

## Gender Themes: Business case

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There is a growing body of evidence that more diversity at senior levels brings economic benefits. Below is a brief summary of some of the evidence.

IMF research, which looked at 2 million firms in 34 countries in Europe, found that the more women in senior managerial positions and in corporate boards, the more profitable firms are. Adding one more woman in senior management or on a corporate board, while keeping the size of the board unchanged, is associated with 8 to 13 basis points higher return on assets<sup>1</sup>.

McKinsey's 2017 'Women Matter' research, based on ten years of research, found a difference in return on equity of 47% between global companies with the most women on their executive committees and those with none, and a 55% difference in operating results<sup>2</sup>. In their 'Delivering through diversity' report released in 2018, they also identified that companies in the top quartile for gender diversity on executive teams are 21 percent more likely to outperform on profitability and 27% more likely to have superior value creation<sup>3</sup>.

Grant Thornton highlighted that companies with diverse executive teams outperform competitors run by men only. In the UK, it estimates the impact of moving to mixed boards on the FTSE 350 could boost GDP by around 2.5%<sup>4</sup>.

The Pipeline found in 'Women Count, 2017' that profit margins are almost double in FTSE 350 companies with at least 25% females on their Executive Committee compared to those with none<sup>5</sup>.

There are also similar correlations in the fund management arena. The HFRX Women index, which pulls together the performance of female hedge fund managers, found hedge funds run by women have generated returns two times higher than their male counterparts this year<sup>6</sup>.

We know that the fastest way to achieve gender diversity in organisations is by investing in the women you already have. This is based on our experience working with clients over the last five years to increase the number of women in senior roles. For example, on our "Top Flight" programme (for women typically one level below executive committee), 88.6% of participants are still with, and thriving at, their company. Boston Consulting Group's research validates our conclusions, whilst senior managers tend to focus on recruiting more women, retaining and promoting women already in the pipeline had a far greater impact<sup>7</sup>.

- <sup>1</sup> IMF, *Unlocking Female Employment Potential in Europe*, 2016 - <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2016/12/31/Unlocking-Female-Employment-Potential-in-Europe-Drivers-and-Benefits-43712>
- <sup>2</sup> McKinsey, *Women Matter: ten years of insight on gender diversity*, 2017 - <https://www.mckinsey.com/global-themes/gender-equality/women-matter-ten-years-of-insights-on-gender-diversity> (the link to a pdf of the full report is at the top and bottom of the web page summarising the findings)
- <sup>3</sup> McKinsey, *Delivering through Diversity*, 2018 - <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity> (the link to a pdf of the full report is at the top and bottom of the web page summarising the findings)
- <sup>4</sup> Grant Thornton, *Women in Business: The Value of Diversity*, 2015 - [https://www.grantthornton.global/globalassets/wib\\_value\\_of\\_diversity.pdf](https://www.grantthornton.global/globalassets/wib_value_of_diversity.pdf)
- <sup>5</sup> The Pipeline, *Women Count*, 2017 - <http://www.execpipeline.com/research/women-count-2017/>
- <sup>6</sup> Financial Times, *Female hedge funds outperform those run by men*, 2017 - <https://www.ft.com/content/8bffa2c4-99f3-11e7-a652-cde3f882dd7b>
- <sup>7</sup> The Boston Consulting Group (2017): *What's Working to Drive Gender Diversity in Leadership* – <https://www.bcq.com/en-au/publications/2017/whats-working.aspx>