

# Economics in Brief



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## Female Leaders – An economic success factor

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It is rare to see a woman at the helm of a large corporation. The current discussion about a gender quota for boards in German DAX 30 companies has revealed a sobering picture: women make up 6.3% of executive board members in DAX-listed companies.<sup>1</sup> Low as the figure may be, it represents progress: the proportion of female board members has almost tripled in just four years. However, the figures for SMEs prove that there is no reason for women to be such a rarity in top management.

There are over 3.6 million SMEs in Germany. Around 20% are headed up by a woman – more than three times as many as for the DAX 30 companies. Analyses of data from the KfW SME Panel<sup>2</sup> have demonstrated just how significant SMEs run by women are: in 2012, these companies accounted for more than 2.3 million FTE posts<sup>3</sup> and invested almost EUR 15 billion in expanding, replacing and optimising production capacity. So SMEs run by women are already a major economic power.

If we look at business performance, companies with more women in leadership positions perform better.

### Sectoral variations in proportion of female leaders

The majority of female leaders are found in the health, veterinary and social services sector (38% of companies), the hotel and restaurant industry (29%) and education and research (26%).<sup>4</sup> As one might expect, there are far fewer women at the head of companies in the processing and construction industries 11% and 5% respectively. These figures reflect different curricula and interests: young people are clearly influenced by

gender-specific training choices.

Women are slowly but steadily moving into top management positions

The proportion of female managers and CEOs in German SMEs has risen by over 20% in the past decade. The figure is set to continue rising slowly but steadily. Demographic trends will be a major factor: in 2012 around 16% of all self-employed workers were over 60, compared with just 10% in the mid-1990s.<sup>5</sup> In the past decade, population ageing within the self-employed segment has accelerated and is set to become more pronounced, inevitably raising up a new generation of SME managers. In future, it will become common for daughters to inherit companies – not least because of the shift in women's role in society and greater self-confidence. Of course, this presupposes that women want to take over.

### Women have different priorities in life to men

Female and male leaders alike want to translate their ideas into reality. However, flexible working hours, autonomy and work-life balance are more important for women than for men. Men place greater value on a powerful position and high earnings, and are happy to derive satisfaction in life from these things. Attitudes are influenced by the role models adopted by each new generation. However, every generation has a different perception of traditional roles, which has resulted in growing numbers of women going to work over the decades and will continue to do so.

A number of studies have shown that women tend to be less focused on promotions than men. Women have different priorities in life, which has a

clear impact when women are in charge and therefore able to shape their own destiny.

### Leadership experience and comparing notes

Many women have a very negative perception of power, which is another obstacle. Attitudes need to be changed if we want to attract more women into leadership positions. In objective terms, power means the freedom to take decisions and be creative. Power can be used to benefit people – and this is already a reality in many companies. The more women have positive experiences of leadership positions and compare notes with one another, the more they will enjoy their role. The message that power can be joy is the way to attract women into leadership roles. The aim should therefore be to create a desire among women to take up the opportunities created by demographic trends.

<sup>1</sup> German Institute for Economic Research (DIW Berlin) press release, 28 November 2013.

<sup>2</sup> See *Low debt entrepreneurs: in financing matters, women entrepreneurs play it safe*, Tchouvakhina, M. and I. Pelger, KfW Economic Research, Focus on Economics No. 26, July 2013 and *Female SME bosses: women entrepreneurs*, KfW Points of View No. 8, June 2011, Tchouvakhina, M., Pelger, I. and F. Reize.

<sup>3</sup> FTE = full-time equivalent

<sup>4</sup> KfW SME Panel 2013 evaluation report.

<sup>5</sup> See *Generation of low birth rates accelerates trend in older self-employed workers*, Zimmermann, V., Economics in Brief No. 26, 2013.