



CENTRE FOR ETHICAL LEADERSHIP
GENDER EQUALITY PROJECT

*The Gender Equality Project at the Centre for Ethical Leadership is a mission-based research and training program targeted at new understanding of the reasons for the current lack of women in senior leadership positions. Current Industry Partners are **Westpac, Santos, ANZ, NSW Police and Corrs Chambers Westgarth**. Associate Partners include Australian Human Resource Institute, Australian Human Rights Commission, AFR BOSS Magazine, Sustaining Women in Business and UN Women.*

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Having more women on boards, in senior management and across organisations makes *good business sense* because:

Benefit to Organisation	Argument	Evidence	Source
Economic Growth	Unlocking the hidden value of the female labour pool is good for the Australian economy	Goldman Sachs & JBWere have calculated that the rise in the female employment rate since 1974 has boosted economic activity by 22%. Further closing the gap between male and female employment rates could boost the level of Australian GDP by 11%.	'Australia's Hidden Resource: The Economic Case for Increasing Female Participation', Goldman Sachs & JBWere, November 2009
Organisational, Financial and Market Performance	Companies with more women in senior management score more highly on organisational criteria than companies with no women at the top.	A McKinsey study found that companies with three or more women in senior management functions score more highly, on average, on organisational criteria (such as leadership, direction, accountability, coordination and control, innovation, external orientation, capability, motivation, work environment) than companies with no women at the top.	'Women Matter: Women at the top of corporations: Making it happen', McKinsey & Company, 2010
	Companies with more women on their boards have been shown to financially outperform companies that have no women on their boards	Research by McKinsey has demonstrated a link between diversity of company boards (defined as number of women and foreign nationals) and financial performance. In a study of 180 companies across Europe, the UK and the US, in the period 2008-10, research found that for companies ranking in the top quartile of executive-board diversity, ROEs were 53 percent higher, on average, than they were for those in the bottom quartile. At the same time, EBIT margins at the most diverse companies were 14 percent higher, on average, than those of the least diverse companies.	'McKinsey Quarterly: Is there a payoff from top-team diversity?', McKinsey & Company, April 2012
		In a separate study of listed European and BRIC companies in the period 2007-09, McKinsey found that companies with the highest share of women outperform companies with no women: by 41 percent in terms of return on equity, and by 56 percent in terms of EBIT.	'Women Matter: Women at the top of corporations: making it happen', McKinsey & Company, October 2010

		<p>A Catalyst study of Fortune 500 companies across a four-to-five year period found a connection between gender diversity on boards and financial performance. The study found that companies with the most women board directors outperform those with the least on return on sales (ROS) by 16 percent and on return on invested capital (ROIC) by 26 percent. The study also found that companies with sustained high representation of women board directors, defined as those with three or more in at least four of five years, significantly outperformed those with sustained low representation by 84 percent on ROS, by 60 percent on ROIC, and by 46 percent on return on equity.</p>	<p>'The Bottom Line: Corporate Performance and Women's Representation on Boards (2004-2008)', Catalyst, 2011</p>
		<p>In Australia, an analysis of ASX500 companies over a three and five year timeframe found that companies with female representation on their boards outperformed the markets and companies with no gender diversity over both time periods. There was an 8.7 percent difference over five year return-on-equity and a 6.7 percent difference over three years.</p>	<p>'ASX500 – Women Leaders: Research Note', Reibey Institute, June 2011</p>
		<p>Credit Suisse analyzed more than 2,500 companies and found that companies with more than one woman on the board have outperformed those with no women on the board by 26 percent since 2005</p>	<p>'Gender diversity and corporate performance' Credit Suisse, 2012</p>
<p>Companies with more women in executive management have been shown to financially outperform companies that have no women in senior roles</p>		<p>A long-term US study released in 2009 showed a correlation between women in executive management and short and long-term profitability. The study, which used data on Fortune 500 companies since 1980, demonstrated a link between a good record of promoting women into the executive suite and high profitability. The study identified firms that were most aggressive in promoting women to high levels and compared their profit performance to the median performance of Fortune 500 firms in the same industries (amongst other measures). For 2001, the 25 best firms for women outperformed the industry medians, with overall profits 34 percent higher when calculated for revenue, 18 percent higher in terms of assets and 69 percent higher in regard to equity. These results were confirmed in subsequent comparisons to 2008.</p>	<p>Adler, R., 'Profit, thy name is... Woman?', <i>Pacific Standard</i>, Feb 27, 2009</p>
		<p>According to a US study, Fortune 500 companies with the highest representation of women on their top management teams experienced better financial performance on measures of ROE (35.1 percent higher) and Total Return to Shareholders (34 percent higher) than companies with the lowest women's representation.</p>	<p>'The Bottom Line: Connecting Corporate Performance and Gender Diversity', Catalyst, 2004</p>

	Companies need to recognise and cater to the buying power of women in order to capitalise on growth opportunities.	For instance, women in the United States wield purchasing power in excess of an estimated US\$5 trillion, buying half of all computers and cars and more than 80 percent of all consumer purchases. They also represent nearly half of all shareholders.	'The Gender Dividend: Making the business case for investing in women', Deloitte, 2011
	More working women means more disposable income.	As women continue to enter the workforce in larger numbers, they will have more money of their own to spend. Women control roughly US\$20 trillion of total consumer spending globally, and that number is predicted to rise to US\$28 trillion by 2014.	"The Female Economy," M. J. Silverstein and K. Sayre, <i>Harvard Business Review</i> , September 2009
Risk Management / Corporate Governance	Companies with women in key board committee roles (such as risk and audit) perform better	Gender-diverse boards allocate more effort to monitoring. Across a sample of firms, studies have found that female directors have better attendance records than male directors, male directors have fewer attendance problems in more gender-diverse boards and women are more likely to join monitoring committees.	Adams, R., & Ferreira, D., 'Women in the boardroom and their impact on governance and performance', <i>Journal of Financial Economics</i> , 2009
	There is a link between more women on boards and good corporate governance credentials	A 2002 Canadian study found that boards in Canada with three or more female directors took more responsibility for their approach to governance issues, verifying the integrity of audit information and ensuring conflict of interest guidelines, amongst other measures. For instance, 91 percent of boards with a minimum of three female directors explicitly took responsibility for governance issues, versus 76 percent of all-male boards.	'Women on Boards: Not just the right thing... But the bright thing', Conference Board of Canada, 2002
	Companies with at least one woman on their boards may reduce their risk of bankruptcy.	A study by Leeds University Business School of 17,000 UK companies that went insolvent in 2008 concluded that having at least one female director cuts a company's chances of going bankrupt by about 20%.	'Higher heels, lower risk: why women on the board help a company through recession', <i>The Times</i> , 19 March 2009
Corporate Social Responsibility and Culture	Gender disparity in Australian workplaces, such as the disparity between men and women in leadership roles, perpetuates existing stereotypes about the role of women, both at work and in society in general, and exacerbates gender pay inequity	According to research of ABS statistics by Goldman Sachs and JBWere, the disparity of income between males and females has deteriorated in many industries over the past 14 years in Australia.	'Australia's Hidden Resource: The Economic Case for Increasing Female Participation', Goldman Sachs & JBWere, November 2009
		Currently, female graduates earn \$2000 per annum less than male graduates on entering the workforce.	Women in Leadership, Australian Human Rights Commission, 2012
		The World Economic Forum's Global Gender Gap Report (which benchmarks gender-based disparities on economic, political, education and health-based criteria by country) found that despite a high score in educational attainment, Australia has slipped from an overall rank of 15 in 2006 to 23 rd in 2011, indicating that improvements in diminishing the gender gap in this country are not progressing at the same rate as other nations.	Graduate Careers Australia, 'Gradstats 2011', Dec 2011
			Global Gender Gap Report 2011, World Economic Forum, 2011

	More gender diversity on boards may lead to greater corporate transparency and improved ethical orientation	Fortune 500 companies that had higher numbers of women on their boards in 2010 were more likely to be listed on either or both <i>Ethisphere Magazine's</i> 'World's Most Ethical Companies' and <i>Corporate Responsibility Magazine's</i> '100 Best Corporate Citizens List'.	Larkin, M., Bernardi, B., & Bosco, S., 'Board Gender Diversity, Corporate Reputation and Market Performance', <i>The International Journal of Banking and Finance</i> , 2012
	More gender diversity protects women against sexism and sexual harassment	The presence of more women working in an area, particularly in senior leadership roles, can counter the imbalance of power between men and women. As the number of women working in an area increases, the dominant culture shifts and male cultural traits that are associated with sexism and sexual harassment are diluted in their effects.	Sojo, V. & Wood, R. 'Women's Fit, Functioning and Growth at Work: Indicators and Predictors', 2012
Leadership, Team Performance and Motivation	Women bring different leadership skills and behaviours to the table	A meta-analysis of 45 studies on leadership styles found that women were more likely than men to have a 'transformational' leadership approach (where leaders establish themselves as role models by gaining followers' trust and confidence) than a 'transactional' leadership approach (where leaders establish give-and-take relationships that appeal to subordinates' self-interest). Women are also perceived to adopt a more participative and collaborative style.	Eagly, A., & Carli, L., 'Women and the Labyrinth of Leadership', <i>Harvard Business Review</i> , September 2007
		Although consistent differences in the perceptions of leadership practices of male and female managers have been found to be evident, studies have found that the genders are equal with respect to overall effectiveness	Kabanoff, R., 'Gender Differences in Organisational Leadership: A Large Sample Study', , Ph.D. Management Research Group, August 1998
	Diverse teams are smarter and more effective	Along with social sensitivity and equal turns at conversation, studies have suggested that the "collective intelligence" of a group is strongly correlated with the proportion of females in the group, making for smarter and more effective teams.	Williams Woolley, A. et al. 'Evidence for a Collective Intelligence Factor in the Performance of Human Groups', <i>Science</i> v. 330, p. 686 (2010)
	Diverse teams are more creative	Heterogeneous top management teams relate to more creative idea generating, and are thus linked to more innovative organisations.	Marinova, Plantegna & Remery 'Gender Diversity and Firm Performance', <i>Utrecht School of Economics</i> , January 2010
	More women in leadership roles provides more motivation for women to succeed	A Catalyst survey found that 64% of women see the absence of role models as a barrier to their career development. Almost as many women said that a lack of mentoring was a barrier to career progression.	'Women Matter: Gender Diversity, a corporate performance driver, McKinsey & Company, 2007
	Diversity programs have a positive impact on motivation	A European Commission study found that 60 percent of companies identified improvement in motivation and efficiency as a key benefit of diversity policies.	'The Costs and Benefits of Diversity: A Study on Methods and Indicators to Measure the Cost-Effectiveness of Diversity Policies in Enterprises', European Commission, October 2003



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Better Utilization of Human Assets	Women constitute a large proportion of the workforce	Women comprise 45.6 percent of the total labour force in Australia. The female labour force participation rate is 65.3 percent.	ABS data in 'Stats at a Glance', EOWA, April 2012
	Women make up more than half of all graduates	In 2009 58 percent of university graduates in the US and UK were women.	'The Gender Dividend: Making the business case for investing in women', Deloitte, 2011
		Women currently make up 58 per cent of Australia's tertiary education enrolment.	'Game-changers: Economic Reform Priorities for Australia', Grattan Institute, 2012
	Highly qualified and educated women are being underutilised	For instance: despite accounting for 45% of PhD graduates in the EU in science, research and development in 2006, women accounted for just 18% of the most senior researchers in the same year.	More Women in Senior Positions, European Commission, January 2010

Please note that this table is updated periodically Nov 2012

For further information about the Gender Equality Project, please email us on gep@mbs.edu