diversity is an important element for "a decision-making board" in view of the rapid globalization of corporate activity. Appointment and use of female managers and executives is one of the challenges facing Japanese corporations.
- In the United States and Europe, companies that actively appoint and use women in managerial and executive positions have been generally performing better than those less active in such movement. Additionally, such companies are less prone to go bankrupt.
- The ratio of participation by Japanese women in the labor market has risen to levels seen in other advanced countries. However, the ratio of women who sit on "a decision-making board" compared to men is overwhelmingly low.
- The Japanese government has adopted the goal of raising the ratio of women in leadership positions in decision-making processes to 30% by 2020.
- Given the reality surrounding Japanese women in the labor market as mentioned above and the need to change this situation, it is important for companies to set numerical targets for managerial positions that are assigned to women, implement measures to achieve the targets, evaluate how much the targets have been achieved and promote a PDCA (plan-do-check-act) management cycle. Based on this idea, Keizai Doyukai conducted a survey of senior officials in management positions at member companies regarding women's roles in these companies. The results of the survey were compiled into this report as part of our efforts to enhance understanding and commitment of member companies.

(2) Outline of survey

- Name of the survey: A survey on the appointment of women to managerial positions and as directors (consisting of 15 questions)
- Companies covered by the survey: Representatives of Keizai Doyukai member companies, including their affiliated firms (811 companies)
- Survey method: Collection via e-mail and fax of questionnaires sent to member companies also via e-mail and fax

- Survey period: July-September of 2013
- Valid replies¹

	No. of companies to which questionnaires were sent	No. of valid responses	Rate of valid responses
Total	811	204	25.2%

	No. of valid responses	Ratio
Listed firms	131	64.2%
Unlisted firms	73	35.8%
Manufacturers	69	33.8%
Non-manufacturers	135	66.2%

Percentage figures shown in this survey report represent percentage shares against the total number of surveyed companies that provided valid responses.

(3) Outline of survey results

I. Basic information on survey

- Valid responses were submitted by more than 200 companies, mainly those with a more than 40 year history (Listed companies accounted for 64.2% of the total number of valid responses, companies with a history of more than 40 years accounted for 68.6%, and companies employing at least 1,000 people accounted for 70.4%. Manufacturers represented 33.8% of the total number of valid responses and non-manufacturers accounted for 66.2%).
- Valid responses were submitted mainly from domestically-oriented companies with relatively low overseas sales and foreign ownership.

II. Current status concerning Japanese companies' appointment and use of women in key positions

- (1) Manifestation in management guidelines and management plans by companies of their policies of appointing and using women as their corporate strategy

¹The general population of surveyed companies in which valid responses were included was different when comparing this year's survey and previous year's survey.

- 48% manifested the policies (9% increase from the previous year's survey), while 34% are considering manifesting the policies in the future (6% increase from the previous year's survey).
- (2) Establishment of a section in charge of promoting the active appointment and use of women in key positions
- 48% already established such a section (23% increase from the previous year's survey), and 26% are considering creating it in the future (same percentage as in the previous year's survey).
- (3) Use of women
- Women account for 42% of workers employed in Japan by the companies (vs. 41% in the previous year's survey).
 - The employment ratio for women stood at 21% in the manufacturing industry (vs. 24% in the previous year's survey) and 52% in the non-manufacturing sector (vs. 48% in the previous year's survey).
 - Women account for 35% of workers employed overseas by the manufacturers and 43% by the surveyed non-manufacturers, indicating that the gap between the two industries is smaller when it comes to the overseas employment of women.
- (4) Appointment of female managers and executives
- Women account for 5.8%² of managerial positions in the companies (1.2% increase from the previous year's survey), while they represented 3.3% of those sitting on decision-making boards of the companies (0.6% increase from the previous year's survey).
 - Uptrend was seen in appointment of women in managerial positions. Up 60% in the latest survey (7% increase from the previous year's survey); but only up 17% for board directors in the latest survey (4% increase from the previous year's survey).
- (5) Setting of numerical targets for assigning managerial positions to women, and disclosure of information on women given such positions
- 24% set such numerical targets (9% increase from the previous year's survey), with 31% looking to introduce the targets in the future. This means that a combined 55% of the companies are positive regarding setting

²Those with managerial positions referred to in this survey are defined as section chiefs or higher-ranked employees, while those sitting on a policy-making board are defined as division chiefs or higher-ranked employees.

numerical targets for assigning managerial positions to women (18% increase from the previous year's survey).

- At companies that already set numerical targets, women accounted for 6.3% of employees having managerial positions (higher than the average of 5.6% for all surveyed companies), and 4.0% of employees sitting on decision-making boards (higher than the average of 2.9% for all surveyed companies).

(6) Recruitment of women who are new graduates

- Women accounted for an average 31% of all people recruited as new graduates in Japan by the companies (3% increase from the previous year's survey).

(7) Ratio of men taking child-rearing leave

- The ratio of men taking childcare leave tended to be higher at large-scale companies that employed 30,000 people or more, especially in the non-manufacturing industry.
- The overall rate of men taking such leave was still low at 7.5% - 5.9% in the non-manufacturing industry, and 10.7% in the manufacturing industry.

III. Issues to be addressed and measures to be implemented in order to promote the active appointment and use of women in key positions

- A range of problems are serving as major impediments to companies' active appointment of women to key positions, including the scarcity of role models for career-oriented women, fewer women employees to begin with, a shortage of women in managerial positions and a lack of a sense of responsibility on the side of women concerning their business career.
- Measures being considered by companies as effectively promoting the employment of women in key positions include establishment of diversified employment systems, greater employment of women, expansion of business fields for women and active incorporation of women into companies' major business strategies.

IV. Specific issues and measures concerning companies' active appointment and use of women in key positions

- Cited as hampering companies' active appointment and use women in key

positions is the shortage of women aiming to take on managerial positions, the low absolute numbers of available women, the scarcity of role models for career-oriented women, and problems associated with childbirth and child rearing.

- A large number of specific measures were cited by companies as promoting the active appointment and use of women in key positions. Among them were efforts to change the mindset among employees holding managerial positions, particularly men, toward the employment of women, the introduction of incentives to support child rearing, as well as measures directly influencing women (training, human resources development programs for women, and presentation of role models for women).

(4) Pending issues

Active use of women in the labor market constitutes a major element of the government's growth strategy, formulated as the "third arrow" of the "Japan Revitalization Strategy – JAPAN is BACK," released in June 2013. In this strategy, the Abe government has pledged to build a society where women can shine, indicating Japan's economic growth can be sustainable under such a society.

The latest survey indicates anew that the active appointment of women to key corporate positions is a pressing management issue facing Keizai Doyukai member companies. This year, the number of women sitting on decision-making boards or filling section head or higher posts at member companies tended to increase compared to last year, although the numbers are still low compared to international figures. Some member companies saw a fivefold jump in the ratio of women in such key positions vs. total employees in similar positions this year compared to last year. This jump indicated that corporate efforts are under way on an individual basis to appoint more women to important positions. The survey showed that a majority of member companies that provided valid responses have set numerical targets or are considering setting numerical targets regarding the assignment of managerial posts to women. Such targets are seen as a leading indicator for appointing more women to important positions. At member companies that have already set numerical targets the ratio of women holding managerial positions or sitting on decision-making boards is higher than the average ratio of

such women at all companies that have provided valid replies. This finding indicates that the setting of numerical targets has begun to produce the intended results. More specific responses were presented in the latest survey regarding issues and measures on the appointment of women to key corporate positions, indicating that more companies have shifted to the action phase with regard to their plans to appoint and use women in key posts.

In light of the gender disparity that actually exists in society, introducing a personnel promotion system based on ability and performance is only the first step toward solving various gender-related issues involved in the assignment of corporate posts. Introduction of such a system does not guarantee solutions for all personnel and corporate management-related issues that emerge when key posts are assigned to women. What is really necessary following introduction of a performance-based personnel management system is to establish a genuine merit-based promotion system in which female leaders are fostered and utilized strategically and proactively, and evaluated fairly. It is only when corporate competitiveness is found to be enhanced as a result of institutionalization of such a genuine merit system that we can conclude that the goals set under the declaration of action aimed at having more women sit on a decision-making board have been attained.

The leading role played by women in corporate society is an issue that not only affects women, but men as well. We should depart from the traditional concept that men should play an active role in corporate society while women's roles should be limited to domestic affairs and child rearing. Instead, what is important is for men and women to flexibly and for long time share social and other roles according to various stages of their lives while taking into account the concept of management for making work and life compatible. We have been changing our mindset toward work and life in view of the fact that more and more men are taking child-rearing leave. Finally, we would like to reconfirm that the shortest way to realizing the appointment of women to key corporate positions is to implement "positive actions" that are envisaged under the declaration of action, including setting numerical targets for providing important positions to women. But we should also reconfirm that setting such targets is only a temporary measure that should be taken to expeditiously narrow gender-related gaps that exist in corporate society.

Promotion of diversity is a theme that should be given priority by Japanese

companies to enhance their competitiveness. Among the measures being envisaged for increased diversity is the appointment of women to a decision-making board, which is the most familiar and pressing issue that should be given the highest priority. Business leaders should continue to promote such diversity, which is a measure pledged under the declaration of action, at a time when the time for using women in key positions is ripe. Keizai Doyukai will continue to conduct similar surveys periodically and make efforts so that top leaders of member companies can implement action plans promised under the declaration while promoting information-sharing among member companies.

###