

The Business Case for Gender Diversity

INTRODUCTION

According to Cheskin Research, women are leaving corporate America at twice the rate of men. Why are they leaving? In an article published by The Conference Board entitled *Escape From Corporate America*, author Laurel Delaney states, "...they are seeking freedom, flexibility, recognition, more money, and opportunities to leave a legacy..." In a study entitled *Women Entrepreneurs: Why Companies Lose Female Talent And What They Can Do About It* (conducted by Catalyst, the National Foundation for Women Business Owners, the Committee of 200, and Salomon Smith Barney), the study participants cited the following four reasons for leaving corporate jobs to start their own businesses:

- The need for more flexibility (51%)
- The "glass ceiling" (29%)
- Unhappiness with the work environment (28%)
- Lack of challenge (22%)

The study participants further defined "the glass ceiling" and "unhappiness with the work environment" via the following statements:

- Their contributions were not recognized or valued
- They were not taken seriously
- They felt isolated as one of few women or minorities
- They were excluded from informal networks
- They were excluded from training opportunities
- They faced inhospitable corporate cultures

Why should companies be concerned about this exodus of women? Certainly there are significant costs associated with turnover and the loss of valuable institutional knowledge. However, there are also significant competitive advantages that can be gained by companies that pursue and properly manage gender diversity. These advantages include:

- Better financial results
- Improved access to a growing, well-educated segment of the workforce
- Improved market share
- Better management

Sample research findings and related data sources are provided on the following pages.

The Business Case for Gender Diversity

BETTER FINANCIAL RESULTS

“...the 25 Fortune 500 firms with the best record of promoting women to high positions are **between 18 and 69 percent more profitable** than the median Fortune 500 firms in their industries.”

Adler, Roy D. (2001). *Women in the Executive Suite Correlate to High Profits*. Glass Ceiling Research Center. <http://glass-ceiling.com/InTheNewsFolder/HBRArticlePage1.html>

“The group of companies with the highest representation of women on their top management teams experienced better financial performance than the group of companies with the lowest women’s representation. This finding holds for both financial measures analyzed: Return on Equity (ROE), which is **35.1 percent higher**, and Total Return to Shareholders (TRS), which is **34.0 percent higher**.”

Catalyst. (2004). *The Bottom Line: Connecting Corporate Performance and Gender Diversity*. <http://www.catalystwomen.org/research/leadership.htm#bottomline>

“Between 1997 and 2002...(sales for) privately held 50% or more women-owned businesses...were **up 32%** compared to an increase of 24% for all firms.”

Center for Women’s Business Research. (2003). *Nearly Half of All Privately Held U.S. Businesses are Women-Owned*. Press Release dated May 6, 2003. <http://www.nfwbo.org/Research/5-6-2003/5-6-2003.htm>

IMPROVED ACCESS TO A GROWING, WELL-EDUCATED SEGMENT OF THE WORKFORCE

“Women’s share of the labor force is expected to increase from 46.5 percent in 2002 to 47.5 percent in 2012.”

Toossi, M. (2004). *Labor force projections to 2012: the graying of the U.S. Workforce*. Monthly Labor Review, February 2004. U.S. Department of Labor, Bureau of Labor Statistics. <http://www.bls.gov/opub/mlr/2004/02/art3exc.htm>

In the academic year 2001-2002, women earned 57.4% of bachelor’s degrees, 58.7% of master’s degrees, and 46.3% of doctorates.

U.S. Department of Education, National Center for Education Statistics. (2003). *Postsecondary Institutions in the United States: Fall 2002 and Degrees and Other Awards Conferred: 2001-02*. <http://nces.ed.gov/fastfacts/display.asp?id=72>

The Business Case for Gender Diversity

IMPROVED MARKET SHARE

“In consumer businesses, the more a company mirrors its markets demographically, the better positioned it is to sense and respond to evolving market needs.”

Catalyst. (2002). *Making Change: Creating a Business Case for Diversity*. <http://www.catalystwomen.org>

“Women are responsible for **83%** of all consumer purchases... When you add the purchasing officers who are women, it is an American Woman’s Economy that accounts for **over half of the U.S. GDP**... about \$5 trillion.”

Barletta, M. (2002). *Marketing to Women: How to Understand, Reach, and Increase Your Share of the World’s Largest Market Segment*. Dearborn Trade Publishing.

“Forty-six percent (**46%**), nearly half, of all businesses are at least 50% owned by a woman or women.”

Center for Women’s Business Research. (2003). *Top 10 Facts About Women Business Owners*. <http://www.nfwbo.org/key.html>

“The number of women-owned employer firms grew by **37%** between 1997 and 2002, **four times** the growth rate of all employer firms.”

Center for Women’s Business Research. (2003). *Top 10 Facts About Women Business Owners*. <http://www.nfwbo.org/key.html>

“Women-owned firms continue to **diversify into all industries**. Construction, manufacturing and transportation have seen the largest recent increases in the number of women-owned firms, although services and retail still make up the largest share of women-owned firms.”

Center for Women’s Business Research. (2003). *Top 10 Facts About Women Business Owners*. <http://www.nfwbo.org/key.html>

BETTER MANAGEMENT

Women possess a unique combination of interpersonal and work ethic traits that seem tailor-made for the management ranks... in a study of 425 high-level executives performed by the Hagberg Consulting Group, female managers were rated higher than their male counterparts in 42 of 52 skills measured.

Collison, J. *Female bosses rate higher as effective leaders: What must employers and males do?* http://www.employerhelp.org/jimcollison/stories/female_bosses.htm

The Business Case for Gender Diversity

“For five years data was collected on 2,482 managers (1,727 males, 755 females) from 459 organizations across nineteen states...Employees rated female managers higher than male managers in seventeen of the twenty skill areas, fifteen at a statistically significant level...Bosses rated female managers higher than male managers in sixteen of the twenty skill areas, all sixteen at a statistically significant level.”

Pfaff, L. “*Women Versus Men as Managers – Are they different?*” <http://www.selectpro.net/index.php/ScrArtWomenMen.html>

“What the studies really show is that the best bosses for today’s workforce are people – men as well as women – who have leadership styles most often associated with women and more often possessed by women than by men.”

Collison, J. *Female bosses rate higher as effective leaders: What must employers and males do?*
http://www.employerhelp.org/jimcollison/stories/female_bosses.htm

CONCLUSION

When managed properly, gender diversity creates incremental opportunities for both women and men. These opportunities result from improvements in sales, profits, market share, access to talent, and management performance.

Both men and women have unique and valuable talents to contribute to organizations. When these talents are merged in a supportive, equitable business culture, the result is **not** a redistribution of promotions, authority, and other rewards from men to women. Rather, the result is the creation of a larger and growing “pie” that can be shared by all participants. This “win-win” scenario provides a meaningful justification for active participation by both men and women in gender diversity programs.

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