



Empathetic Leadership:

Paving the Path to Gender Diversity in the Corporate Landscape

Felicia Er



LEADERS OF TOMORROW



Affiliated with  THE INSTITUTES

Introduction

The 2023 Global Gender Report by the World Economic Forum (WEF)¹ has revealed that at the current rate of progress, it will take 131 years to achieve global parity. While women make up 48% of entry-level positions², they only make up 26% C-Suite roles, highlighting a leadership gap. Similar findings are echoed in reports by Deloitte Global Boardroom Program and McKinsey, collectively highlighting the underrepresentation of women at top leadership levels.

In Asia, women's representation on corporate boards and executive committees remains low, accounting for only 11.7%³ of board seats and 4.1% of CEOs.

The insurance industry demonstrates relatively better female representation at entry levels (57%)⁴. However, this declines significantly to 23% at C-Suite roles, 10% for CEOs, and 8% for board chairs globally in 2019.

Despite progress, the corporate world still grapples with the inadequate inclusion of women in leadership positions. The gender wage gap continues, with women earning an average of 17% less than men in 2022, according to the Harvard Business Review⁵.

Nevertheless, research shows that diverse executive teams are linked to increased profitability and value creation. McKinsey's study⁶ of 1,000 companies in 12 countries found that businesses in the top quartile for gender diversity were 27% more likely to outperform industry economic profit averages.

Swiss Re's reports⁷ highlighted the potential for gender equality to drive a USD 2.1 trillion increase in insurance premiums by 2029 in Asia, along with reduced health protection gaps. Moreover, Swiss Re's 2021 findings show that companies with more women in leadership roles achieved 3-4% higher return on equity (ROE), with a 10% increase in women's leadership linked to 1-2% of ROE outperformance.

These insights emphasize the strategic advantages of gender diversity, enabling innovation, informed decision-making, and varied perspectives for better overall performance. Nonetheless, the published disparities between males and females in leadership roles do not provide a full insight of the situation. This paper examines the factors that contribute to the ongoing underrepresentation of women in corporate leadership position and aims to present alternative approaches to address this imbalance.

¹ Global Gender Gap Report 2023 – Insight report June 2023

² Woman in the Workplace 2022 report

³ Seventh edition of the Deloitte Global Boardroom Program's Women in the Boardroom report

⁴ Swiss Re Institute: Gender diversity in the re/insurance industry: for a sustainable future

⁵ Harvard Business Review: How unpredictable schedules widen the gender gap pay

⁶ 2018 Delivering through diversity

⁷ Why gender equality matters for insurance

Gender Disparity

Gender Pay Gap

As previously highlighted, the gender wage gap in 2022 indicated that women earned 17% less than their male counterparts on average. However, for a more accurate assessment of whether women are remunerated fairly in comparison to their male counterparts engaged in similar roles, studies have explored the concept of the "Adjusted Gender Pay Gap." This concept aims to ensure that individuals performing equivalent tasks are compensated equally, in line with the principle of "equal pay for equal work."

Studies conducted in the US and in Singapore concluded that there are observable differences in the attributes of men and women that account for most of the gender wage gap. In the US, these factors account for between 65.1 and 76.4% of a raw gender wage gap of 20.4%, and thereby leave an adjusted gender wage gap that is between 4.8 and 7.1%.⁸ Similarly, the Singapore study concluded that the adjusted gender pay gap in 2018 is 6%.⁹ This is less than half of the unadjusted median gender pay gap of full-time employed residents of 12.5%.

These studies highlighted that a substantial portion of the raw gender pay gap can be attributed to specific factors. These factors often stem from variations in choices and behaviors among men and women as they manage their work, personal, and family lives. Notably, both studies concurred that occupational segregation, the tendency of men and women to gravitate towards different professions, was the most significant factor across time. The root of this phenomenon often lies in prevailing social norms dictating gender roles.

Based on a survey conducted by McKinsey¹⁰, the double burden of many working women in Asia: holding down a job while looking after their families was by far the greatest difficulty faced by women in moving into senior roles. This observation is further supported by the global trend that unpaid care work is mainly performed by women and girls due to many factors, including social and cultural norms. In Asia and the Pacific region, women dedicate 3.2 times more time than men to unpaid care work¹¹. As such, a mix of policies are needed to enable women and men to better reconcile the time requirements of the workplace with those of unpaid care work at home.

Nevertheless, there are still some differences in the gender pay gap that remain unexplained. This could potentially be attributed to gender-related differences in personality and psychological traits.

⁸ An Analysis of the Reasons for the Disparity in Wages Between Men and Women

⁹ Singapore's Adjusted Gender Pay Gap

¹⁰ Women Matter: An Asia Perspective 2012

¹¹ COVID-19 and the Unpaid Care Economy in Asia and the Pacific

What are the traits differences between males and females?

Numerous studies have been undertaken to understand the psychological and personality differences between women and men which can contribute to the challenges women face in attaining workplace equality with their male counterparts.

This section explores several personality traits that are often perceived to vary between men and women.

1. Feeling (Empathy) versus Thinking

The Myers and Briggs Type Indicator (MBTI) is one of the most widely used assessment tools for identifying personality characteristics. The MBTI personality test reveals that female study participants were 2.96 more likely to choose the Feeling function, compared to males. Similarly, male participants were approximately three times more likely to choose the Thinking function¹².

The thinking personality types prefer to use facts, data, and objectivity to make a decision. Feeling personality types will prefer to use emotional factors such as the emotional impact on themselves or others to make decisions.

This suggests that women tend to possess a decision-making style that is more focused on interpersonal relationships compared to men. Jordan Peterson, a Canadian psychologist, also maintains there are clear biological differences between men and women where men tend to be more interested in things while women are more interested in people.

However, leaders who prioritize people-oriented approaches might sometimes be perceived as less capable by their peers.

2. Agreeableness

In psychological research, the trait of agreeableness is one of the Big Five personality traits, which also include openness, conscientiousness, extraversion, and neuroticism. Agreeableness refers to how individuals interact with others, including being considerate, cooperative, and compassionate.

Individuals who score high in agreeableness typically prioritize cooperation over conflict. However, within the context of leadership in the business world, high agreeableness may not be perceived as an advantageous trait. This perspective could arise from the concern that an excessive desire to be liked might weaken their effectiveness as authoritative figures.

Some studies found that women exhibit a higher degree of agreeableness than men. This suggests that, on average, women exhibit traits such as nurturing, empathy, and altruism more frequently and to a greater degree than men. As a result, this may impede the progression of women in the corporate world.

3. Perceived Risk Aversion

Many studies have also concluded that women are generally more risk-averse compared to men and this is one of the reasons for women lagging advancement in the workplace. It is well reported that women often need to be

¹² Career Planner: Personality type by gender

100% ready or meet most of the job requirements before accepting a bigger role or putting themselves up for promotion.

Research findings have identified a few factors that contribute to the generally more risk-averse nature of women:

1. Women are less willing to take risks than men because they are more sensitive to the pain of any losses they might incur than any gains they might make¹³.
2. Other studies suggest that gender disparities in risk aversion can be attributed to the process of socialisation. In essence, the upbringing of girls and boys is likely directly connected to why women are less willing to take risks than men are.
3. Perfectionism is another confidence killer. Study after study confirms that it is largely a female issue, one that extends through women's entire lives. Women do not answer questions until they are sure of the answer, do not submit a report until they have edited it ad nauseam, and don't sign up for that triathlon unless they know they are faster and fitter than is required¹⁴.

In general, women are perceived to be nurturing, warm, deferential, and sensitive among other "soft" qualities. Conversely, men are anticipated to exhibit traits like assertiveness, rationality, and objectivity, which are commonly perceived as crucial traits for leadership roles in the corporate realm. Ironically, when female exhibits these qualities, they are seen as not being feminine. This contradiction creates a double bind, amplifying the challenges that women confront in workplaces. Women often need to assert themselves to be seen as effective, but this assertiveness can lead to reduced likability.

However, these attributes associated with women, often referred to as "female traits," remain overlooked within the corporate landscape. This is further discussed in the next section.

¹³ Gender differences in optimism, loss aversion and attitudes towards risk

¹⁴ The Atlantic: The Confidence Gap

Should female traits hinder advancement to leadership roles?

Exploring the interconnection between gender traits and leadership roles prompts thought-provoking questions about the potential impact of conventionally linked "female traits" on women's advancement within leadership positions. By examining this dynamic and considering both sides of the argument, we can gain deeper insights into the complex interplay between gender, traits, and leadership in today's evolving professional landscape.

Risk Aversion

The cautious and risk-averse nature often associated with women has proven to yield positive outcomes in various spheres, including financial decision-making and investment management. This characteristic can serve as a valuable asset, mitigating unnecessary risks and contributing to sounder financial strategies.

Christine Lagarde, Managing Director of the International Monetary Fund, famously implied that women make less risky financial decisions when she stated that the financial crisis of 2008 would not have occurred "if it had been Lehman Sisters rather than Lehman Brothers".

Several studies of female hedge-fund managers also show that investments run by female hedge-fund managers outperform those run by male managers. Fidelity found women investors outperformed their male counterparts by 40 basis points, or 0.4% on average, based on an analysis of more than 5 million customers over the last 10 years¹⁵.

The lesson drawn from these examples extends beyond gender and serves as a reminder that a balanced and cautious approach to risk is not only a valuable trait but also a strategic advantage. Whether in leadership roles, investment management, or other arenas, the ability to temper risk with prudence can contribute to more sustainable and successful outcomes.

Agreeableness

Agreeableness encompasses attributes that make individuals easy to work with, fostering cooperation, teamwork, and positive relationships. A recent study's¹⁶ focus on agreeableness as a pivotal factor in job performance and career advancement underscores the importance of interpersonal dynamics within the workplace.

Some of the benefits of agreeableness traits are as follows:

1. **Self-Transcendence:** Individuals high in agreeableness exhibit a genuine concern for the growth and well-being of themselves and their colleagues, fostering a collaborative atmosphere.

¹⁵ Fidelity:2021 Women and Investing Study

¹⁶ Agreeableness a helpful trait for general success in life, study finds

2. **Relational Investment:** Agreeable individuals prioritize cultivating and maintaining positive relationships which enhances team cohesion and contributes to a supportive and encouraging work environment.
3. **Teamwork:** Empathy and effective cooperation are integral to an agreeable individual's teamwork approach. Regardless of their role, they exhibit the capacity to synchronize goals with others, contributing to successful collaborations and collective goal attainment.
4. **Work Investment:** Agreeableness is reflected in an individual's willingness to dedicate effort to tasks, demonstrate high-quality work, and respond positively to the work environment. Their proactive engagement can lead to enhanced productivity and the creation of a thriving workplace culture.
5. **Social Integration:** Agreeableness correlates with successful integration into various social roles and institutions. It aligns with reduced instances of delinquent or antisocial behavior and lower turnover rates, contributing to organizational stability.

The practice of agreeableness enriches workplace interactions by creating an atmosphere of openness, respect, and mutual understanding. By embracing the viewpoints of others and seeking collaborative solutions, individuals can navigate challenges more effectively and contribute to a workplace culture that values effective communication, teamwork, and equitable treatment.

Empathy

Empathy, a trait closely associated with women, involves the ability to connect with others, comprehend their viewpoints, emotions, and thoughts, and showcase this understanding through intentional care and concern.

In the contemporary work landscape characterized by rapid changes and high-stress levels, the ability to lead with empathy has emerged as a crucial skill for effective leadership. Despite its importance, empathy, a soft skill, has often been overlooked and undervalued within the corporate sector.

Why is Empathy an Important Leadership Quality?

Empathy has become increasingly essential due to the diverse range of stressors that people are currently facing. The pandemic has significantly impacted individuals' stress levels, resulting in disruptions to both their personal lives and work routines. Consequently, this has magnified the need for empathy to understand and support individuals within the workplace.

Heightened mental well-being

According to a global survey conducted by Qualtrics¹⁷, two out of five (42%) individuals have encountered a decrease in their mental well-being. Notably, 67% of respondents reported heightened levels of stress, while 57% reported elevated anxiety. Additionally, 54% expressed feelings of emotional exhaustion. Other emotions were also prevalent: 53% reported sadness, 50% mentioned irritability, 28% faced difficulties in concentrating, 20% required more time to complete tasks,

¹⁷ The other COVID-19 crisis: Mental health

15% encountered cognitive challenges, and 12% struggled to manage their various responsibilities.

When leaders were perceived as more empathetic, people reported greater levels of mental health.

Positive impact at the workplace

A recent study of nearly 900 employees in the U.S. by Catalyst¹⁸, revealed the following positive impact of empathy in the workplace:

a. Innovation

In cases where senior leaders demonstrate a high level of empathy, 61% of individuals frequently or consistently express innovative behavior in their workplace. In contrast, only 13% of individuals with senior leaders who display lower levels of empathy report the same level of innovation.

b. Engagement

Empathetic leadership fosters a positive and engaging work culture that supports an employee's well-being. A significant 76% of individuals who have highly empathic senior leaders frequently or consistently exhibit high levels of engagement at work. In contrast, only 32% of individuals who are led by senior leaders with lower levels of empathy report the same degree of engagement.

c. Retention

57% of white women expressed that they were hesitant to consider leaving their organizations if they felt their life circumstances were respected and valued by their companies. Similarly, among women of color, this percentage was slightly higher at 62%.

d. Work-life integration

For many people, life and work responsibilities are not easily isolated in certain hours or days of the week, especially with flexible working arrangements. DBS CEO, Piyush Gupta, believes that work is part of life with the amount of time one spends working. When employees feel that their managers and senior leaders are more empathic, they report being much more able to balance work obligations with family and personal obligations.

e. Inclusivity

50% of people with highly empathetic senior leaders experienced inclusion at work, while only 17% with less empathetic leaders experienced inclusion.

Better decision making

Empathetic leadership styles also yield positive effects on decision-making. Leaders who prioritize empathy highly regard their team members' input, incorporate a range of viewpoints, and align choices with the team's needs and

¹⁸ Catalyst: The Power of Empathy in Times of Crisis and Beyond

values. This approach results in more deliberate and well-informed decision-making.

Enhanced conflict resolution

Empathetic leaders tackle conflicts with a collaborative and solution-driven outlook, aiming to resolve issues effectively and discover solutions that benefit all parties involved. This approach fosters enhanced relationships and cultivates a more positive work atmosphere.

In recent times, a handful of leaders who embrace empathetic leadership styles have emerged. Here are some examples:

Indra Nooyi, former PepsiCo CEO was known for her collaborative leadership style as she has emphasized the importance of teamwork and open communication within her team.

Satya Nadelle, Microsoft CEO was recognized as the most successful CEO of the Tech industry due to his key leadership skills such as empathy, humility, thinking big, caring for people, prompt execution, courage, and a growth mindset.

Daniel Lubetzky, the Founder and CEO of KIND, once stated, "Empathy is one of our greatest tools in business that is most underused." The mission of his company was to enable consumers to do the "kind thing". This included treating their bodies kindly by consuming natural whole foods and extending kindness to their communities by promoting empathy and goodwill.

In summary, empathy plays a pivotal role in fostering constructive relationships and nurturing positive organizational cultures. Beyond that, it also has a direct impact on achieving desired outcomes at the workplace. Empathy is a critical leadership competency to cultivate and exhibit, both in the present and in the evolving landscape of the future of work. As the popular saying goes, people may not remember what you say, but they will remember how you made them feel.

Conclusion

The underrepresentation of women in leadership roles is a complex issue. As explored in this paper, various factors contribute to the gender gap in leadership.

The gender pay gap, a prominent issue, has been examined through the lens of the adjusted gender pay gap concept, revealing that specific attributes and choices made by individuals often account for a significant portion of the wage disparity. However, there are also invisible barriers that exist inherent to female traits which may explain the adjusted gender pay gap.

This prompts the question: should women resort to employing forceful methods to break through these barriers, assimilating traditionally masculine characteristics to navigate within male-dominated environments? Alternatively, is there a more effective approach that embraces the strengths inherent in diverse leadership styles?

It's important to acknowledge that framing the challenges women encounter in advancing within the corporate world as "unfairness" or adopting a victim mentality might not yield the most constructive outcomes. Instead, the path to success lies in recognizing and seizing the opportunities that emerge from the existing gap. Rather than succumbing to the pressure to conform to the traditional leadership style, women can harness their unique skills and attributes to their advantage.

Empathy, collaboration, and an innate ability to navigate intricate interpersonal dynamics are qualities often associated with women. Rather than seeing these as weaknesses, they can be positioned as strengths in a corporate environment that craves innovative and inclusive leadership. The key to success lies in leveraging these distinct skills to excel within the context of a male-dominated corporate world.

Empowering women to embrace their authentic selves and lead with their inherent strengths holds the potential to generate a transformative impact. Organisations benefit from diversified perspectives and decision-making styles, which, as highlighted in earlier sections, are linked to enhanced profitability and value creation.

Organisation can further this cause by taking the following actions:

- **Recognising unseen barriers:** Initiating awareness training serves as the foundational step in dismantling unconscious biases. By acknowledging the presence of such biases, employees can understand that they affect everyone and can begin identifying their own biases. This insight is underscored by Francesca Gino, a Harvard Business School professor.
- **Unleash the power of your people:** Shifting to a competency-based promotion system that recognizes the unique contributions of each individual holds significant potential to cultivate equal opportunities for both genders. Indra Nooyi emphasized the significance of viewing every employee as a unique individual and recognizing their potential contribution to society. She understands how leveraging the power of recognition leads to positive results. No matter what the position, all

employees know that they have an opportunity to make a meaningful contribution.

- **Adopting a systemic approach to talent development:** Considering the influence of unconscious bias, companies are unlikely to make substantial progress in increasing gender diversity unless there is a systematic approach to identifying and developing high-potential individuals. Implementing a structured mentorship and sponsorship program would be beneficial for both women and men in navigating their career trajectories. Additionally, leaders should proactively engage with individuals who possess the qualifications for the role, motivating them to submit applications.

In essence, the pursuit of gender equality and diversity in leadership isn't one of becoming more like men, but rather of recognizing the unique value women bring to the table. By reframing challenges as growth opportunities and celebrating diversity as a driving force of progress, women can catalyze change, inspire future generations, and pave the way for a more inclusive and successful corporate landscape.