Achieving Corporate Gender Diversity—Even in Japan
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Achieving Corporate Gender Diversity—Even in Japan

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AT A GLANCE

For Japanese companies to remain competitive, increasing diversity is imperative—beginning with understanding the challenges that have caused and perpetuate gender imbalance, and following the four steps to increase acceleration toward change.

WHAT’S BEHIND THE GENDER GAP IN JAPAN?
Traditional roles are changing, but not quickly enough. Recruiting women is difficult because there are fewer female than male students at Japan’s top universities. Retention and promotion are lagging because those women who do make it on the professional career track face a daunting climb to senior management positions.

FOUR STEPS TO CLOSING THE GAP
To begin to achieve gender equality, companies must: understand why diversity matters and commit to closing the gap from the top down, find what is most important to employees and concentrate efforts there, change men’s and women’s mindsets on the need for women in the workforce, and reform the work culture.

Japanese companies that do not improve diversity will be missing great opportunities. When women cannot thrive long-term in the workplace, neither can companies.
Japan is making real progress in its push for gender diversity. The nation’s workplace gender gap is narrowing, in part because of the government’s 2020 target of increasing the percentage of women in leadership positions to 30%. That ambitious goal reflects the government’s understanding that economic growth depends on diversity in leadership—a message underscored by a law enacted by Prime Minister Shinzo Abe’s administration that requires all corporations with more than 301 employees to publicly disclose the number of women in management and set targets to increase those numbers.

The private sector has responded, and over the past decade, the percentage of women in management has risen. The most prominent Japanese business groups, such as the Keidanren and Keizai Doyukai, are showing real commitment to the issue.1 These groups release regular progress reports, and the topic is often discussed by the membership of CEOs. In addition, many firms have publicly committed to increasing gender equality overall.

For a nation with a shrinking demographic—Japan is aging faster than any other nation—the ability to survive and thrive depends on a meaningful improvement in the numbers of women in the workforce. The competitive advantage of increased female participation is clear. Those in the business world in Japan are familiar with the research2 of Kathy Matsui, vice chair at Goldman Sachs Japan, who points out that if the country were to completely close its gender gap, GDP would rise by nearly 13%. And it’s not just the larger talent pool that would drive that turnaround. The diversity of perspectives and thinking would energize companies and spur innovation. In fact, there is a positive correlation between the proportion of female board members in Japan and their companies’ financial performance. (See Exhibit 1.)

But progress has not been swift or strong enough. According to The Global Gender Gap Report 2016 by the World Economic Forum, which measures equality across issues of economics, education, politics, and health, Japan ranks 111th out of 144 countries.3 Supporting diversity efforts may have become a trend in Japan, with a lot of forward-thinking programs and policies taking shape across the country, but other nations are making much faster progress and the wins at home are frustratingly sparse. The truth is that few Japanese companies have yet to embrace the need for change with the sense of mission, purpose, and urgency this kind of transformation requires.

Increasing diversity is not a choice, it’s a requirement for Japanese companies that hope to remain or become competitive. A good place to start is understanding the challenges that have caused and perpetuate gender imbalance.
The Challenges That Hold Japan Back

Although the proportion of women in the workforce is not markedly different in Japan from elsewhere, the percentage of women in managerial and leadership positions is extremely low compared with the rest of the world. (See Exhibit 2, 3.)

The backstory of this large gap can be told in three parts.

First, there are deeply engrained ideas about the roles that men and women should play. These societal norms are gradually shifting. In the 1970s, for example, only 20% to 30% of men and women believed that it was acceptable for a married woman to work outside the home. Today, 50% to 60% feel that way. However, in rural areas of Japan, “traditional” views are more likely to be stronger. Based on research by the OECD, among member countries, Japanese men spend the second least amount of time on household chores, and this finding is confirmed by the rankings in The Global Gender Gap Report 2016. (See Exhibit 4.)

Second, recruiting is an issue. Only 20% to 30% of those hired as sogoshoku, or generalists, are women. At many large companies, there is a clear distinction between sogoshoku, who may eventually be promoted to management, and ippanshoku, those in administrative positions—mostly women. Changing recruiting norms is difficult because there are fewer female than male students at Japan’s top universities, which serve as the primary talent pool for large companies (20% to 35% are women). Further, the percentage of women studying science and technology at those top schools is much smaller than that of men (15% to 25% are women). This presents a
EXHIBIT 2 | Japan is Far Behind When it Comes to Promoting Gender Diversity

The number of male and female employees is similar, but there are fewer women in management and on boards compared with other countries.


1Managerial position here has a broader sense compared with the definition in Japan which is equivalent to section managers or above, as it follows International Standard Classification of Occupation (ISCO).

EXHIBIT 3 | Promoting Gender Diversity in Senior Positions Begins Upstream


1The employment rate of women in Japan (not limited to Generalist) is 44%

2Managerial position here has a broader sense compared with the definition in Japan which is equivalent to section managers or above, as it follows International Standard Classification of Occupation (ISCO).
significant challenge for those companies, such as manufacturing firms, that are looking for employees with science and technology backgrounds.

And finally, retention and promotion pose significant obstacles. Those women who do make it on to the professional career track face a daunting climb to senior management roles; only 3% of senior managers in Japan are women. Many leave the workplace midcareer, citing the difficulty of maintaining a good balance between work and family life. If they want to return to work after having children, they face a particularly tight midcareer hiring market, since most large companies promote from within. In fact, 82% of the CEOs of companies with more than 10,000 employees and listed on the Tokyo Stock Exchange’s First Section, were promoted internally and have 30-plus years of tenure at their firms.

The result, of course, is a vicious cycle. With very few women to act as role models for those with aspirations to reach senior positions, women likely feel little encouragement to push through the hurdles. In the recent BCG article “Dispelling the Myths of the Gender Ambition Gap,”1 we reported that men and women have equal levels of ambition at the start of their careers. But a gap appears at midcareer if company culture presents a difficult uphill climb with an unappealing summit. In Japan, this means a workforce with many high-performing women who come to view their careers as a short-term event in their lives or who settle for a longer-term experience in a junior role.
Four Steps to Increasing Diversity

The challenges are significant, but there are ways to overcome them and speed progress toward more diversity. After extensive interviews with leaders from more than 20 Japanese companies, we observed some best practices—and some places where companies are falling short. Those making progress are focusing on these four initiatives:

1. **Start with why diversity matters, and commit to the business imperative starting at the top.** Improving gender diversity should not just be about catching up with a trend or promoting corporate social responsibility. Initiatives are most successful when leaders recognize the connection between diversity and business goals—and communicate that connection loudly and clearly throughout the company.

That message can get lost when diversity offices exist within HR departments, as is often the case. We have seen success increase when leaders take the reins from HR and make diversity a CEO effort, with HR enabling the progress of individual programs.

2. **Understand what works, and maximize diversity efforts and energy.** There is often a big gap between the programs and interventions that men and women find useful. BCG survey results have shown that the top three interventions according to female managers in Japan—part-time working options, more generous parental leave, and flexible working hours and locations—are not at the top of the list for all senior managers, the majority of whom are men. (See Exhibit 5.) It is important to listen carefully to female employees and find out their true needs—and then embed policies and programs based on those needs in the foundation of the company.

Which approaches will be most effective—and in what order they should be tackled—will vary significantly by company. Senior leaders need to focus their efforts on the most effective initiatives for their company, make the plans transparent, and measure and track outcomes. When checking in on satisfaction levels of employees, it can be useful to place a higher value on the responses of high performers—and then compare results with external benchmarks to maintain objectivity.

Even when effective flexible policies—such as family leave—exist, participation is often low. This may be because leadership does not promote the programs sufficiently, but there is also a cultural fear that taking advantage of such programs would make the employee “stand out” in a negative way, inconvenience colleagues, or slow progress toward promotion. Our survey showed that 51% of female workers in managerial positions in Japan believe that taking advantage of programs such as flex time would have a negative effect on their career prospects. Senior leaders must communicate the availability of these programs, encourage their adoption, and make use of them themselves.

Several of our clients have made significant progress in this area. At one company, a CEO works from home one day per week, taking advantage of the organization’s flexibility program and encouraging others to do the same. He was also a proponent of investing in iPhone-based communications and IT tools that could be used...
from home in order to create a virtual office and discourage the tendency to burn the midnight oil in the office. At another company, men receive a 50,000 yen incentive to encourage them to take paternity leave. And another company promotes paternity leave by acknowledging the employees who use the program, distributing sweets inscribed with the newborn’s name to colleagues.

3. Change the mindset of both men and women on the need for women in the workforce. It is important not to oversimplify the issue and blame the gender imbalance in Japan solely on tradition and culture. At the same time, company leaders do need to be aware of the inherent tensions over and expectations about gender in the workplace and provide training and support for men and women to help shift attitudes.

Many leaders recognize the importance of “moments of truth,” when there is an opportunity to drive—or impede—real progress. The reaction a female employee gets when she tells her boss, likely male, that she is pregnant can make or break the firm’s credibility on promoting gender diversity. In addition, it is important to reinforce recognition of unconscious bias, such as when male managers instinctively give the hardest assignments to men, ensuring that men continue to rise in the ranks, and women continue to underperform.

Several leaders we spoke to commented that women tend to underestimate their own capabilities and undersell what they can offer, whereas men have the opposite problem. Companies making the most progress managing these challenges have

![Exhibit 5: Big Gap in “What Works” Between Women and Men](source: BCG Global Gender Diversity Survey 2017)
found success not through one-time workshops that bring the issue to light, but through continuous training, which can provide the richest, most useful lessons. One best practice has been to give men and women “stretch” assignments and encourage risk-taking at all levels. These efforts can go a long way toward improving the context for everyone and make it more likely that women won’t opt out mid-career.

4. Reform the way we work—*hataraki kata kaikaku*—in order to increase diversity and benefit everyone. Japanese companies have traditionally relied on full-time male workers who expect their overtime work and relocation requests to be met on demand. Work culture reforms must start with a shift of that mindset. In its place should be a campaign promoting a flexible, labor-friendly environment in which people are evaluated and respected for the quality of their output and not the number of hours they put in. Employees also need a performance-based bonus and promotion structure that is unrelated to the manner in which people work.

These reforms should come about not through slogans or lip service, but through tangible changes in governance, clear decision-making processes, operations, pro-
ductivity, talent management, and everything else that is at the core of what builds company culture and has an impact on the way we work—and propels success. To increase retention of both male and female employees and increase gender diversity, we must reform the way we work and resolve problems common to both men and women, allowing them to participate in child and elder care and reject long working hours.

A MORE DIVERSE WORKFORCE benefits everyone: women, men, corporations, and the economy. Companies that take diversity seriously will enjoy a significant competitive advantage. The risks of complacency are also clear. Organizations that cannot accept and integrate programs to promote diversity may find it increasingly hard to attract talent—especially from the millennial generation, which frequently sees work-life balance and diversity as common sense values.

Meaningful change is possible no matter the starting point, but the time for reform is now. And in an age of global competition, Japanese companies that do not improve diversity will suffer from a significant lost opportunity. When women cannot thrive long-term in the workplace, neither can the companies for which they work.

NOTES
1. Keidanren, or the Japanese Business Federation, is an economic organization made up of 1,350 representatives of Japanese companies, 109 nationwide industrial associations, and 47 regional economic organizations. Keizai Doyukai—the Japan Association of Corporate Executives—is an organization of approximately 1,400 leading executives representing some 980 corporations.
2. Goldman Sachs Womenomics 4.0: Time to Walk the Talk, 2014 May 30
3. According to The Global Gender Gap Report 2017, Japan ranks 114th out of 144 countries.
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For Further Reading

This report is a regional version of a global BCG report—Getting the Most from Your Diversity Dollars—about how companies around the world are investing in gender diversity initiatives, and which programs are paying off.

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