



Women on boards – Factsheet 1

The economic arguments

The arguments:

Many business leaders suggested that gender diversity is a driving force for performance. The reasoning is logic: more diverse leadership teams mean diverse opinions, resulting in more refined results.

A number of studies have suggested that greater gender diversity in corporate boards has the potential to boost economic performance.

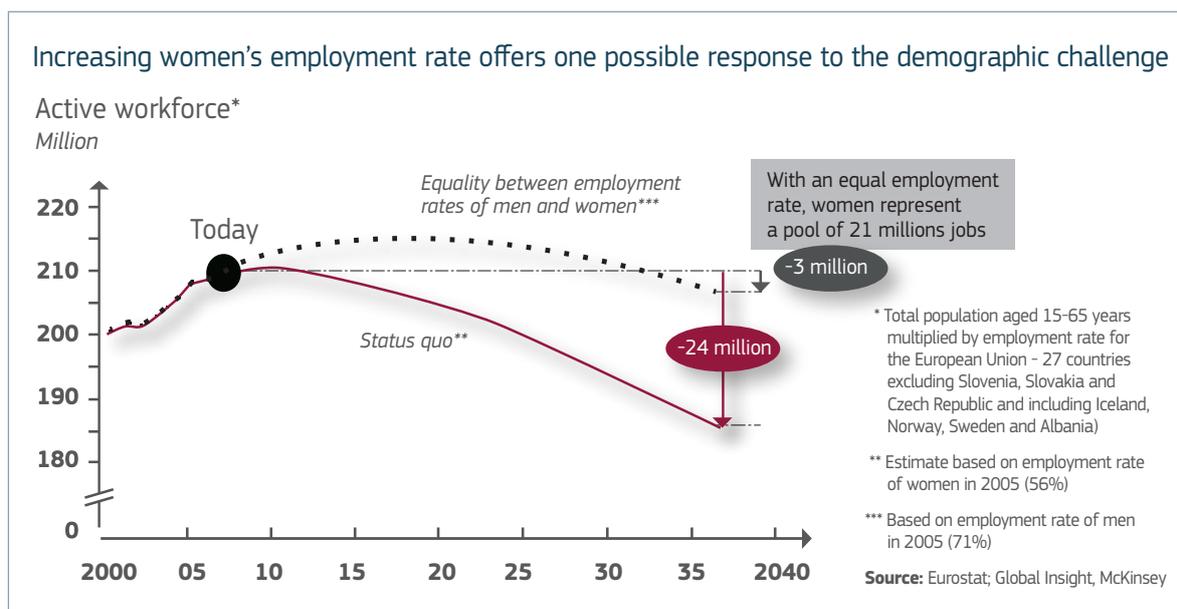
Economic arguments in favour of more gender diversity on company boards include:

- **Improved company performance:** Various studies suggest that companies with a higher share of women at top levels deliver strong organisational and financial performance. Studies have also shown that where governance is weak, female directors can exercise strong oversight and have a “positive, value-relevant impact” on the company. A gender-balanced board is more likely to pay attention to managing and controlling risk.
- **Mirroring the market:** According to recent estimates, women control about 70% of global consumer spending decisions. More women in management positions can therefore provide a broader insight in economic behaviour and consumer choices. Products and services that are more in line with consumers’ needs and preferences can boost sales figures.
- **Better quality of decision-making:** Diversity among employees and board members boosts creativity and innovation by adding complementary knowledge, skills and experience. A more diverse board of directors can contribute to better performance because decisions are based on evaluating more alternatives compared to homogenous boards.
- **Improved corporate governance and ethics:** Studies have shown that the quality of corporate governance and ethical behaviour is high in companies with a high share of women on boards.
- **Better use of the talent pool:** : 60% of university graduates in Europe are women. In times of skills shortages and an ageing population, we can no longer afford to underutilise female talent. If half the talent pool is not even considered for leadership positions, the quality of appointments may be compromised. Systematically including suitable candidates of both sexes ensures that new board members are selected from the very best candidates, both male and female.

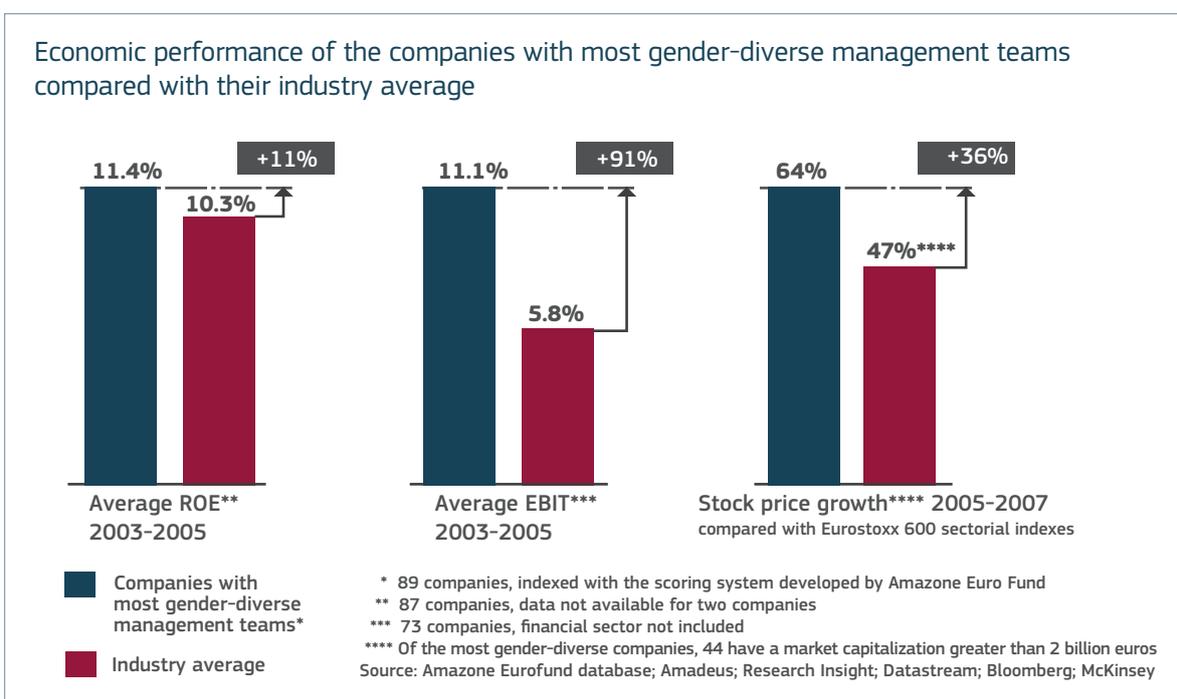
The figures:

Studies from various countries show that companies with a higher share of women at top levels can deliver strong organisational and financial performance. The existence of a business case is increasingly recognised and it has also been recently supported by the Lord Davies Report assessing the situation in the UK, and by Deutsche Bank Research.

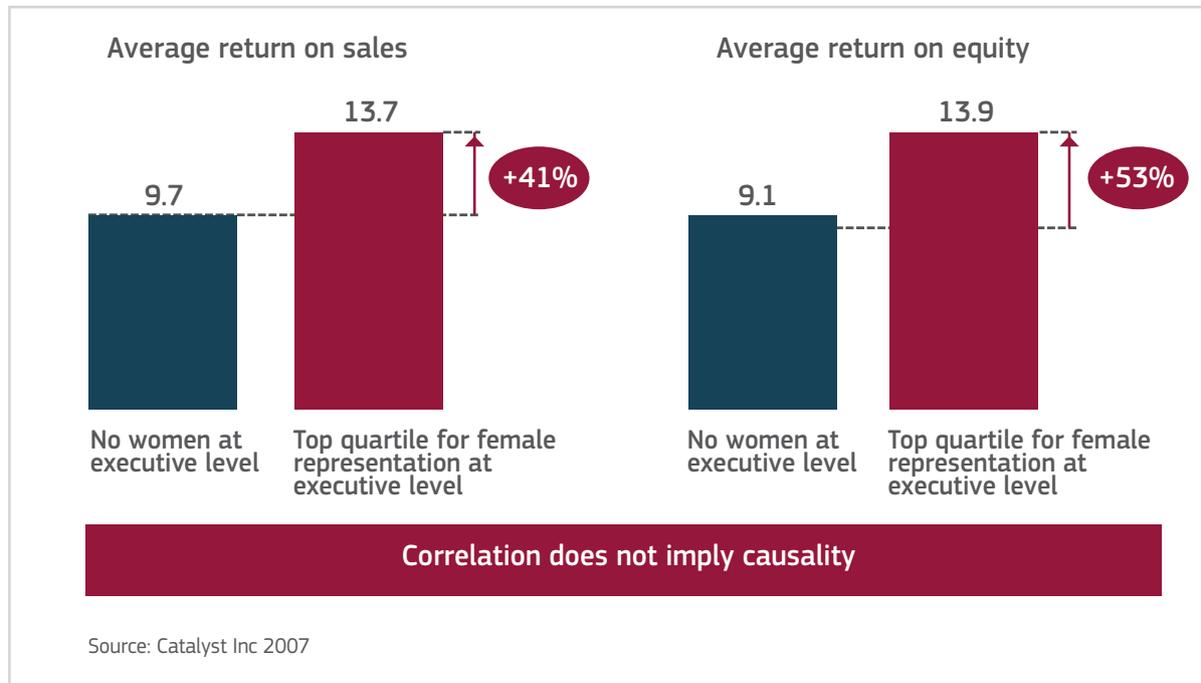
- The **McKinsey** “Women Matter” (2007, 2008, 2010 and 2012) study shows how increasing women’s employment can help to face the demographic challenge. The shortfall of European workers is expected to increase in the coming decades, particularly for the most highly qualified jobs. Tapping the underutilised pool of skilled women could thus play a major role in the search for talent.



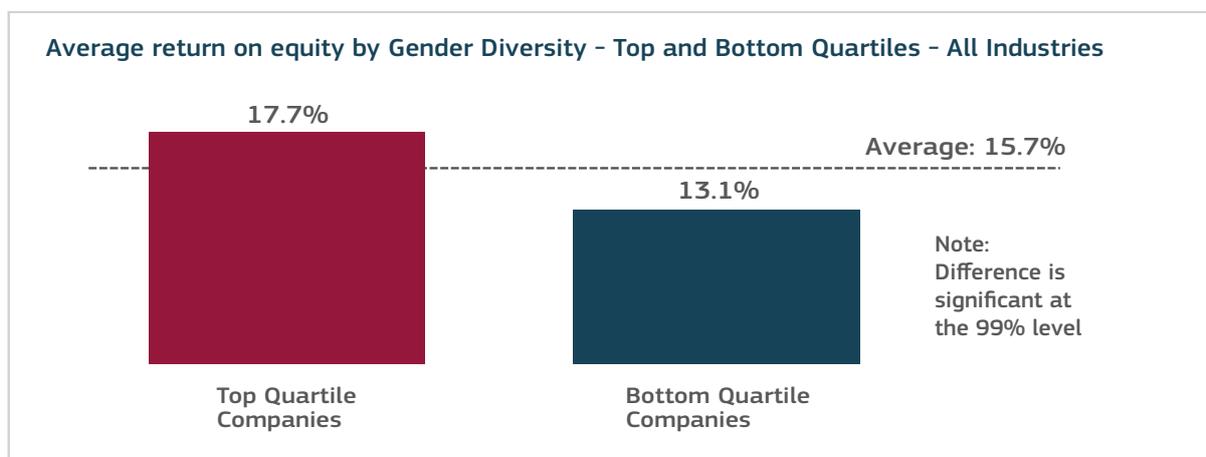
The **McKinsey & Company** research also shows that companies with the most gender-diverse management teams had **17 percentage-point higher stock price growth** between 2005 and 2007 compared to the industry average. Their average operating profit was almost double the industry average between 2003 and 2005.



- The **McKinsey** “Women Matter 3” (2009) study reported that companies that scored in the top quartile of organisational performance – which were the companies with more women in top management – tended to have an **operating margin at least twice as high** as those in the bottom quartile. In their 2010 study, “Women at the top of corporations: Making it happen”, they report a **41% higher return on equity for companies with the highest share of women** on their boards compared to companies with no women on their boards.



- **Catalyst's** “Bottom Line” (2004) report series found that the return on equity of companies with higher gender diversity on their board or among top management is higher than that for companies with lower gender diversity. In a ranking of 353 companies from the Fortune 500 index, **companies with 14.3% to 38.3% women in top management** (the top quartile) **had a return on equity that is 35% higher** than companies with 0% to 5.1% women in top management (the bottom quartile).



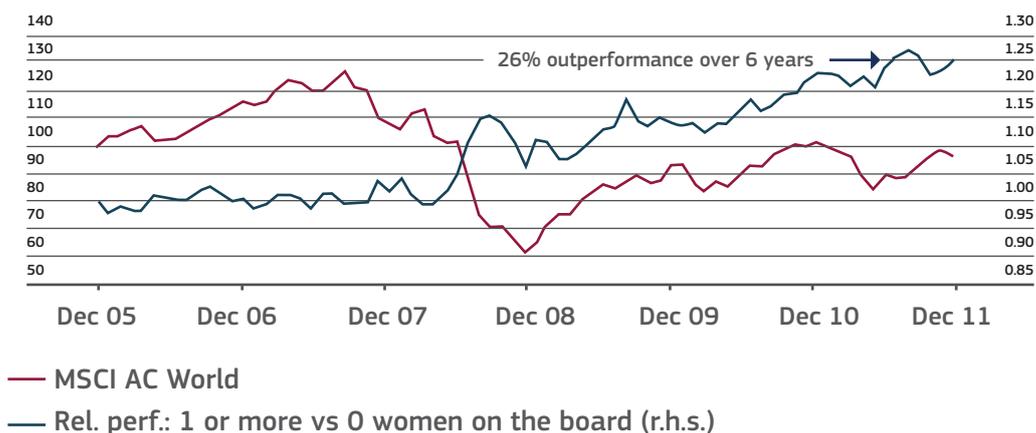
- In a very recent study (August 2012), **Credit Suisse** compiled a database on the number of women – since 2005 – sitting on the boards of the 2,360 companies constituting the MSCI AC World index. The outcome shows that, over the past six years, companies with at least one female board member outperformed those with no women on the board in terms of share price performance. This rate of

outperformance was 26%. Interestingly this performance pattern is particularly noticeable since the onset of the global financial crises in the second half of 2008.

Relative share price performance of all companies (with market cap > 10 bn)*

Source: Thomson Reuters, Crédit Suisse

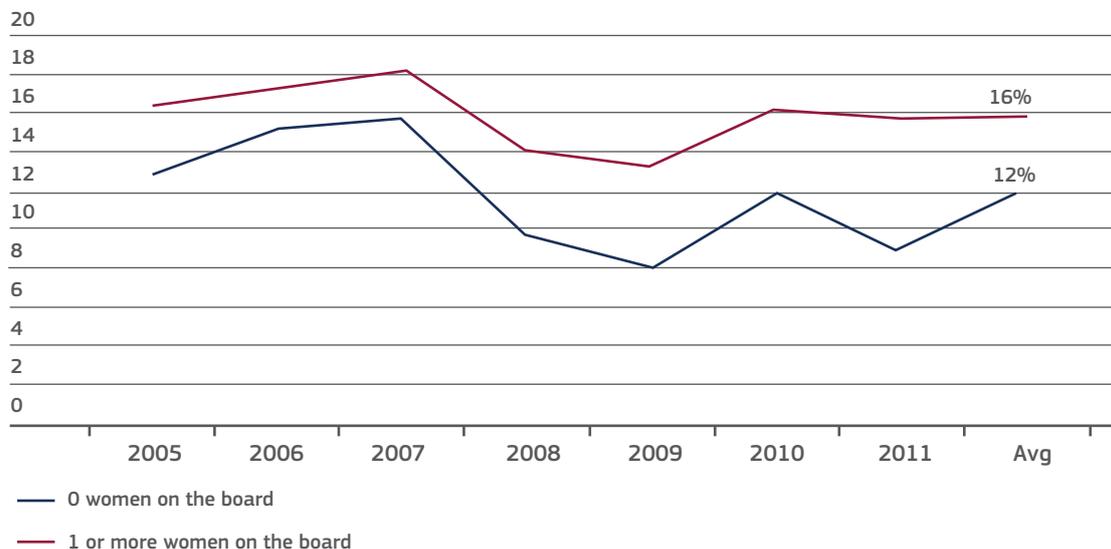
* Performance of stocks with some female board representation divided by the performance of stocks with no women on the board, where all stocks have market capitalization greater than USD 10 bn



- The same study also suggests a positive correlation on a number of other indicators: The average return on equity with at least one woman on the board over the past six years is 16%, or **4 percentage points higher than the average return on equity (ROE)** of companies with no female board representation (12%). **Net income growth for companies with women on the board has averaged 14% over the last six years compared to 10% for those without** female board representation.

ROE: 0 vs. 1 or more women on the board

Source: Crédit Suisse



Sources:

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- “The Bottom line: corporate performance and women’s representation on boards”, Catalyst Research (2007).
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- “Diversity and gender balance in Britain plc”: a study by TCAM in conjunction with The Observer and as part of the Good Companies Guide, UK (2009).
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