

Women Matter

TURKEY 2016

Turkey's Potential for the Future:
Women in Business

About McKinsey & Company

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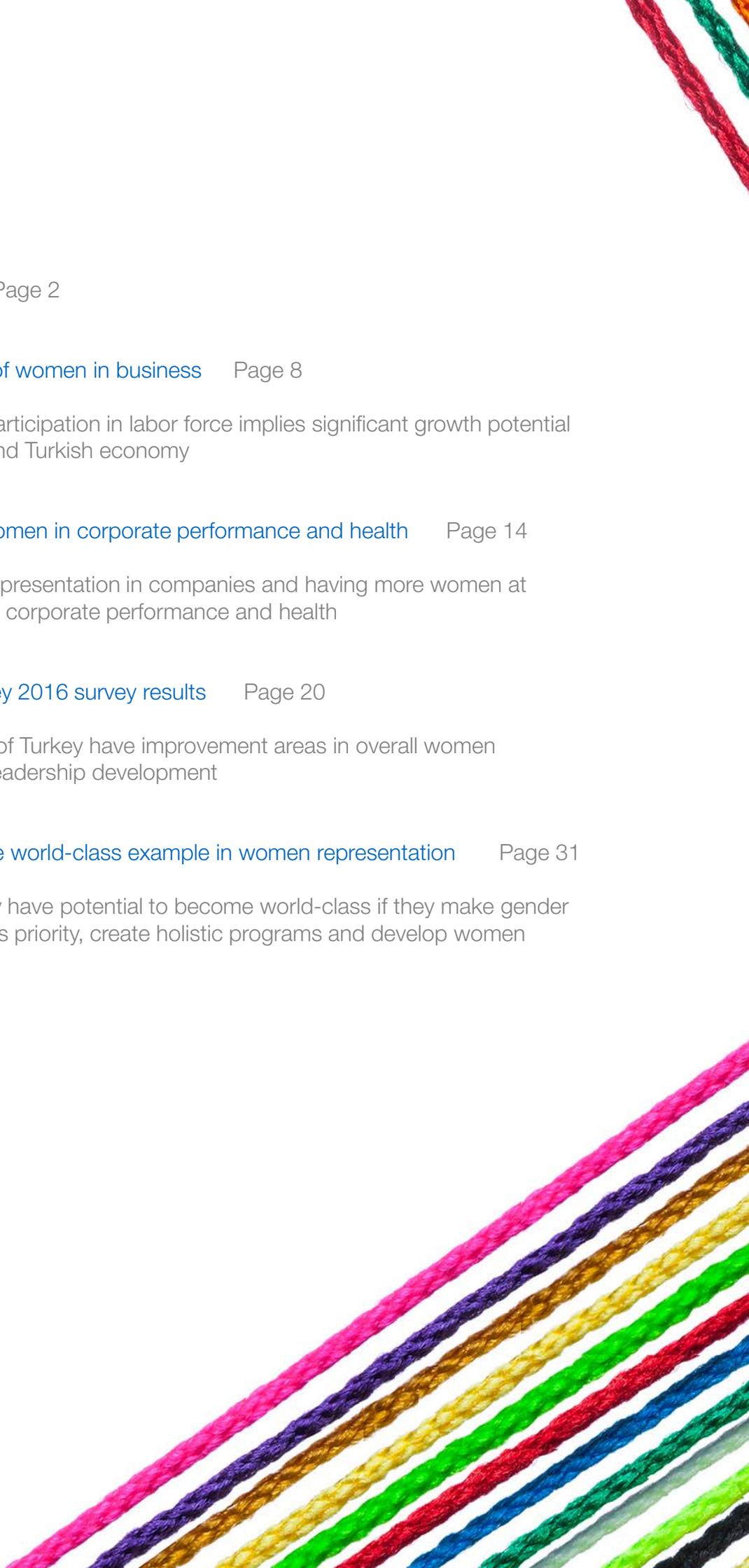
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Executive Summary



For the past 10 years, McKinsey & Company has researched companies for the “Women Matter” series and has built a case for higher representation of women in top management positions and explored concrete ways to change corporate attitudes toward women in the workplace.

In 2016, in cooperation with TÜSİAD (Turkish Industry and Business Association), McKinsey conducted Women Matter research with 102 leading companies and 240,000 white collar employees ranging from entry to CEO level in Turkey. This is by far the highest response rate that Women Matter survey has received in a single country.

The objective of the report is to bring transparency to women representation in workplace by presenting facts and benchmarking, and mobilize companies to adapt diversity and inclusion programs to shape Turkey's gender equality agenda in the workplace.

The report underlines 4 key messages:

1. **Increasing women's participation in labor force implies significant growth potential for the global and Turkish economy.** Gender diversity is a pressing global issue offering huge potential for human development, labor markets, productivity, and GDP growth. If women—who account for half the world's population—could achieve their full economic potential, the global economy would boom. In 2015, McKinsey Global Institute (MGI) estimated the size of the economic potential of gender parity, and found that in a best-in-region scenario, in which all countries match the gender diversity improvement rate of the fastest-improving country in their region, could add as much as USD 12 trillion, or 11%, to global 2025 GDP.

Turkey has a much higher economic potential than the global average. Turkey ranks 130th among 144 countries on the Global Gender Gap Index reported by the World Economic Forum in November 2016. As Turkey has the lowest female labor force participation rate among OECD countries, increasing female participation in the workforce is one of the most effective levers for GDP growth for Turkey. MGI explored the impact of increasing Turkey's female labor force participation rate to the OECD average female labor force participation level by 2025. Accordingly, if Turkey were to increase its female labor force participation rate from 34% to the OECD average of 63%, it would boost the country's GDP by ~20% by 2025¹. This would add USD 200 to 250 billion to Turkey's GDP estimated for a business-as-usual scenario in 2025².

¹ If Turkey were to replicate the increase in female labor force participation rate over 2013-2015 in the next 10 years, its labor force participation rate for 15-64 years old women would be 36%. Using this rate, a GDP was calculated for 2025 as business-as-usual. OECD average labor participation rate for 15-64 years old women is 63% for 2015. Using this as an aspirational target for 2025, corresponding GDP was calculated

² These estimates assume that there is no decline in male participation in response to the rising number of women in the workforce. This will be achieved via investments by the government and private sector which create additional jobs. Between 1980 and 2010, the rate of labor-force participation for women of prime working age rose by 19.7 percentage points (based on a simple average) across 60 countries, while the corresponding male labor-force participation rate fell by 1.5 percentage points. The gains from higher female participation were negated to a very small extent by men withdrawing from the workforce

2. [Increasing women representation in companies and having more women at senior levels improve corporate performance and health](#). McKinsey research has consistently shown a correlation between the share of women on executive committees and corporate performance. Three separate research studies have been carried out between 2007 and 2013, covering Europe, BRIC countries (Brazil, Russia, India, and China) and Latin America, analyzing companies' financial results and the gender composition of their executive committees. It was found that companies with one or more women at the executive committee level were much more profitable than other companies in their sectors³.

This finding is in accordance with McKinsey's research on leadership development. Our research indicates that diverse leadership styles contribute to more effective decision making and women leadership behaviours (e.g., people development, participative decision making) positively impact organizations' performance and health⁴. Companies that have been successful in retaining talented women are significantly better at retaining talented men as well.

Higher representation of women employees (especially in leadership) yields to better corporate performance in three ways:

- [Better team performance by incorporating different opinions, perspectives and style](#): Diverse teams have a positive influence on corporate performance as they bring different perspectives to situations and discussions. There have been numerous empirical studies and literature reviews on the correlation of gender diversity and team processes and performance. Research suggests gender diversity positively affects group processes. Recent evidence strongly entails that group intelligence, as indexed by collective intelligence, is greatly improved by the presence of women in the group⁵.
- [Becoming more customer-centric](#): "Being customer centric" is a strategic priority for companies. Women can add valuable insight to customer behaviours and preferences, as they comprise 50% of consumers but more strategically control 70% spending on consumer goods⁶. For companies with customer focus ambition, having a strong and balanced women representation in the workforce would improve the company operations, decisions and performance.
- [Access to a wider pool of talent](#): Research shows that attracting highly skilled talent is the number one challenge of companies and senior executives⁷. Additionally, McKinsey survey indicates that lack of talent is the biggest barrier to companies' global ambitions⁸. Companies' ability to recruit the very best talent is limited if women – who account for half the population and the university students⁹ – are poorly represented in the talent pool. Companies that fail to attract able women risk penalizing themselves by failing to attract the best talent possible.

³ Multiple McKinsey Research Reports: "Women Matter, Gender Diversity, a Corporate Performance Driver", 2007; "Women at the top of corporations: Making it happen", 2010; "Women Matter: A Latin American Perspective, Unlocking women's potential to enhance corporate performance", 2013

⁴ "Women Matter: Female Leadership, a competitive edge for the future"

⁵ Anita Williams Woolley, Christopher F. Chabris, Alex Pentland, Nada Hashmi, Thomas W. Malone "Evidence of a Collective Intelligence Factor in the Performance of Human Groups"

⁶ Sverja O'Donnell and Simon Kennedy, "Women controlling consumer spending sparse among central bankers," Bloomberg News, July 2011

⁷ McKinsey & The Conference Board research, 2012; The Conference Board CEO Challenge 2012, 2013, 2014, McKinsey War for Talent, 1997-2000; The Global Talent Index Report: The Outlook to 2015

⁸ Kevin Lane and Florian Pollner, "How to address China's growing talent shortage", July 2008

⁹ Women represent 49% of university graduates, 45% of finishing graduate students and 46% of doctorate graduates in 2014-2015 education year

3. Women Matter Turkey 2016 Research results show that leading companies of Turkey have improvement areas in overall women representation and leadership development. One fifth of executive committees of leading companies have no women. Research results can be summarized as follows:

- Despite the low female participation in Turkey's labor force, women representation in leading companies is only slightly lower than international benchmarks thanks to financial services (banking and insurance) sector. Research shows that women represent 41% of total employees in leading companies. This rate compares well with Latin America's 43% and the USA's 53%. Financial services is a significant employer of women with 56% ratio. Excluding financial services sector, the overall representation of women in Turkey's labor force falls to 30%¹⁰.
- The representation of women decreases with seniority, yet still women representation at the executive committee in leading companies is higher when compared to other countries. Overall women representation ratio of 41% drops to 25% for the executive committee level and 15% for CEO positions. While far from parity, the representation rate of Turkey's women at the executive committee level is higher than that of Asia (8%), Latin America (8%) and even the US (17%) and Europe (20%). 60% of these female leaders in executive committees are in staff functions, e.g., human resources, corporate communications, legal.
- Among the companies surveyed, the representation of women at the executive committee level varies dramatically. When companies are ranked by women representations at executive committee level, the first 25 companies have an average of 45% women representation at executive committee (first 10 companies representation is 53%, next 15 companies is 38%). Last 20 companies have no women representation (0%) at the executive committee level.

4. Companies in Turkey have potential to become world-class if they make gender diversity a continuous priority, create holistic programs and develop women leaders. According to our survey only one out of three companies name gender diversity as a top five strategic priority, and only a handful of companies that have a holistic diversity program. Our recent Women Matter Report for Europe (2016) has identified three success factors which enabled companies to become best-in class performers in terms of high women representation and improvement on gender diversity. Turkish companies can also become world-class, if they make diversity a strategic priority, create a holistic change program and be persistent.

- **Make diversity a strategic priority:** Ensuring CEO commitment and setting gender diversity as a strategic priority is critical. Companies that succeeded had the support and commitment of top management to engrain gender diversity throughout the organization. Top management should communicate the message that gender diversity is important for human rights and social development as well as for corporate performance and culture.
- **Create a holistic change program:** Best-in-class companies have initiated holistic change programs to engrain gender diversity into the company. In addition to classical change elements, their holistic programs usually incorporate women leadership development programs, diversity-embracing culture, a clear and well-communicated business case, role models and change agents. Companies design the change program to overcome the challenges and barriers that women face in the workplace and provide support to advance in the organization. Though some of these challenges and barriers may be obvious

¹⁰ Excluding financial services sector (banking and insurance) where women representation is very high, around 50 to 60% worldwide; this sector categorically has a large number of employees and highly impacts the average when combined with the other sectors

most are based on assumptions and unconscious biases. Good examples of these assumptions and beliefs are that some jobs can only be performed by men, prejudices in recruiting, performance evaluation and promotion processes, and definition of what makes a good leader. Successful companies have achieved progress by understanding these challenges and barriers, and implementing programs (equal opportunity inducing policies and processes, flexible working programs, leadership training programs, etc.) to mitigate their impact.

- **Be persistent in implementation and communication:** Working to improve gender diversity in a company is not a task that can be realized quickly. It takes a minimum of 3 to 5 years, for policies, processes and programs to effect tangible cultural and organizational changes. Companies should set 5-year goals, have continuous and consistent implementation for their change programs to become successful.

Efforts undertaken by the leading companies to improve women representation in their overall organization and especially at the senior level will improve the companies' performance and health, paving the path for world-class success. Leading companies' and women leaders' success stories will also inspire other companies and women employees, in Turkey and in the region.



Women Matter Turkey 2016

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1. Economic potential of women in business

Increasing women participation in labor force implies significant growth potential both for the global and Turkish economy

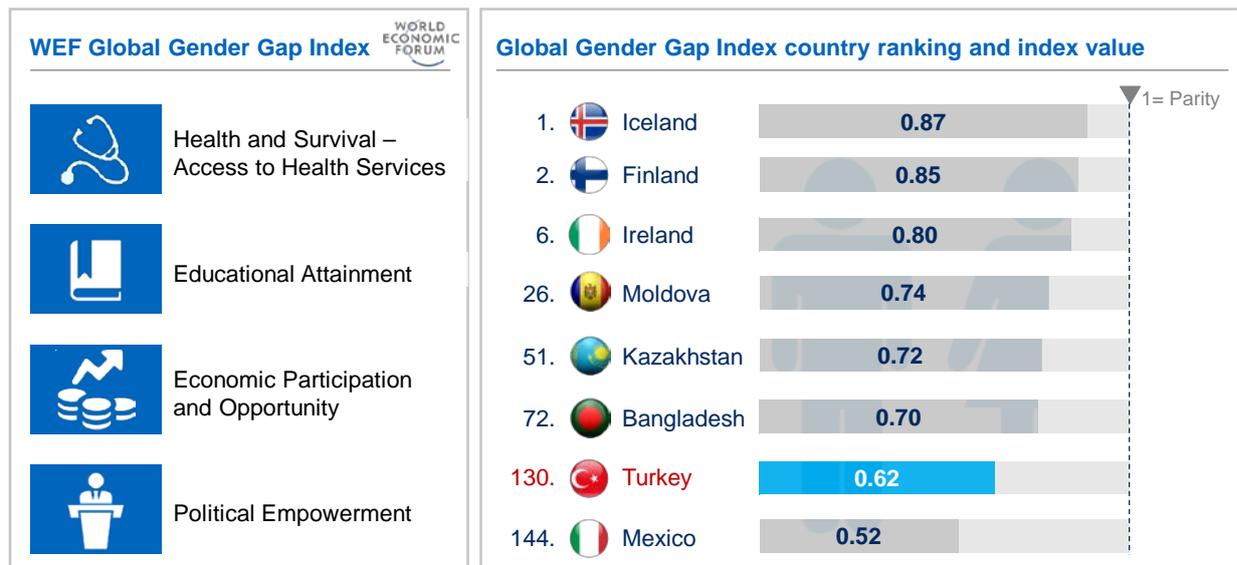
McKinsey Global Institute's (MGI) Power of Parity report outlines a clear and sizable economic potential from gender parity¹¹. In the full potential scenario, gender parity can create USD 28 trillion, or 26% to annual global GDP in 2025, compared to a business-as-usual scenario. The full potential scenario assumes that female labor force is identical to men in terms of participation, hours worked and representation within each sector.

Given the challenges of attaining full parity by 2025, MGI also considered a best-in-region scenario in which all countries match the improvement rate of the best-performing country in their region; this adds as much as USD 12 trillion, or 11% to global 2025 GDP. This USD 12 trillion addition to GDP represents a doubling of the output likely to be contributed by female workers globally between 2014 and 2025 in the business-as usual scenario.

In Turkey, closing the gap in labor force participation rates in Turkey actually represents a much higher growth potential compared to many countries given Turkey ranks 130th among 144 countries on the Global Gender Gap Index of the World Economic Forum in 2016 (Exhibit 1).

— Exhibit 1 —

Turkey ranks 130th among 144 countries on WEF's Global Gender Gap Index



SOURCE: World Economic Forum Global Gender Gap Report, 2016

11 "The power of parity: how advancing women's equality can add USD 12 trillion to global growth", McKinsey Global Institute, 2015

The Global Gender Gap Index

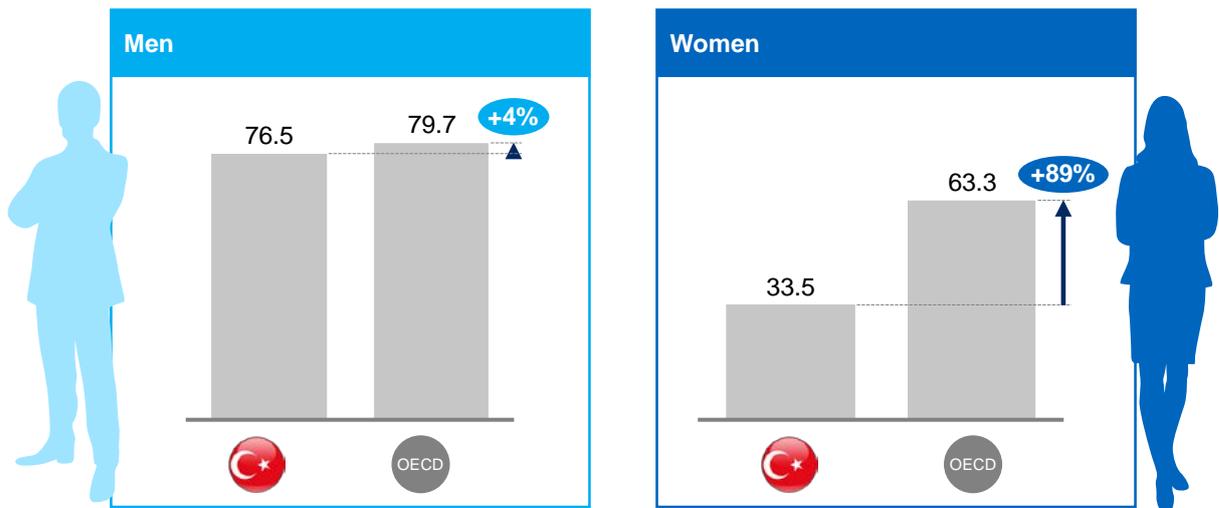
The Global Gender Gap Index was introduced by the World Economic Forum in 2006 as a framework for capturing the magnitude of gender-based disparities and tracking their progress over time. The Index benchmarks national gender gaps on economic, education, health and political criteria, and provides country rankings that allow for effective comparisons across regions and income groups. The rankings are designed to create global awareness of the challenges posed by gender gaps and the opportunities created by reducing them. The methodology and quantitative analysis behind the rankings are intended to serve as a basis for designing effective measures for reducing gender gaps. The Global Gender Gap Index examines the gap between men and women in four fundamental categories (subindexes): Economic Participation and Opportunity, Educational Attainment, Health and Survival and Political Empowerment. Turkey's low ranking is especially a result of its low score in Economic Participation and Opportunity, as well as Political Participation.

— Exhibit 2 —

Turkey's female labor force participation rate in 2015 is 34%

2015

Labor force participation rates
2015, 15-64 years old



SOURCE : ILO, Labor Force Participation Rate, 15-64 years old, 2015

Turkey's female labor force participation rate is 34% for age 15-64 years old, whereas OECD average is 63%. Turkey's male labor force participation rate of 77% is almost at par with the OECD average of 80% for the same age bracket (Exhibit 2). As Turkey has the lowest female labor force participation rate of OECD countries, increasing female participation in the workforce is one of the most effective levers for GDP growth in Turkey (Exhibit 3).

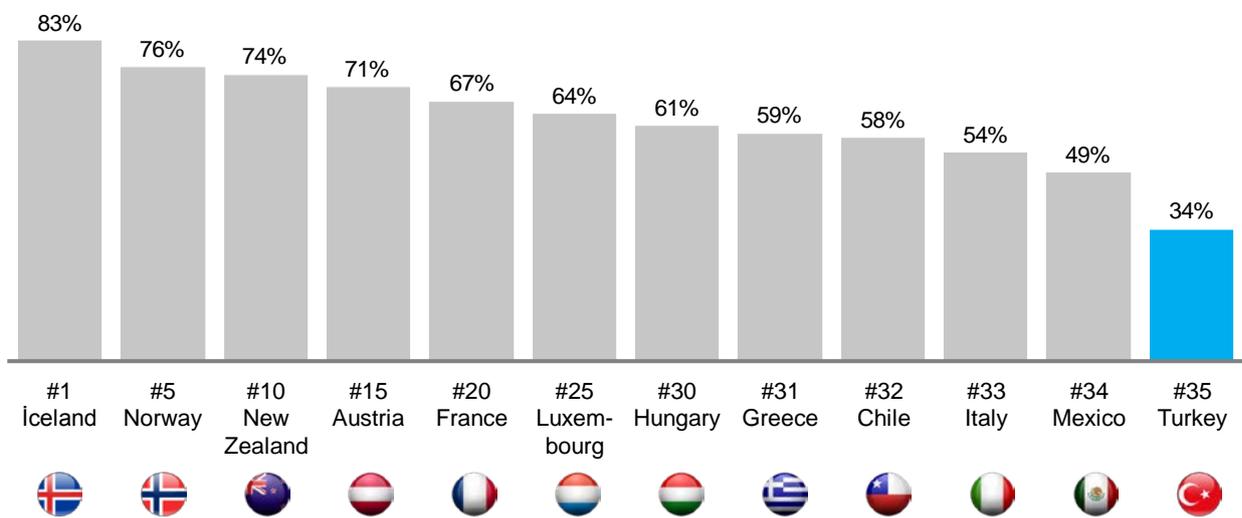


- Exhibit 3

Turkey has the lowest female labor force participation rate of all OECD countries

Female labor force participation rate

2015, 15-64 years old



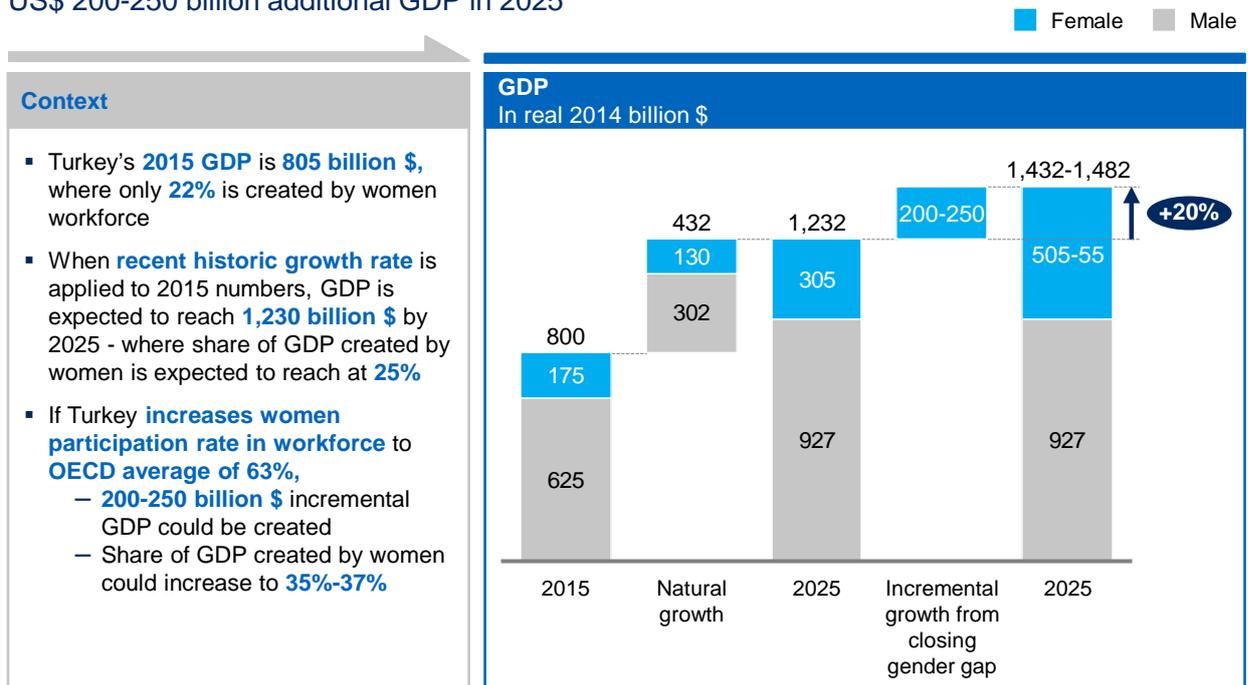
SOURCE: ILO, Female Labor Force Participation Rate, 15-64 years old, 2015

In order to assess the economic impact of gender parity in Turkey, MGI constructed a model analyzing historical growth of female labor force participation and built future scenarios. MGI model shows that if Turkey were to increase its female labor force participation rate to current OECD average¹², Turkey could achieve an incremental 20% increase in GDP in 2015 over the business-as-usual scenario. (Exhibit 4)

Even though this scenario does not achieve the parity target with men, achieving this target will necessitate a holistic set of policies and country-wide mobilization, given the historic growth rates observed.

- Exhibit 4

Improving the female labor force participation rate to OECD level in Turkey could deliver US\$ 200-250 billion additional GDP in 2025



SOURCE: ILO; World Input-Output Database; Oxford Economics; IHS; national statistical agencies; McKinsey Global Growth Model; McKinsey Global Institute analysis

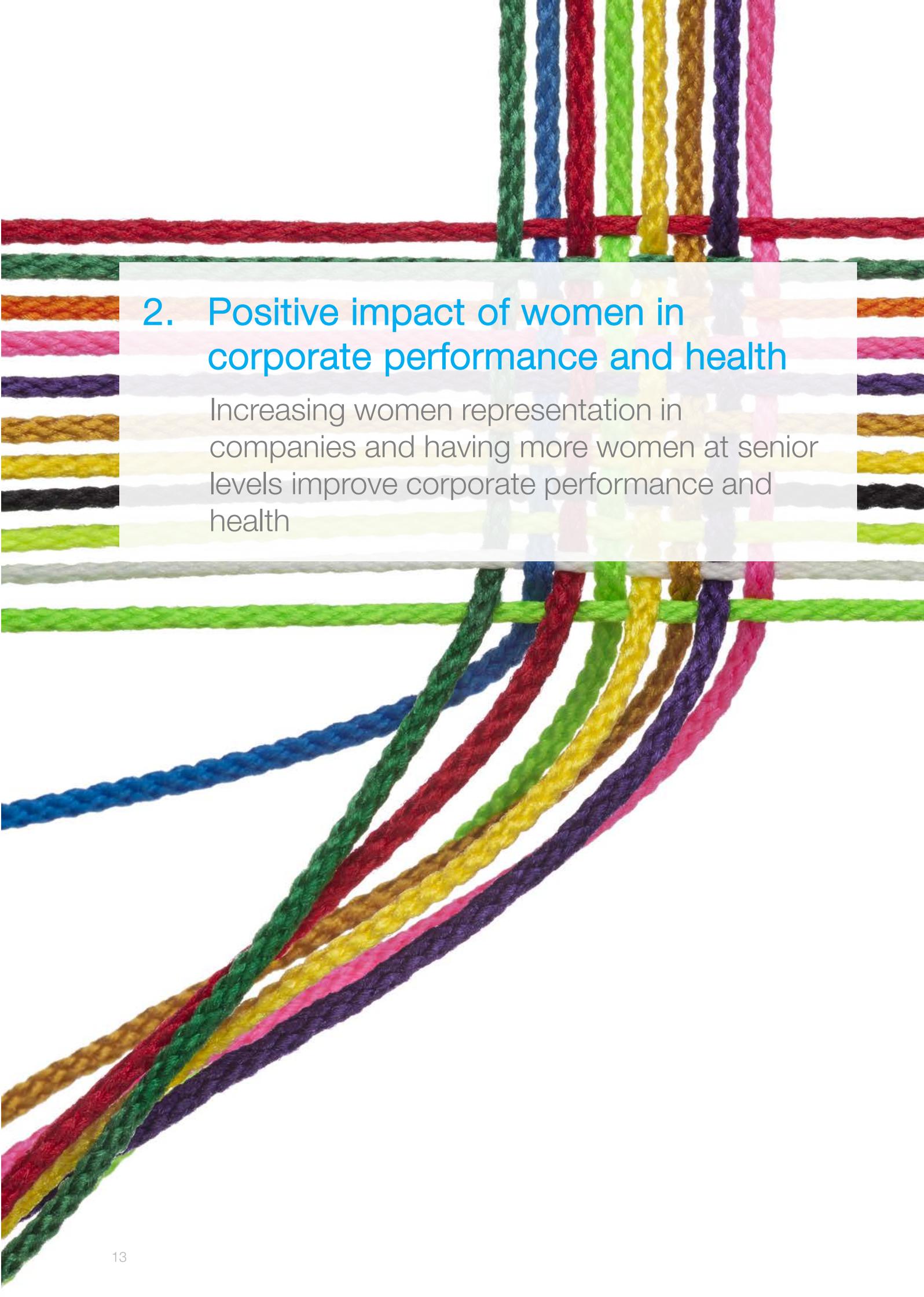
12 This rate is the weighted average of female labor participation rates observed in OECD countries in 2015

MGI Methodology

In 2015, the McKinsey Global Institute (MGI) showed that narrowing the gender gap in the global labor market would not only be equitable in the broadest sense, but would also double women's contribution to global GDP growth between 2014 and 2025. The additional GDP comes from (i) the higher participation of women in the workforce; (ii) the increase in hours worked by women; and (iii) a greater representation of women in high-productivity sectors. The analysis assumes that there is no decline in male participation in response to the rising number of women in the workforce.

- i. **The higher participation of women in the workforce:** Women do not participate in the labor force in the same numbers as men; increasing the labor force participation of women accounts for 54% of the potential increase in GDP.
- ii. **The increase in hours worked by women:** Women in the labor force work fewer hours than men because many are in part-time jobs, driven partly by choice and partly by their family responsibilities. Closing this gap would generate 23% of the GDP opportunity.
- iii. **A greater representation of women in high-productivity sectors:** Women are disproportionately represented in lower-productivity sectors, such as agriculture, and are insufficiently represented in higher productivity sectors such as business services. Shifting women to higher productivity sectors on a par with the employment pattern of men would contribute another 23% of the total opportunity.

In the case of Turkey, current female labor force participation rates are much lower compared to Western Europe and OECD countries, but hours worked are pretty much in line. There is a huge gap between female productivity which is calculated by women's contribution to GDP in comparison to men between Turkey and Western Europe. This is also true for male productivity in Turkey versus Western Europe. Efforts to increase overall productivity naturally improves female productivity as well. Therefore, MGI has focused only on analyzing the impact of the female labor force participation rate on Turkey's GDP.



2. Positive impact of women in corporate performance and health

Increasing women representation in companies and having more women at senior levels improve corporate performance and health

McKinsey has long argued that gender diversity within corporations is not just a social concern, but also a business imperative. Since 2007, McKinsey has been making the business case for increasing the number of women in senior management positions. In a series of Women Matter reports, McKinsey has argued that companies show superior performance when they benefit from access to different, and complementary leadership skills, and the insights women bring to management.

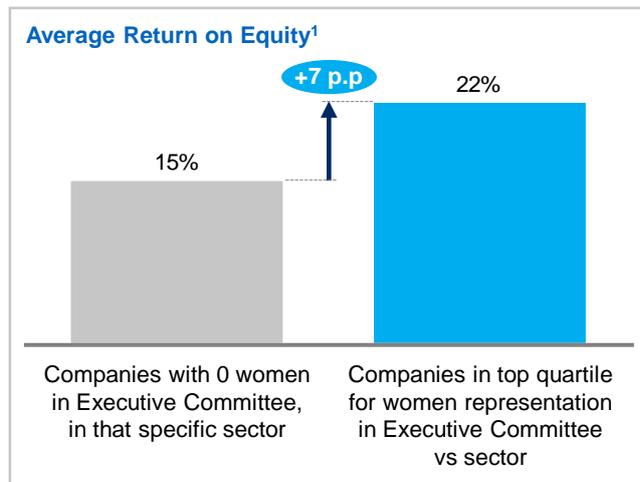
In general, McKinsey research shows stronger financial performance at companies with a greater proportion of women on executive committees. Three separate research studies have been carried out between 2007 and 2013, covering Europe, BRIC countries (Brazil, Russia, India, and China) and Latin America, analyzing companies' financial results and the gender composition of their executive committees¹³. Overall, it was found that companies with one or more women at the executive committee level were much more profitable than other companies in their sectors.

Specifically the research covering 6 European countries (UK, France, Germany, Spain, Sweden, and Norway) and BRIC countries compared the profitability of companies which were in the top quartile for women representation in Executive Committee in a given sector to those companies with 0 women representation in the same sector in 2007 to 2009 time period. It was found that the prior group's profitability was 7 percent points more than the second group with no women presence¹⁴ (Exhibit 5).

— Exhibit 5 —

Presence of women in leadership improves company performance

✓ Verified
✗ Not verified



Analysis by industry	No of companies	ROE
Consumer goods and retail	38	✓
Industrial	65	✓
Energy, basic materials and environment	75	✓
Banking	35	✓
Telecommunication, media and entertainment, technology	38	✗
Transportation, logistics and tourism	15	✓

¹ Average Return on Equity between 2007-2009 for 279 companies in United Kingdom, France, Germany, Spain, Sweden, Norway, Brazil, Russia, India and China
SOURCE: Women Matter 2010: Women at the top of corporations: Making it happen

Similarly, the latest research from Latin America examined companies' financial results and the gender composition of their executive committees¹⁵. Results showed a link between the two in all Latin American countries and in all sectors. Companies with one or more women on their executive committees outperformed those with all-male committees. Their returns on equity were 44% higher, and their EBIT margin 47% higher. This link between financial performance and gender diversity among top management is similar to patterns found in McKinsey's research in Europe and Asia. However, in all cases, even with a correlation, causality cannot be inferred.

¹³ Multiple McKinsey Research Reports: "Women Matter, Gender Diversity, a Corporate Performance Driver", 2007; "Women at the top of corporations: Making it happen", 2010; "Women Matter: A Latin American Perspective, Unlocking women's potential to enhance corporate performance", 2013
¹⁴ "Women at the top of corporations: Making it happen", 2010
¹⁵ "Women Matter: A Latin American Perspective, Unlocking women's potential to enhance corporate performance"

McKinsey has sought to understand why the presence of women executives might be associated with superior performance. We have found that diverse leadership styles contribute to more effective decision making. Women leaders tend to emphasize the development of people and collaboration, whereas men are more comfortable making decisions alone. A balanced composition of top team benefits a company's organizational health and financial performance¹⁶.

Better corporate performance and health due to higher women representation and especially women leaders can be explained by 3 reasons:

1. Better team performance by incorporating different opinions, perspectives and styles

Diverse teams have a positive influence on corporate performance because they bring different perspectives to situations and discussions. The question of whether gender diversity affects team processes and performance has been the subject of numerous empirical studies, meta-analyses and literature reviews. Existing research suggests that gender diversity can positively affect group process. Recent evidence strongly suggests that group intelligence, as indexed by collective intelligence, is greatly improved by the presence of women in the group.

A study was carried out by a team of professors at MIT and Carnegie Mellon University to analyze what makes a team smarter¹⁷. Group intelligence, as indexed by collective intelligence, is greatly improved by the presence of women in the group. The study concluded that there's little correlation between a group's collective intelligence and the IQs of its individual members, but if a group includes more women, its collective intelligence rises: the proportion of women in a group is strongly related to the group's measured collective intelligence. The subjects, aged 18 to 60, were given standard intelligence tests and assigned randomly to teams. Each team was asked to complete several tasks—including brainstorming, decision making, and visual puzzles—and to solve one complex problem. Teams were given intelligence scores based on their performance. The teams with higher IQs didn't earn much higher scores, those that had more women did. Upon further examination, they found that the effects were explained, in part, by the higher levels of social sensitivity exhibited by women, based on their ability to read nonverbal cues and make accurate inferences about what others are feeling or thinking. Groups with more women also exhibited greater equality in conversational turn-taking, further enabling the group members to be more responsive to one another and to make the best use of members' knowledge and skills. The study also showed that teams with more women interacted and communicated better, and were more egalitarian than autocratic, which improved group processes and increased collective intelligence.

These findings are consistent with related research on the effects of gender diversity on group processes. In a study of group performance in a business simulation, it was observed that groups with equal numbers of men and women, and/or groups with a greater number of women than men, performed better than men/women only groups on a management simulation task. This effect was explained by more effective collaborative group processes and cooperative norms¹⁸.

¹⁶ "Women Matter: Female Leadership, a competitive edge for the future

¹⁷ Anita Woolley, Thomas Malone "What Makes a Team Smarter? More Women"; Anita Williams Woolley, Christopher F. Chabris, Alex Pentland, Nada Hashmi, Thomas W. Malone "Evidence of a Collective Intelligence Factor in the Performance of Human Groups"

¹⁸ Fenwick, Graham, D., and Derrick J. Neal. "Effect of gender composition on group performance, *Gender, Work and Organization* 8(2): 205–25", 2001

2. Becoming more customer-centric

Women have valuable insights into customer behaviors and preferences, not only because women comprise 50% of consumers, but also because women control a disproportionate amount of consumer spending. A recent study suggests the figure is as high as USD 20 trillion globally, or about 70% of total spending on consumer goods¹⁹.

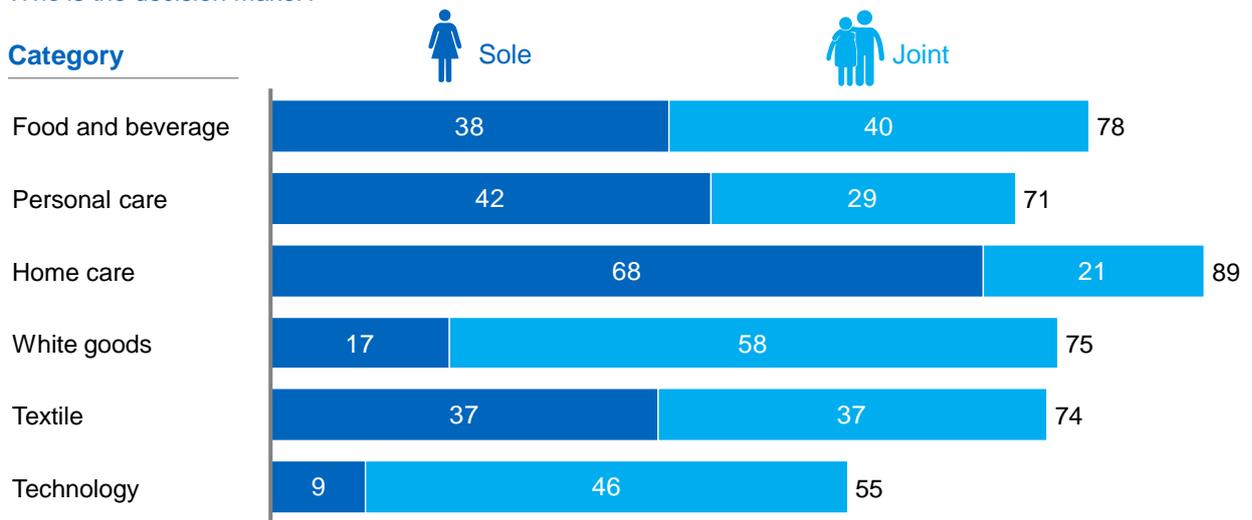
Consumer research in Turkey also shows that women alone or jointly with men dominate decision making in the household in most of the spending categories (Exhibit 6). Even in categories such as technology and white goods joint decision is taken rather than men being the main decision maker.

For companies that want to be more customer-centric, having a strong and balanced women representation across all divisions of a company would improve the company products, sales, operations, decisions, and performance.

— Exhibit 6 —

In Turkey women are the sole or joint decision makers in many consumer categories

Who is the decision maker?



SOURCE: Ipsos, Guide to Understand Turkey 2016

¹⁹ Sverja O'Donnell and Simon Kennedy, "Women controlling consumer spending sparse among central bankers," Bloomberg News, July 2011

3. Access to a wider pool of talent

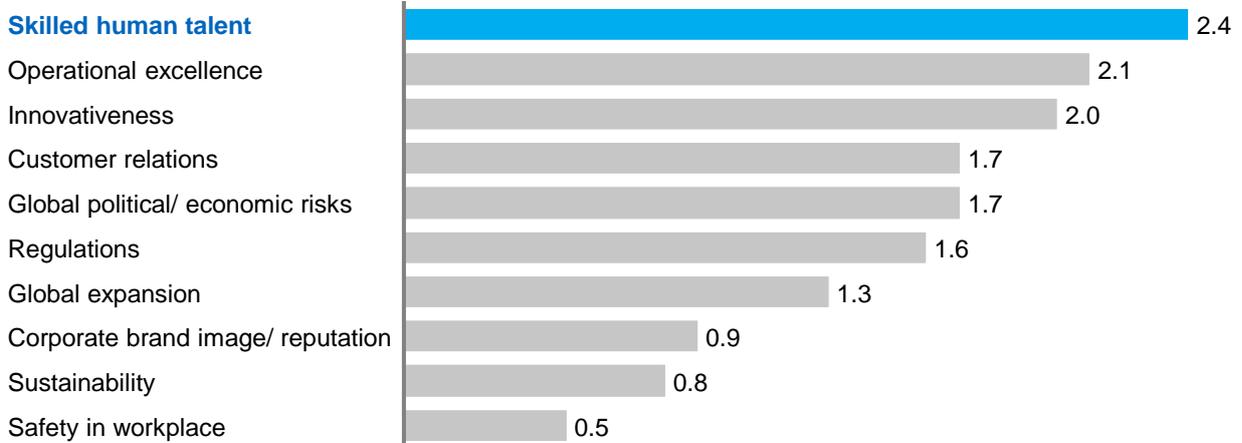
Research carried out by McKinsey and other institutions show that attracting highly skilled talent is the number one challenge of companies and senior executives²⁰ (Exhibit 7). CEOs state attracting highly skilled talent is harder than achieving and managing operational excellence, customer relations or global political and economic risks. A McKinsey survey has shown that executives stated that lack of talent was the biggest barrier to their companies' global ambitions²¹.

– Exhibit 7 –

Attracting skilled talent is the biggest challenge faced by executives

CEO priorities: "What are the main challenges you are faced with when managing your company?"

Average rating between 1-5



SOURCE: The Global Talent Index Report: The Outlook to 2015; McKinsey & Company The Conference Board 2013 Research

²⁰ McKinsey & The Conference Board research, 2012; The Conference Board CEO Challenge 2012, 2013, 2014, McKinsey War for Talent, 1997-2000; The Global Talent Index Report: The Outlook to 2015

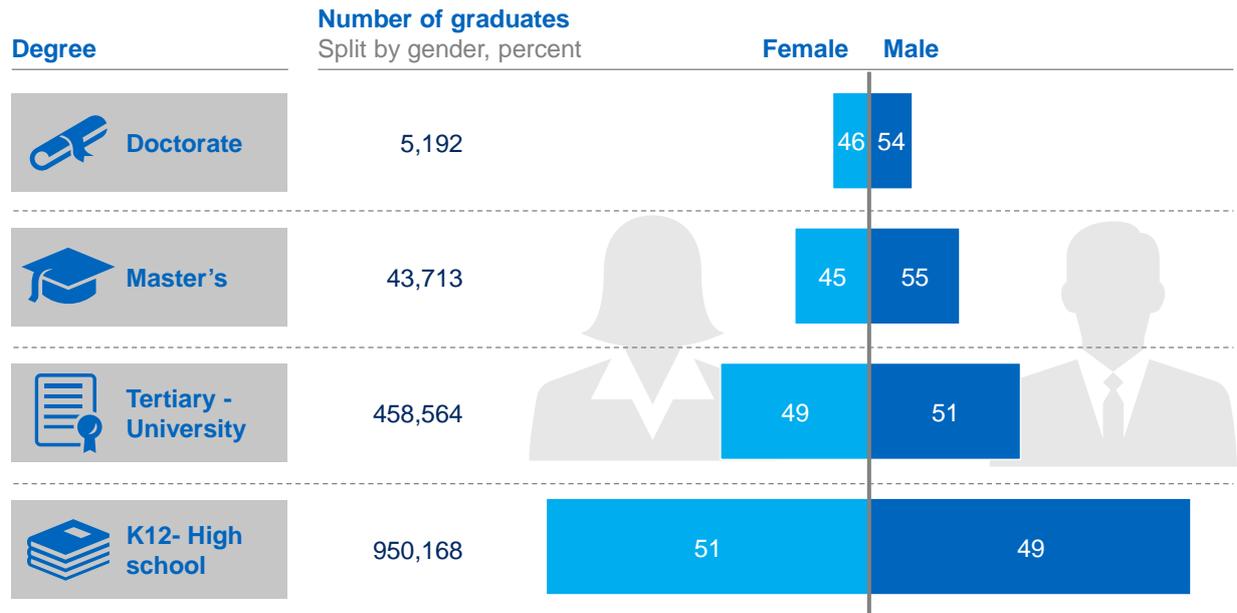
²¹ "How to address China's growing talent shortage", Kevin Lane and Florian Pollner, July 2008

In Turkey, women represent 50% of both high school and university graduates; hence they represent a large pool of potential employees (Exhibit 8). Companies' ability to recruit the very best talent is limited if women –who account for half the population and of students enrolled at universities– are poorly represented in the talent pool of companies. Companies that fail to attract able women risk penalizing themselves by failing to attract the best talent possible.

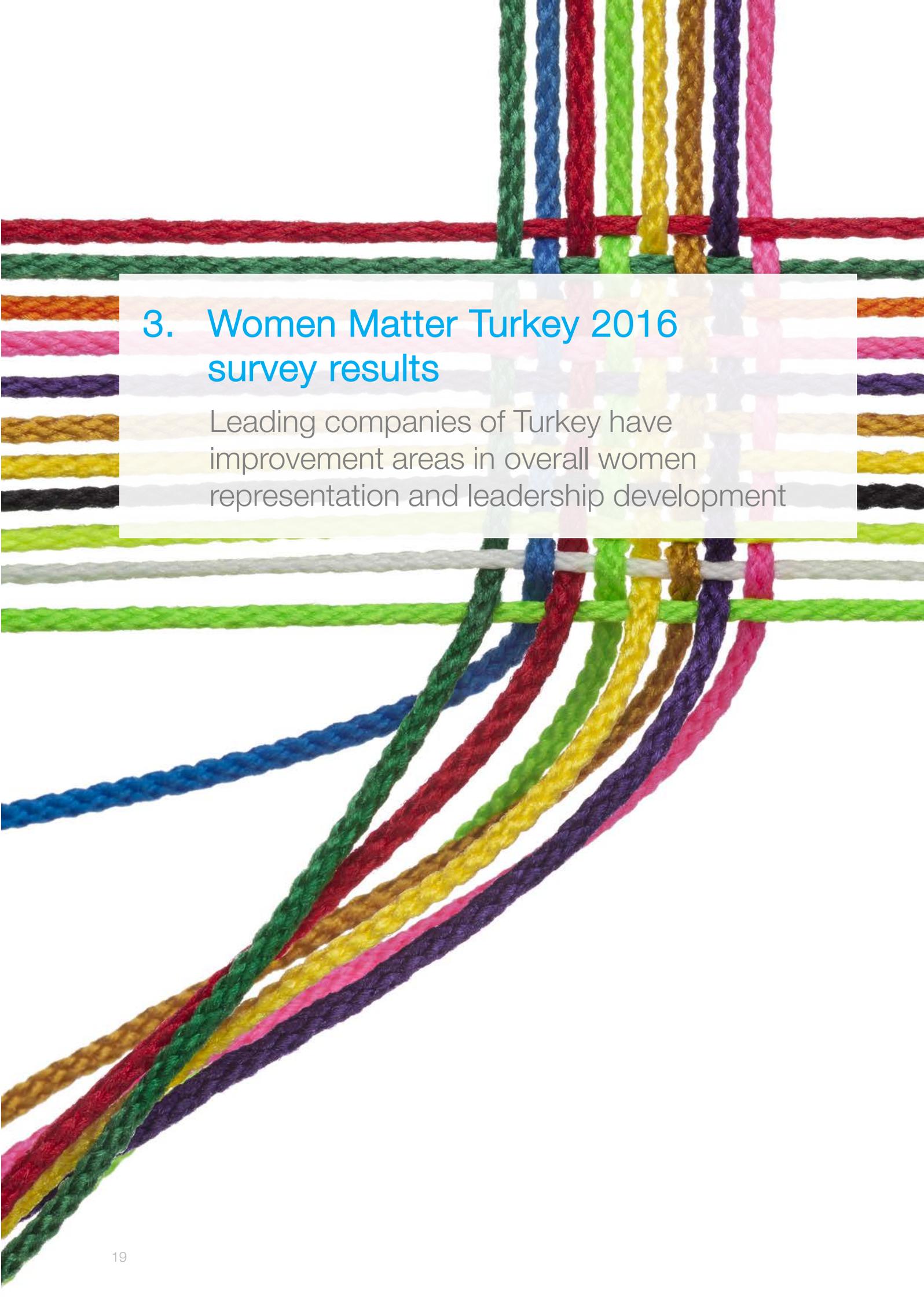
- Exhibit 8

Distribution of graduates by gender in Turkey

2014-2015 school year



SOURCE : MEB; YOK



3. Women Matter Turkey 2016 survey results

Leading companies of Turkey have improvement areas in overall women representation and leadership development

Over the last 10 years, McKinsey has researched and published Women Matter reports focused on Europe and the United States, and more recently covered Asia, Latin America and the Gulf Cooperation Council. In 2016, it published a new Women Matter Europe Report.

Also in 2016, in cooperation with TÜSİAD, McKinsey published its first Women Matter report in Turkey. This entailed surveying 102 private Turkish companies; this is by far the largest response rate that Women Matter reports received in a single country. Survey includes both local and multinational companies covering 11 sectors and 240,000 employees. This survey analyzes the representation of women in the workplace and especially those in management positions at Turkey's leading private companies, and explores how these companies perceive and manage gender diversity issues. The aim is not to make generalization about the workforce in Turkey in general, but rather to portray the picture in leading private companies employing 500 or more employees.

Women represent a very important, but untapped talent pool, and their participation in the workforce and their opportunities for promotion are critical to companies' financial performance, and hence, the country's overall economic advancement and growth.

This report, analyzes and illustrates the current status in the leading companies' workforce in Turkey, and compared that with other regions and countries to highlight Turkey's strengths and improvement areas.

The objective of the report is to bring transparency to gender diversity in workplace by presenting facts and benchmarking, and mobilize companies to adapt diversity and inclusion programs to shape Turkey's gender equality agenda in workplace.



Women Matter Turkey 2016 – Research approach

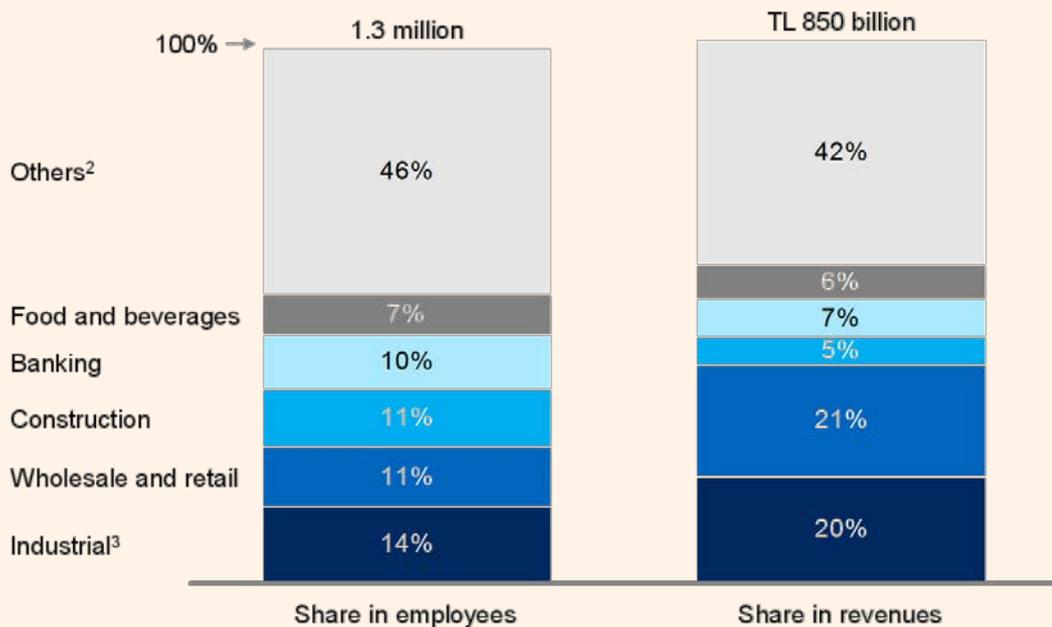
The list of companies to survey was initially generated to include top private local and multinational companies with the highest revenues, based on Capital 500, Fortune 500, ISO 500 lists. This list was amended to add sectors such as leading banks and insurance companies, then scaled down by removal of those companies with less than 500 employees. Top 23 holdings (by revenue) and their major subsidiary companies which operate in priority sectors were also added to the list.

Five sectors which represent a high share of both revenues and employees were especially targeted to ensure greater participation: Food and beverages, banking, construction, wholesale and retail, and industrial (Exhibit 9).

– Exhibit 9

Participation from 5 sectors is important for overall representation

Sectoral distribution of corporates¹



¹ Total of 620 corporates

² Automotive, agriculture, forestry and fishing, apparel, appliances, business services, consumer products, defense, education, electronics, equipment, furniture, healthcare, holdings, hotels and restaurants, information and communication, insurance, jewelry, mining, petroleum, pharma, publishing, textile, tobacco, transport and logistics

³ Energy, basic materials, iron and steel, chemicals, machinery, metal, glass products, paper products, plastic products

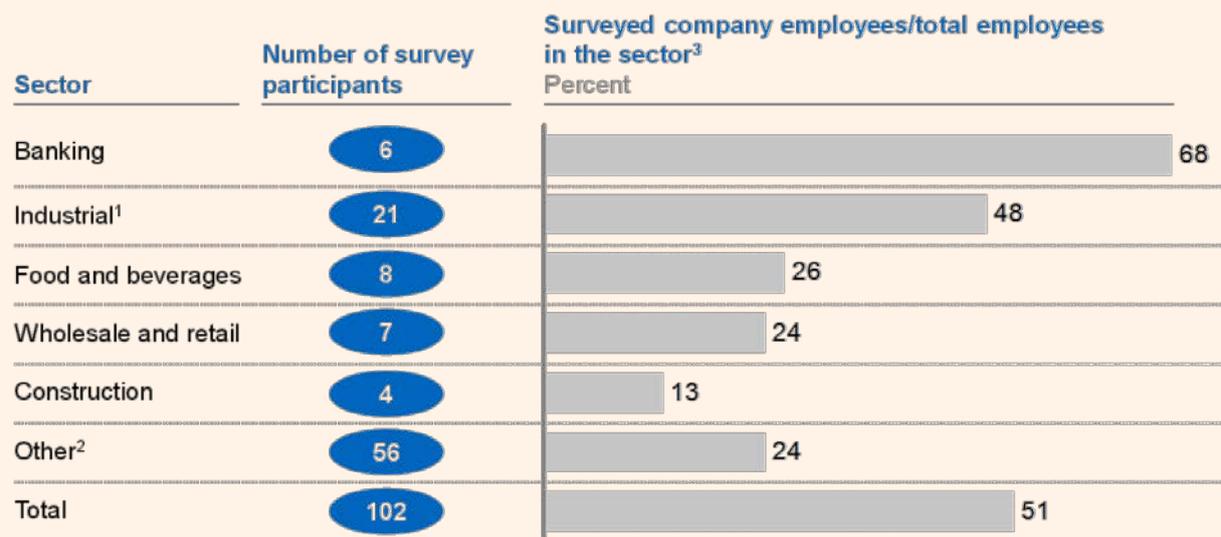
SOURCE: Fortune 500, ISO 500, Capital 500, Banking Institutions, Insurance companies, team analysis

The survey was sent to 262 companies, responded by 102, representing 240,000 employees. Companies responded on a voluntary basis. The resulting sample of 102 companies has a good /fair representation in terms of employment share within the existing sectors (Exhibit 10). The survey covered the following sectors:

- Financial institutions: banking, insurance
- Industrial: energy, basic materials, iron and steel, chemicals, machinery, metal, glass products, paper products, plastic products
- Automotive
- Retail and consumer products: food and beverages, consumer products, wholesale and retail, apparel, hotels and restaurants, textile, furniture
- Media and telecommunications: information and communication, publishing
- Healthcare and pharmaceuticals: healthcare, pharmaceuticals
- Construction
- Transportation, travel and logistics
- Holding companies
- Education
- Agriculture, forestry and fishing

— Exhibit 10 —

Women Matter research sample represents a significant share of leading companies in Turkey



¹ Energy, basic materials, iron and steel, chemicals, machinery, metal, glass products, paper products, plastic products

² Apparel, insurance, hotels and restaurants, textile, furniture, information and communication, publishing, healthcare, pharma, appliances, automotive, holdings, transport and logistics, education, agriculture, forestry and fishing

³ Share of participant companies' employees in total number of employees employed by the companies in the generated list which have 500 or more employees

SOURCE: Fortune 500-2014, Capital 500-2014, ISO 500-2014, TBB, TSB, TUIK, McKinsey analysis

The survey has two parts:

- i) A quantitative questionnaire collecting metrics on women representation for various levels, recruiting, promotion and attrition; women specific human resources programs.
- ii) A qualitative questionnaire to collect information on existing gender diversity process and practices.

Key findings from the survey:

1. Despite the low female participation in Turkey's labor force, women representation in leader companies is only slightly lower than international benchmarks thanks to high women representation rate in financial (banking and insurance) services sector.

Our survey of 102 leading companies showed that the ratio of female employees in Turkey's leading corporations is 41%, which is largely attributed to the financial services sector. Financial services is a significant employer of female employees, with women making up 56% of its employees. This is in line with worldwide ratios as financial institutions are known to recruit new graduates in bulk, many of whom are women.

This ratio of 41% compares well with Latin America's 43% and even the USA's 53%. However, when we exclude the financial services sector, the overall representation of women in these leading corporates falls to 30%²².

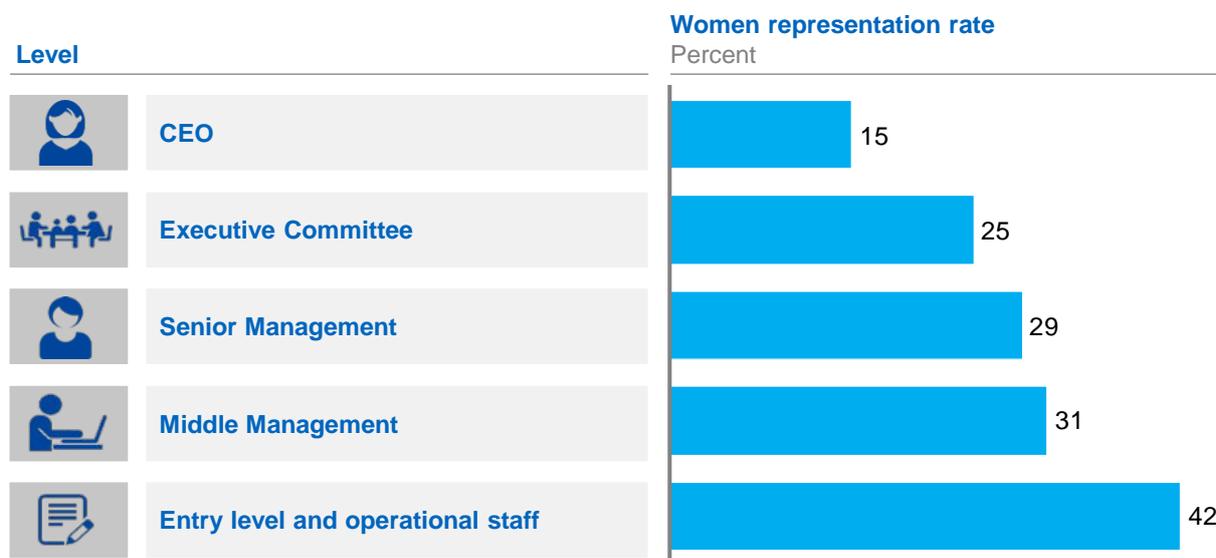
2. The representation of women decreases with seniority, yet still women representation at the executive committee in companies is higher when compared to other countries.

Overall women representation ratio of 41% decreases to 25% for the executive committee level and 15% for CEO positions (Exhibit 11).

— Exhibit 11 —

Women become increasingly underrepresented as they move up the corporate ladder

N=102 Turkish companies



SOURCE : McKinsey Turkey Women Matter Survey

Even in sectors where women are better represented, senior management is still the domain of men. For example, while the ratio of women in the predominantly female banking sector is 56%, women occupy only 16% of the executive committee roles.

The representation of women at the executive committee level is higher in Turkey than in Asia (8%), Latin America (8%) the US (17%) and Europe (20%). 60% of these female leaders in executive committees are in staff functions, e.g., human resources, corporate communications, legal. Women hold one of three (32%) executive committee staff roles, but only one of five (21%) line roles, bringing the overall average to 25%.

²² Excluding financial services sector (banking and insurance) where women representation is very high, around 50 to 60% worldwide; this sector categorically has a large number of employees and highly impacts the average when combined with the other sectors.

- There is a large variation in the representation of women at the executive committee level of the companies surveyed. One fifth of executive committees of the leading companies have no women.

We have ranked the companies in terms of their women representation ratio at executive level to see the variance among companies (Exhibit 12). Even though the average representation of women at the executive committee level is 25%, this average is skewed by women-heavy companies.

Some companies have a very high ratio of women at the top, and some have none at all. The first 10 companies in terms of women representation at the executive committee level have an impressive average ratio of 53%. 51% of the entry and mid level²³ employees hired by these companies are women. The next 15 companies also have a higher than average representation of 38% at executive committee level and 36% women representation at the entry and mid levels. These first 25 companies raise the overall representation of women.

— Exhibit 12 —

Women representation at executive committee level significantly differs across companies

N=99 Turkish companies

Women representation at Executive Committee level



¹ When companies are ranked in terms of women's representation at executive committee level - Total of 99 companies as 3 companies did not state N-1 level numbers
SOURCE: McKinsey & Company, Women Matter Turkey 2016 Survey

It is worth noting that the top 25 companies in terms of women representation at executive committee level cover a range of sectors including traditionally male-dominated sectors like construction, energy and automotive. Thus, companies with a high representation of women at the executive committee level are not always those that operate in women-friendly sectors.

²³ Entry level, N-5 and N-4 levels

Even though sector is an important factor especially for the representation of women in entry and mid levels, there is no great difference in the representation of women at the senior level across sectors (Exhibit 13). Some sectors, such as the industrial and construction, recruit few women overall and are so-called “men friendly”; but recruited women have a good chance of rising through the ranks. For example, in construction, women hold 15% of positions companywide, but 21% of the executive committee positions. Similarly in the industrial sector, the overall representation of women is 21%, and it only goes down to 17% at the executive committee level.

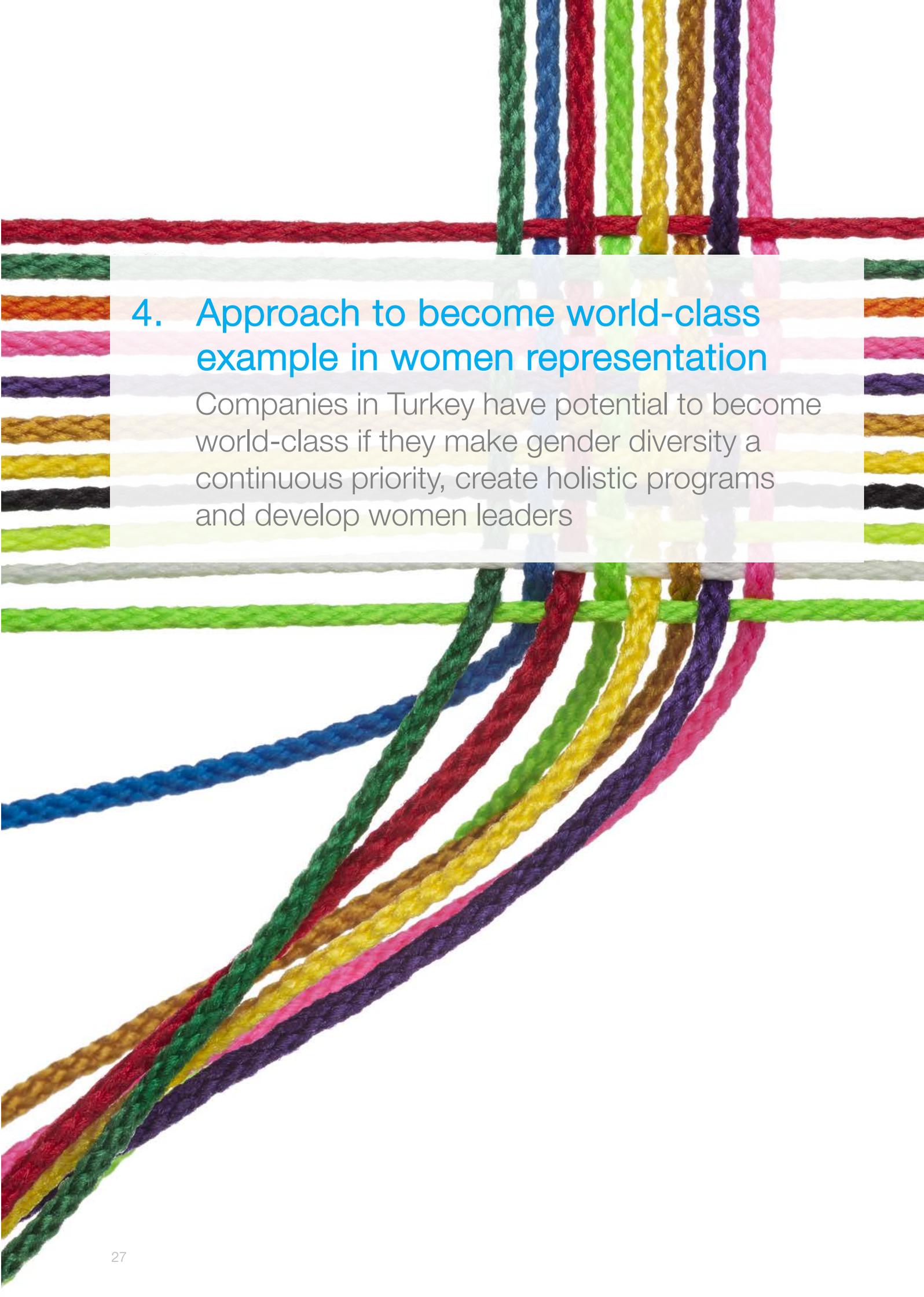
In other sectors – banking, wholesale and retail- women are well represented at the entry level companywide (56% and 36% respectively) but later fare poorly. Women either leave the company or don't advance. Women represent only 16% of banking executive committee members, and only 23% of those in wholesale and retail.

- Exhibit 13

Average women representation at different organizational levels by sector



SOURCE: McKinsey Turkey Women Matter 2016 Survey



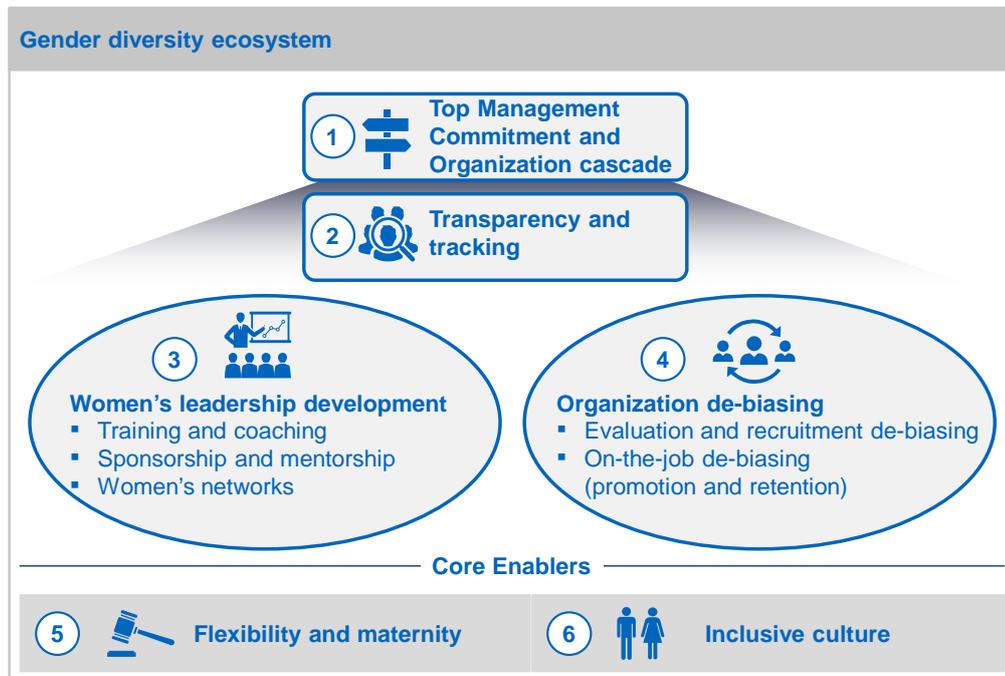
4. Approach to become world-class example in women representation

Companies in Turkey have potential to become world-class if they make gender diversity a continuous priority, create holistic programs and develop women leaders

Best-in-class companies initiate holistic change programs to overcome the challenges and barriers that women face in the workplace and provide them support to advance in the organization. A holistic approach is crucial to address all aspects of gender diversity in the workplace, incorporating senior management commitment, transparency and tracking, women's leadership development programs, organization de-biasing, and core enablers (Exhibit 14).

— Exhibit 14 —

A holistic approach is crucial to address all aspects of gender diversity in workplace



SOURCE: McKinsey

There are 6 parts to a holistic program:

① Senior management commitment and organization cascade

Our research shows that if companies are to succeed in hiring, retaining and promoting more talented women, and seizing associated business opportunities, nothing less than the full commitment of the CEO and senior management team will suffice. CEOs and executive teams should champion gender diversity by:

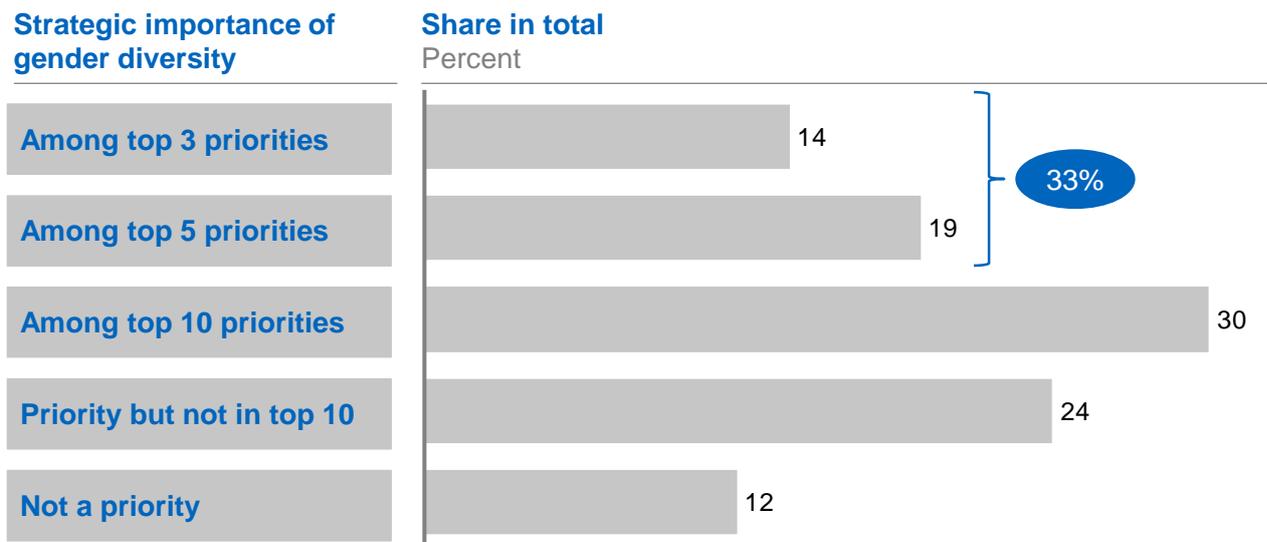
- **Making gender diversity a strategic priority:** Given the number of cultural and organizational barriers, and the difficulty of overcoming them, gender diversity is unlikely to improve unless the issue is high on the corporate agenda. Only one of three companies place gender diversity among their top five strategic priorities (Exhibit 15). Despite the business case for recruiting and developing more women, 36% of companies state that gender diversity is not a strategic priority on the CEO agenda or even among their top ten priorities. Essentially, the survey indicates that only a minority of executives see the need for change and try to get more women on their teams, with the majority still not giving the issue much attention.
- **Ensuring visible commitment at the top and making the business case for gender diversity clear:** Top management should establish and communicate the linkage between gender diversity and corporate performance and culture clearly. CEOs and executives need to broadcast the business case for change and lead by example to change mindsets, by mentoring women themselves, appointing talented women to top positions, and ensuring that women are among the candidates considered for promotion.

- **Setting targets:** While companies declare gender diversity as a priority, only a few set targets and keep the company accountable for progress. Setting targets for overall representation and for leadership levels are absolutely essential to make progress. Without a clear description of destination, it will not be possible for companies to concentrate attention and mobilize. Target setting is crucial for any transformational change program and especially for sustainability focused efforts.

– Exhibit 15 –

Only 1 out of 3 Turkish companies marked gender diversity as one of the top 5 priorities

N=83 Turkish companies



SOURCE : McKinsey Turkey Women Matter Survey

② Transparency and tracking

Once overall targets are set, companies should identify the diversity metrics at a granular level to cascade the targets and review periodically. In best in class examples, metrics tracked include gender split by level in the organization, split by department and business unit, recruiting, promotion and attrition rates by gender, gender split in young talent programs, rotation and training programs, work satisfaction levels and wage differential between genders at every level.

According to Women Matter Turkey results, even the basic metrics such as recruiting and attrition rate by gender are not tracked by all companies. 58% of the companies track the number of women they recruited, or lost due to attrition. These rates are better in companies that ranked gender diversity among their top 10 strategic priorities, 70% for recruiting and 64% for attrition.

③ Women leadership development programs

Leadership development programs help to equip women with the skills and network that help them achieve their goals and excel in their corporate roles. These could include: networking programs, leadership skill-building programs, external coaching programs, mentoring programs with internal mentors, programs to increase the share of potential women leaders, etc.

Training and mastery builds confidence and encourages more women to consider leadership roles:

- It is critical to create formal networking opportunities that enable women to meet and build relationships with senior leaders in their organizations and learn from them over a sustained period.
- Building “people development” and “opportunity creation” programs for junior team members and integrating these into managers’ KPIs can align incentives and ensure managers create step-up opportunities that make it easier for junior team members to present their ideas to leaders.
- Structured leadership skill-building programs are a key component where the programs address the needs and challenges faced by women leaders, for example “finding your own leadership style”.

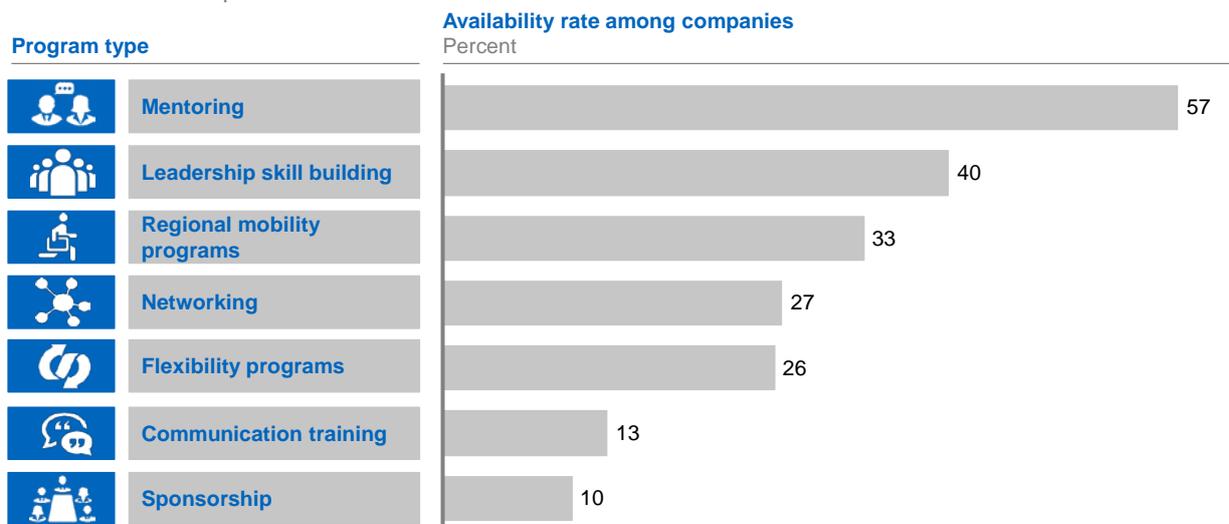
The survey reveals that gender diversity programs are not prevalent in the companies, with only 1 in 10 companies has communications training programs for women; 1 in 10 has sponsorship programs; 1 in 3 has regional mobility; and 1 in 4 offers flexibility programs that accommodate women, especially those responsible for child care (Exhibit 16). Only 26% of companies offer networking programs dedicated to women with enough content and participation.

The first 10 and the next 15 companies in terms of women representation at executive committee level have a slightly higher number of gender diversity programs (mentoring programs, sponsorship programs, and flexibility programs). In conclusion, the presence of gender diversity programs is a factor that helps women reach senior management positions.

— Exhibit 16 —

Few companies offer gender diversity programs and special programs for women

N=102 Turkish companies



SOURCE : McKinsey Turkey Women Matter Survey, 2016

④ Organization de-biasing

Every leader, male or female, has some preconceived notions of the opposite sex that implicitly guide his or her decisions and actions. Best efforts to promote gender diversity might ultimately fail unless people change the way they think about women as corporate leaders. Though some of these challenges and barriers for women may be obvious, most are based on assumptions and unconscious biases. Beliefs that some jobs can only be performed by men, prejudices in recruiting, performance evaluation and promotion processes, definition of what makes a good leader are good examples of these assumptions and beliefs.

All McKinsey Women Matter surveys identify women's conflicting roles as the biggest obstacle, with cultural norms and biases adding to their plight. Common barriers that impede women's career advancement include:

- **Unconscious biases:** There are many unspoken or unconscious biases in recruiting and promotion processes that favor men over women. It is commonly known that we are more comfortable with people who resemble us. Women and minorities experience challenges in finding sponsors and mentors given the natural choice for sponsoring a junior colleague ends up being a male for a male leader.
- **"A woman's job vs. not a woman's job" notion:** Perceived notions that some sectors and some jobs are more fit for men and are not suited to women impact both women's entry into those jobs, and later their advancement.
- **Cultural views of family responsibilities:** Many women juggle their work responsibilities with family responsibilities. In fact, it is culturally expected that women bear the so-called "double burden" of holding down a job and looking after their families.
- **Limited flexibility in the workplace:** Most companies have limited flexibility in their work environment and working conditions (timing/hours, place, etc.) to accommodate women's responsibility for childcare.
- **Low number of female role models:** As there are few women in senior management roles, even in top companies, working women have few female role models who can inspire and encourage them to persevere and succeed in their careers.
- **Difficulties in accessing opportunities:** Women tend to be more reserved than men in asking for raises, promotions, new challenges, projects and opportunities. They need senior people who can guide them. Furthermore, women tend to be less comfortable with networking than men, and would benefit from "formal networks" that help them socialize, and receive timely information about opportunities and developments in the workplace.

In the recent years, many institutions and academics have done valuable research on biases and approaches to de-bias organizations. The common view is that instead of trying to de-bias people, companies could de-bias its processes and apply behavioural design and data driven approaches to rethink the whole system²⁴ (e.g., evaluation mechanisms and committees, display institutional role models).

²⁴ Iris Bohnet, What works: Gender Equality by Design, 2016

⑤ Human resources processes and policies

Companies should examine and refresh their human resources processes and policies to support women recruiting and advancement. These processes and policies include:

- **Recruiting:** Recruiting is an area where quick wins are possible. Companies can improve their recruiting performance by organizing gender-specific pre-recruiting and recruiting events and ensuring fair representation of female role models during the recruiting process. In particular, areas with historically low women graduates (e.g., STEM) company-backed public awareness programs are implemented in many countries²⁵. For experienced talent, recruiting head-hunters could be asked to bring both female and male candidates. In addition, many best-in-class companies keep track of gender split across the recruiting funnel (e.g., applications, screening, interview performance).
- **Performance evaluation:** Companies should assess how gender neutral performance criteria and performance evaluation process are. In particular, definition of leadership should be examined and expanded to include both feminine and masculine attributes, as appropriate.
- **Workplace flexibility:** Flexible working arrangements are not only essential to attract and retain women with core responsibilities, but also important for keeping women in workplace during and after pregnancy with programs that offer flexibility and job security. Examples include career flexibility options (option to alternate between part and full-time, ramp-off and ramp-on programs, unpaid leave programs) as well as logistical flexibility (e.g., remote working). Pilot programs could help companies to experiment new, innovative approaches and measure the impact on work satisfaction, productivity and attrition. In order for successful roll-out, performance evaluation systems should be adjusted not to penalize people in flexible programs.
- **Talent development:** "How many women leaders are we developing?". This question needs to be asked and addressed by any company with a gender diversity aspiration. A talent management assessment is needed to understand the key moments of truth and breakage points. Top talent programs and women participation should be evaluated to understand the effectiveness and the resulting promotion performance. Many companies struggle to develop internal talent, and rely an external hiring for senior and mid-level positions and end-up choosing the "risk-free" gender.

⑥ Inclusive culture

A collaborative and inclusive culture that promotes gender diversity is highly attractive to women and to Generation Y, and improves the retention rate of female employees. A culture diagnostic should be conducted to understand existing beliefs and practices and assess the main cultural barriers. As a general principle, all major initiatives and projects promoted within the organization should ensure equal participation by women and men. Internal communication should focus on building gender diversity awareness and ensuring all employees know it is a strategic priority. All company events and activities should be selected and planned with the idea that both women and men will participate in the event. To demonstrate that women's contributions are important, corporate leaders should make sure both genders are represented on committees and teams, especially on high profile and attention gathering projects. Employees need to see that women are active and in leadership positions in the workforce, activities, projects, key decisions as much as men.

25 U.S. News Inducts Five to STEM Leadership Hall of Fame* Morello, Michael. July 26, 2012

What CEOs can do?

- **Create conviction in the organization**
State the business case and communicate ownership of gender diversity as a strategic priority; articulate on why gender diversity is important for corporate performance and how improving gender diversity will benefit the company; communicate the message consistently.
- **Be persistent**
Be committed to gender diversity as a strategic priority for at least 5 to 10 years as it takes time for impact to occur.
- **Set targets and initiate the change program**
Set aspirational quantitative goals for the next 3 and 5 years which can be broken into quantified targets and actions that are tracked at each level; create a steering committee made up of leaders from both genders to design and implement a holistic change program to engrain the transformation in the company .
- **Engage sizable number of leaders in the organization**
Ensure Steering Committee to oversee the gender diversity program and encourage leaders to become champions in their own unit to pursue the common goal.
- **Cascade the conviction and commitment down the organization levels**
Make sure that the program is structured so that execution is carried out all levels in the organization by all units and teams.
- **Track progress and communicate results**
Ensure periodic progress reports to keep focus on the program; intervene and provide support when necessary; share results with the organization to keep up the momentum.
- **Make decisions and take actions in line with the program**
Give equal opportunity to women managers who are one level below; provide mentoring and development opportunities.



What Chief Human Resources Officers can do?

- **Articulate case for diversity as a part of talent strategy**
- **Shape the change program together with leadership and execute human resources related actions**
Participate in Steering Committee and bring world-class examples. Review all human resources processes and policies (especially recruiting, performance evaluation, promotion and attrition) with a critical eye to see how they can be amended to improve gender diversity in the workplace.
- **Launch initiatives around human resources policies and processes:**
 - Ensure recruiting is focused on generating more women applicants: (e.g., organize recruiting events for less women friendly roles and departments).
 - De-bias key human resources processes (recruiting, promotion) via unconscious bias trainings.
 - Customize talent program for women.
 - Develop formal sponsorship, mentoring and coaching programs.
 - Enable flexibility programs based on the needs of the employee pool and women.
 - Identify root causes of departures and design retention programs for high potential women.
 - Communicate and celebrate success stories and role models under corporate communications leadership.
- **Track and share metrics, ensuring transparency**
Metrics include overall women representation; women share in recruitment, promotion, retention and talent pool; women representation in leadership and in all levels.
- **Assess inclusiveness of the corporate culture, reinforce supportive elements and design interventions for behavioral change where needed**

We would like to thank to all of the companies for their participation and contribution to Women Matter Turkey 2016.

Acıbadem	Doğuş Holding	Nuh Çimento
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Business Association

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