GENDER DIVERSITY: THE COMMERCIAL IMPERATIVE
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Gender diversity in the workplace continues to be a pressing issue in 2018. Female representation and wage parity dominate the headlines; in the UK, the April deadline for gender pay and bonus gap reporting has highlighted gender inequality in the largest organisations across the globe.

Why the discussion?

At Phaidon International, we find that identifying good practice, policies and initiatives to improve workforce diversity and inclusion are of paramount importance for our partners. Throughout 2018, we will be running a global series of positive, action-orientated Diversity & Inclusion events with notable guest speakers and industry experts.

The common themes of these initiatives will be to share pragmatic and proven successful practices that can tangibly improve diversity and inclusion within the workplace. By doing so our valued partners can enhance their access to wider talent pools for their meritocratic workplaces. This research paper complements the aforementioned events, showing the workforce we surveyed believes using a factual financial business case as part of formal training will further enhance gender diversity in the workplace.

Armed with knowledge of the business case and evidence to back it up, we believe that you can change the conversation in the workplace from ‘Why invest in gender diversity?’ to ‘Can we afford not to?’ We believe that corporate reputation, doing the ‘right thing’ and consideration for the bottom line are not competing outcomes. When they successfully align, organisations will have the best conditions to improve gender diversity in the workplace. This can only be a good thing.

Why this paper?

Last year, McKinsey published the paper ‘Women in the Workplace 2017’. One of their findings indicated that the majority (60%) of the workforce and leaders agreed that commitment to gender diversity was ‘the right thing to do’, yet there was little consensus in other areas. 52% of employees believed that contribution to a “positive image of the company” was the motivating factor for company engagement with gender diversity, compared to just 23% of CEOs. The key finding that caught our attention was that while 90% of CEOs reported they prioritised gender diversity because it “leads to better business results”, less than half (42%) of their employees agreed.

We wanted to understand how this difference emerged and created a cross-industry survey. We asked our respondents why employees are less aware of the business case for gender diversity.

Based upon these findings, the aims of this paper are three-fold:

1. Ask and answer the question, “Why are employees less aware of the business case for gender diversity?”

2. Make clear recommendations on how organisational leadership can raise awareness of the business case for gender diversity within the workforce and further engage employees as advocates.

3. Provide a concise summary of current research that demonstrates the positive correlation between gender diversity and financial performance that you can use to support your own business case.

We are committed to championing diversity and inclusion in the workplace. If you would like to register your interest in our future events and research, please send your name, role and location to: diversity@phaidoninternational.com
AT A GLANCE
Key survey findings

1. The vast majority (69%) of respondents personally believed that gender diversity improves financial performance. 40% of male respondents were less convinced.

2. Only a third of all respondents and 25% of women surveyed said they had received gender diversity training from their organisation.

3. Where respondents had received training, two thirds (64%) said it did not include the business case for gender diversity.

4. Where a business case was presented, 42% said empirical evidence was not used to back it up.

5. Respondents think that employees may disagree or be unaware of the business case because:
   - Leadership does not promote or overtly highlight it (60%).
   - Leadership does not provide evidence (75%).
   - Gender diversity is championed by HR as only a ‘people-related’ issue rather than also a ‘business-related issue (70%).

Recommended actions

The overarching feedback from our survey is that employees want to feel that merit is the deciding factor for hiring; not gender, race, or other background.

With this in mind, based on their feedback, we recommend that you:

1. Incorporate formal training of your organisation’s approach to gender diversity into your on-boarding and induction process.

2. Continue to communicate the issue with employees regularly, not as a yearly (or less frequent) campaign. Gender diversity must be championed by the Board.

3. In all circumstances present and evidence the business case as part of formal training and communication. The promotion of the business case seems to be the missing piece of the puzzle.

4. Expand the talent pool by sponsoring and mentoring women during their secondary education; advertise a career with your firm prior to graduate recruitment.

5. Create an organic leadership pipeline that actively identifies meritocratic talent from all diverse talent pools and gives access to role models for the next generation.

6. Track performance: where possible measure the impact of improved gender diversity in your workplace across key measures such as employee engagement, retention and financial performance.

“69% OF RESPONDENTS BELIEVE GENDER DIVERSITY IMPROVES THE BOTTOM LINE”
About the audience

We had responses from over 30 countries, ranging from Cambodia to Cabo Verde; however, the majority of professionals surveyed lived in the USA and the United Kingdom. Of those who responded, 63% were male, 34% were female, 1% identified as other and the rest preferred not to say. 81% were over 30 years old; however, our female audience was proportionally younger, with over a quarter (27%) being between the ages of 18-29, compared to 16% of the male audience.

Those surveyed occupied a broad range of industries, including Banking and Financial Services, Technology, Life Sciences, Infrastructure & Energy, and Corporate Leadership (e.g. Procurement & Supply Chain, OPEX, Finance & Audit). In some industries there was a gender representation gap of around ten percent. A quarter of female respondents said they worked in Life Sciences (25%) compared to 16% of male respondents. Male respondents were more likely to work in Technology and Infrastructure & Energy compared to female respondents, with a quarter (26%) working in Technology compared to 14% of women, and 14% occupying roles in Infrastructure & Energy compared to just four percent of women.

Our respondents were very well educated and experienced; over half (53%) had a Masters or PhD and a third (32%) had over 20 years’ experience in their field.

What is your gender?

- Male 63%
- Female 33%
- I identify as other 1%
- Prefer not to say 3%
What is your age?

**Female**
- 18-29: 27%
- 30-39: 27%
- 40-49: 25%
- 50-59: 18%
- 60 or over: 3%

**Male**
- 18-29: 16%
- 30-39: 32%
- 40-49: 26%
- 50-59: 17%
- 60 or over: 9%

What industry do you work in?

- **Banking and Financial Services**
  - Male: 26%
  - Female: 30%
- **Life Sciences**
  - Male: 16%
  - Female: 25%
- **Technology**
  - Male: 26%
  - Female: 14%
- **Corporate Leadership**
  - Male: 14%
  - Female: 4%
- **Infrastructure and Energy**
  - Male: 14%
  - Female: 9%
- **Other**
  - Male: 2%
  - Female: 9%
Why are employees less aware of the business case for gender diversity?

We asked our respondents why employees might disagree or be unaware of the business case for gender diversity. The majority of those we surveyed (60%) agreed that employees may disagree or be unaware of the business case because leadership does not promote or overtly highlight it, with over a third (37%) agreeing and a quarter (24%) strongly agreeing.

Furthermore, the majority of those we surveyed (74%) agreed that employees may disagree or be unaware of the business case because leadership does not provide evidence to support the argument; with two fifths (42%) agreeing and a third (32%) strongly agreeing.

As one respondent commented, “People would like to see evidence and details on the studies done. You cannot turn your head away once something is presented factually and methods of fact collection are made transparent.”

Finally, the majority of those surveyed (70%) thought that employees may disagree or be unaware of the business case because gender diversity is championed by Human Resources primarily as a ‘people-related’ issue, rather than a ‘business-related’ issue; with two fifths (39%) agreeing and a third (31%) strongly agreeing.
Does diversity boost the bottom line?

The majority of respondents believed that gender diversity improves the financial bottom line (69%). However, women were far more enthusiastic, with 88% responding that they believed gender diversity improves financial performance. Comparatively, only 60% of male respondents agreed.

When we asked if they had received formal training, communication, or attended seminars highlighting their organisation’s approach to gender diversity, only a third said that they had. Again, there were noticeable gender differences; 74% of women felt they had not received any communication about their current organisation’s approach to gender diversity, yet this figure decreased ten percentage points for men – more felt they had received significant communication.

Of those who felt their organisation did communicate their approach to gender diversity, the majority (64%) said that they had not been presented a business case. For the minority that had been presented a business case, over half (58%) said empirical information was used to back up the argument.

However, there was a significant difference between men and women’s perceptions; very few women felt that they were presented with a business case for gender diversity (12%), yet more men said they had (41%). Interestingly, however; of those who agreed that they had been presented with a business case, 75% of women said that empirical information had been used to back it up compared to 58% of men.

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Do you believe that gender diversity improves financial performance?

- Yes
- No

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<td>88%</td>
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Have you received formal gender diversity training?

- Yes
- No

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<td>No</td>
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Were you presented a business case?

- Yes
- No

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If yes, did they support the case with empirical evidence?

- Yes
- No

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**Have you received gender diversity training?**

- Yes: 44%
- No: 56%

**Have you been presented with a business case?**

- Yes: 33%
- No: 67%

**If yes, was the business case supported with empirical evidence?**

- Yes: 57%
- No: 43%

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**Female leadership and financial performance**

Based upon current research that an increase in female leadership has the biggest impact on financial performance, we asked our respondents if this had been communicated as part of their training.

Where a respondent said they were presented a business case for gender diversity, backed by empirical evidence, the majority (65%) said that their company had emphasised that increased female leadership had the biggest impact on financial performance.

However, 61% had not been shown that sustained female representation on the Board (for more than three years) had the most significant impact on financial performance. A key finding from Catalyst’s research found that Fortune 500 companies with gender diverse Boards had a higher return on investment, return on sales, and return on equity.

For more research and evidence about the positive relationship between increased female representation in leadership and financial performance, see the next section, ‘The business case for gender diversity’.

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**As part of the business case, were you shown that:**

**Increased female leadership had the biggest impact on financial performance?**

- Yes 65%
- No 35%

**Sustained female representation on the Board had the most significant impact?**

- Yes 39%
- No 61%
“ONLY A THIRD OF RESPONDENTS SAID THEY RECEIVED GENDER DIVERSITY TRAINING”
THE BUSINESS CASE FOR GENDER DIVERSITY
This section summarises some of the studies conducted over the last few years that explore the relationship between gender diversity and financial performance. Their findings provide empirical evidence to support the business case.

As our survey, and McKinsey’s, results have shown, companies and employees do not necessarily see eye to eye on why gender diversity is important. Our study found that the majority of those surveyed blame a lack of awareness of the business benefits on the fact that company leadership rarely promote them.

Furthermore, our findings suggest that when an employee is given gender diversity training without inclusion of the business case, or without evidence, they are marginally more likely to be sceptical that gender diversity has a positive impact on financial performance.

Published in 2017, a case study that examined the business performance of college students at pre-entry level suggested that businesses excelled when women were involved in senior management and C-suite positions.

Girls with Impact partnered with the University of Connecticut to research how women performed in the university’s principal student entrepreneurship competition within 299 teams over five years. Over $30,000 is awarded to the best teams after a written application and a 20-minute pitch.

- Despite making up a minority of participants (17.8%), women made up more than 50% of winning teams.
- Broken down in terms of seniority, 53% of winning teams had at least one female founder and 35% had a woman CEO.
- For first place teams these statistics are even more impressive, 60% had a female founder and 40% had a woman CEO.

In their report Diversity Matters, published in 2015, McKinsey examined proprietary data sets for 366 public companies across industries in Canada, Latin America, the UK and the US.

- They found that companies in the top quartile for gender diversity are 15% more likely to outperform those in the bottom quartile.
- In the UK, McKinsey found that greater diversity on the senior-executive team corresponded with the biggest performance uplift for their data set: for every 10% increase, Earnings Before Interest & Tax (EBIT) rose by 3.5%.

- In Europe, of 89 publicly traded companies with a capitalisation of over £150 million, those with more women in senior management and the board reported more than 10% higher Return on Equity than companies with the lowest percentage of representation.

In an update to this publication in 2017, Delivering through Diversity, McKinsey used data from 2012-2015 to analyse gender diversity at the executive level at 754 global and cross industry companies. As Vivian Hunt, McKinsey’s UK managing partner, argued, “Parity in the workforce alone is not what matters most for value creation”.

- The report found that companies in the top quartile for gender diversity at executive level were 22% more likely to outperform their national industry average than those in the bottom quartile, based on EBIT.
- From their analysis, McKinsey found that when there are 20% or more women at the decision-making level, there is the strongest correlation with improved financial performance.

Women on Boards, the 2015 report by MSCI, explores how companies with strong female leadership performed against those without. They defined ‘strong female leadership’ as the presence of three or more women on a board, or a company having a higher percentage of female directors than the average in its country.

- Companies with strong female leadership outperformed those without by 2.7% Return on Equity – with 10.1% per year versus 7.4%.
Similarly, in Women in Business: the Value of Diversity, Grant Thornton analysed the financial performance of 1,050 companies operating in the US, UK and Indian markets to discover the impact of gender diversity on the bottom line. They found that though there has been a marked improvement of representation, where 484 of the Fortune 500, 330 of the FTSE 350, and 176 of the Indian CNX 200, all had women on their boards, only 127 actually employed women as executive directors.

Grant Thornton decided to analyse the financial performance of the companies who had women acting in the day-to-day running of the business. Based on return of assets (ROA), these companies outperformed those with male-only boards by a significant margin.5

- In the US, S&P 500 companies with diverse boards outperformed those with male-only boards by 1.9%, from 6.77% to 8.68% ROA.
- In India, CNX 200 companies the performance increase was +0.85% from 6.68% to 7.53% ROA.
- In the UK, there was a smaller but still significant increase of +0.53% for FTSE 350 companies, from 6.18% to 6.71% ROA.

Based on their findings, Grant Thornton

**Gender diversity training is essential to increase employee buy-in when welcoming diverse talent into the fold.**
estimates that the three economies have a total opportunity cost of $655 billion for the companies with male-only boards.

- In the UK and US, the impact of moving to diverse boards on the S&P 500 and FTSE 350 could increase GDP by around 3%.

A report designed by Catalyst, The Bottom Line, examined whether an empirical link exists between gender diversity in corporate leadership and financial performance. Though the studies do not imply that correlation equals causation, the findings are statistically significant enough to suggest that financial measures excel where women serve, due to the strength and consistency of increased performance over time.6 Catalyst analysed the economic results of Fortune 500 companies between 2004 and 2008.

- Companies that were in the top quartile of Woman Board Directors (WBD) outperformed those in the bottom quartile by +16% Return on Sales (ROS).

- Companies that were in the top quartile of WBD outperformed those in the bottom quartile by +26% Return on Invested Capital (ROIC).

- The positive correlation between gender diversity and financial performance is particularly evident where companies with sustained WBD (three or more in at least four or five years) significantly outperformed those with sustained zero representation by +84% on ROS, +60% on ROIC, and +46% ROE.

A survey of over 22,000 publicly traded companies, in 91 countries, conducted by The Peterson Institute for International Economics suggests that having more women in senior management (the board and C-suite) increases profitability.7 The co-author Becker believes that one of the reasons for this correlation is that “increased skill diversity within top management... increases effectiveness in monitoring staff performance” and promotes “less gender discrimination through the ranks, which helps to recruit, promote and retain talent”.

- Companies with over 30% female executives rake in as much as six percentage points more in profits.

Most recently, The Global Leadership Forecast 2018 by Development Dimensions International, The Conference Board and EY analysed demographic data from over 2,400 organisations in 54 countries. They found that companies that have 30% gender diversity overall, and more than 20% at the senior level, outperform their less diverse counterparts in key leadership and business outcomes.8

- Overall, gender diversity contributed to these companies being 1.4 times more likely to have sustained profitable growth.

The evidence suggests that women make the most impact on the bottom line when they occupy decision-making roles. This underscores the importance of identifying and promoting female talent to create a pipeline of female managers and strong leadership role models.

As Tyler Moran, co-author of the Peterson Institute study, argues, “If you’re a firm and you’re discriminating against potential female leaders that means you’re essentially doing a bad job of picking the best leader for your firm.”

As the business case for gender diversity amplifies, companies may have to deal with fundamental challenges to their culture and may have to prepare their workforce for the discomfort of working with people unlike themselves. Aversion to change is one of the greatest challenges to implementing diversity and inclusion in the workplace, and one that we often forget.

In 2014, a study from MIT found that offices with greater gender diversity performed better financially, but they had lower levels of social capital, which builds up in networks with shared norms, values and understanding. Shifting from an all-male or all-female office to one split evenly along gender lines increased revenue by 41 percent.9

As MIT economist Sarah Ellison said, “People may like the idea of a diverse workplace more than they like actual diversity in the workplace.”

Management will need to recognise and support the needs of employees as they adjust. Employees need reassurance that progression is based purely on merit, and not due to gender. Gender diversity training is essential to increase employee buy-in when welcoming diverse talent into the fold; they need to be shown that the diversity of thought and experience that someone brings is a part of their skillset. The key counterpart to diversity is inclusion – and this works both ways. As current employees learn to embrace change, they need to know that they are included in the conversation, and that they can express their concerns without prejudice.

For your benefit, in the last chapter of this report, we have included personalised responses from our survey so that you can understand the workforce’s concerns surrounding gender diversity in the workplace. Some of the opinions expressed may make for uncomfortable reading; however, for a small minority of the workforce, this is their reality.
Women in the workforce

In the UK, 42% of London firms are not confident that they’ll be able to recruit people with the high level skills that they need over the next five years.10 In the US, according to the Department of Labour, in 2017 there were 6.1 million jobs that employers struggled to fill due to a shortage in skilled workers.11 In Asia-Pacific, talent shortages are more widespread than any other region, with this trend set to increase as the region contains some of the world’s fastest growing economies. A study from 2017 found that 97% of businesses in China were still struggling to find the talent they need and expect that the skills shortage will continue to impact their operations.12 Employers across the APAC region are experiencing skills shortages above the global average.13

By making an investment to develop women as skilled workers and potential leaders, as well as appreciating their impact on the economy and the bottom line, there is a great opportunity to increase sales and to improve the recruitment and retention of talent. As Joe Keefe, the CEO of PAX World Mutual Funds argues, “The evidence is mounting that investing in women makes good business sense” and the burden should shift to ask the question “why not invest in women?”

These talent shortages are expected to increase globally, particularly in the technology and engineering industries, providing the need to look outside the current talent pool, consider upskilling current employees, and the opportunity to re-examine female potential. Globally, women disproportionately occupy low and medium skilled jobs, even in developed countries, and often constitute the majority of the informal labour market.14

According to ILO.org, world-wide over 6 million women are own-account or contributing family workers.15 In Asia-Pacific, only 30% of women are in non-agriculture employment, with only 20% in South Asia – the lowest region in the world. Unpaid work on family agricultural enterprises accounts for 34% of informal employment in India.14 A study carried out by The Work Foundation showed that the proportion of young women doing low paid, low skilled jobs in the UK has trebled for the last twenty years.17 In the US, 29% of women work part time compared to 15% of men, and constitute the majority of the low wage workforce at 59%.18

While education may be a contributing factor to the gender skills gap, increasing gender parity in education does not necessarily prevent women being concentrated in middle or lower paid occupations. Even at entry level fewer female university graduates are hired than men despite making up the majority of graduates. Since 2003, globally women have overtaken men in educational attainment.

In the EU-28, 57.6% of all grads are women and in the US, 37% of women hold at least a bachelor’s degree compared to 34.9% of men.19 In Asia-Pacific, a survey conducted by MasterCard revealed that women outnumbered men in 10 out of 16 markets in gross tertiary education enrolment rate. While in certain markets such as the Philippines, there was a strong correlation between tertiary education attainment and business leadership; women in the majority of the Asia-Pacific markets are underrepresented in leadership positions despite their education.20

However, this may be partly due to women being underrepresented in certain fields, such as science and engineering, and overrepresented in others, such as education and health.

As the global economy slowly recovers, employers are still struggling to acquire the talent they need. The supply of skilled workers has remained unchanged, while there has been an increasing demand: resulting in a tightening market.
In 2014, on average three times more men than women graduated with an engineering degree, and four times more women than men graduated with a degree in education. Grads in engineering earn on average 10% more than other tertiary-educated adults, while those in education earn about 15% less – contributing to gender disparity in earnings as well as representation.

Women are also still less likely than men to not pursue further education such as doctoral or equivalent programmes. While there is an ongoing drive to get more women involved in STEM fields and further education, even in other fields women are still hired and promoted less at entry level than men.

Female representation in leadership

“In the future there will be no female leaders. There will just be leaders.”
Sheryl Sandberg

Globally, the evidence mounts that increased female representation in critical decision-making positions has a positive impact on a company’s financial performance (though a causal link has not been established). Yet women continue to be underrepresented in senior roles and they are more likely to be passed over for promotion.

Though the figures paint a picture of slow but gradual improvement, women held just under a quarter of senior positions (24%) worldwide: a marginal increase of 3% over five years.
However, over a third of global businesses had no women in senior management, a figure that hasn’t improved since 2011. In a recent report, Catalyst estimates that at the current rate of change, gender parity will not be reached until 2060. Worldwide, women only hold 15% of board seats.

The US Government Accountability Office (GAO) reported a growth of only one percent in women managers from 39% to 40% between 2000 and 2007, despite women making up 47% of the US workforce. When looking across all industry sectors, and adjusting for factors usually used when examining salary levels, such as age, hours worked beyond full time, and education; the GAO estimated that female managers earned 81 cents for every dollar earned by male managers. In the US there are small signs of improvement, across all senior roles in 2016, 23% were held by women, a record high since 2007. Yet conversely, the percentage of businesses with no women at all increased to almost a third (31%). In 2017, women represented 16.9% of Fortune 500 board seats, and only 4.6% were CEOs.

In Europe the picture from 2016 was less promising, though women make up 45% of the workforce they are proportionally underrepresented in senior positions. While Italy has more than a quarter of women in senior roles (29%), Germany (15%), the Netherlands (18%), and Ireland (19%) performed lower than the global average. In the UK, female representation in senior roles declined by one percent (21%) and more than a third (36%) of businesses had no women at all – a record low. Among the largest publicly listed companies in the European Union (EU-28), only 5% of CEOs and 15% of executives were women. Though in the UK the percentage of women on FTSE 100 boards rose to 27.6%, fewer than ten percent were for executive directorships. Notably Norway, the first country to introduce a gender quota, reported 42% of board seats were occupied by women and seven percent were board chairs. In proportion to its amount of women in senior positions, Italy had 28% female board seats, though the percentage of board chairs decreased 14% from 2015 to 9%.

In Asia-Pacific, disparity emerged between the developed and developing regions for women’s representation in senior roles. According to the Grant Thornton International Business Report, in developing APAC there has been an increase overall from 26% in 2016 to 29% in 2017. The Philippines, Thailand and Indonesia outperformed the global average with 39%, 37% and 36% respectively. In developed APAC however; only 13% of senior roles were held by women, a figure that has stagnated over the last three years. In Japan just 7% of senior roles were occupied by women and almost three-quarters (73%) of businesses had no female representation whatsoever.

Female board representation has improved across Asia-Pacific, with 12.4% seats in HIS Index companies in Hong Kong, and a huge increase over four years from 9.7% in Malaysia to 14.6%. Australia improved with 20% representation and five percent board chairs, while New Zealand had a staggering ten percent increase from 2015 to 28% board seats and 11% board chairs. Overall in Asia-Pacific, only 7.8% of board seats are occupied by women.

Worldwide we can see that there is some improvement to address gender diversity in business, yet women are disadvantaged at entry level and the trend continues throughout their career progression, shrinking the talent pool for potential leadership.

One of the greatest obstacles to increased board diversity is its slow pace of turnover; however 23% of board seats at S&P 1500 companies are currently held by directors approaching the standard retirement age of 72. This presents a fantastic opportunity to promote talented women into critical decision-making roles within business. As we examined in the previous section, there is a clear business case for improving gender diversity; having more women in management and board seats directly impacts the bottom line. Restructuring the talent pipeline to better retain and promote women to the top is a commercial imperative.

Worldwide we can see that there is some improvement to address gender diversity in business, yet women are disadvantaged at entry level and the trend continues throughout their career progression, shrinking the talent pool for potential leadership.
Clearly, gender diversity continues to be a passionate topic in the workplace.

To gain a more nuanced understanding of why employees may disagree or be unaware of the business case for gender diversity, we also gave our respondents an open comment box so that they might contribute their individual insight. They did not hesitate to share their opinions: we had a record number of personal responses – half of those surveyed gave a comment on why they thought employees might be unaware of the business case for gender diversity.

It is interesting to note that many of our respondents felt that when gender diversity was mentioned, the positive benefits were not often promoted. As one Technology professional from Colorado commented, “The conversation is often focused more on the reason gender diversity may be lacking, rather than the benefits created.”

At Phaidon International, we are determined to change the conversation to focus on the positive benefits of gender diversity in the workplace. We strive to promote tangible recommendations and to take action on what we can do. We analysed all the personal comments that addressed why employees may not believe in the business case, and what positive actions our respondents recommended to change their minds. We categorised their responses into three categories: meritocracy, leadership and awareness.

Why employees may not believe in the business case

1. Meritocracy

Expanding on concerns surrounding gender diversity and affirmative action, 21% of respondents argued that the workforce may disagree or be unaware of the business case because, as one respondent put it, “cash makes the call, not gender, if you are bright you will make it to the top”.

According to one Banking professional in the UK, “Women receive unfair advantages through adoption of such practices [affirmative action]. Job roles should have nothing to do with gender, rather experience, qualifications and other personable traits”.

Among our respondents, there was consistent resistance to discussing the relationship between gender diversity and financial performance, they were concerned that the best candidate for the role should be “based on skill and productivity” and not gender.

Both men and women expressed the concern that the workforce may disagree with the business case because “people are not always placed on merit” and some had experienced “women getting promoted over better qualified men”. A female Banking professional from New Jersey lamented that her former boss had referred to her as “a very good diversity hire”. In her words, “I had mistakenly thought that he hired me on the merits of my qualifications and acumen, not my gender”.

21%

33%

46%

Meritocracy

Leadership

Awareness
“LEADERSHIP DOES NOT PUT WOMEN IN POSITIONS OF POWER AND SUPPORT THEM THERE”
However, meritocracy and affirmative action are not mutually exclusive concepts: they both argue for the similar treatment of all people, where those most qualified secure a job role; unhampered by barriers such as prejudice or preferences. Affirmative action policies are a substantive form of equal opportunity that seek to address past and present prejudices; helping candidates from disadvantaged groups to reach an even playing field with more advantaged ones. Affirmative action does not necessarily involve official quotas, but rather emphasises ‘targeted goals’ that help identify and train potentially qualified women and minorities.

According to a study by economists at the London School of Economics, gender quotas increase the competence of organisations by leading to the displacement of ‘mediocre’ men. Their findings directly counteract the argument against affirmative action policies – that they are unmeritocratic – top male talent does not need to fear their implementation.

Whatever the strategy to diversify, it is clear that employees have a strong sense of fairness. Both men and women want to feel that they are being hired for their talent and not just for the sake of ‘diversity’. If companies and hiring-managers employ more women to ‘tick a box’, the cultural understanding is not there, and they face alienating their current workforce and their potential candidate base.

Effective strategies for increasing gender diversity are about expanding the talent pool and creating an organic pipeline through mentoring and appropriate recognition. What both men and women want is the equal chance to prove themselves, equal chance for promotion into leadership roles, and equal support once they get there.

2. Leadership

A third of respondents commented that employees may be unaware of the business case for gender diversity due to company leadership. Though many levelled responsibility for the lack of awareness of the business case at management, they also argued that through a lack of diversity in top positions, the company was not supporting its own argument.

“Leadership does not walk the walk”, a Technology professional from New York argued, “they don’t put women in positions of power and support them there”. Another professional from Texas remarked that “many company leadership teams are all men” and if there is an exception to the rule, the woman “is head of something like HR or Legal, not a business role”.

These comments reflected a more general cynicism towards management. Respondents did not believe that employers were seriously investing in gender diversity efforts.

“Gender diversity is a token speech given annually”, said a Life Science professional from Illinois, “and diversity is defined as the flavour of the month without any action”. An Infrastructure professional from Texas expressed a similar viewpoint, “For the company, gender diversity is just another box to tick off – they will abide to the rule when they are told to do so”. When gender diversity was raised, many of our respondents felt that it was for the benefit of a company’s image.

One Audit professional said employers were unaware of the business case because leadership did not promote or demonstrate that gender diversity impacted financial performance, but discussed the issue to “maintain a certain reputation without making a real difference”. Similarly, another respondent claimed that gender diversity in itself had never been discussed in their workplace, but packaged with a broader and vaguer topic of ‘diversity and inclusion’. One respondent felt that while leadership in their organisation did promote that diversity improved financial performance, it was dismissed by the workforce as “political propaganda… and not a true desire [by management] to improve business performance”.

For employees to consider the business case, leadership needs to regularly demonstrate and evidence the argument, and, most crucially, put actions to words. Companies and hiring-managers need to invest in creating an organic pipeline to increase the female representation of leadership positions. This begins with expanding the female talent pool by hiring more women at entry level and continues by supporting them throughout their career. Mentoring and sponsorships are fantastic methods to help women expand their professional networks, raise their profiles, and develop the necessary leadership skills.
3. Awareness

Almost half (46%) of respondents thought that employees were less convinced of the business case for gender diversity because of a lack of awareness on the subject, particularly from leadership within the company.

For employees focused on the daily grind, it may be difficult to see any correlation between gender diversity and financial performance. As a Life Sciences professional from Pennsylvania relayed: “it’s hard to see the benefits of diversity unless you’re looking from 30,000ft up. On a day to day basis, it can be hard to realize the benefits of diversity”.

In contrast, company leadership has the advantage of a broader perspective on the makeup of their workforce and its financial performance. It seems that employees are too often ‘stuck in it’ to see the wood for the trees and this is where management need to educate their workforce on their company’s approach to gender diversity, and most importantly, to raise the business case.

Many of our respondents reiterated the importance that companies provide evidence to create a convincing argument. A Banking professional from the UK argued that “More examples and evidence need to regularly be shown to employees” and the demonstration of the business case cannot be a half-hearted effort, persistence is vital – “it’s not doing it as a campaign once a year”. Presenting the business case without evidence can actually have a detrimental effect. Our findings suggest that when companies present the business case without evidence to back it up, employees are more likely to actually become detractors.

Above all, however, our respondents emphasised that education in itself is not enough; companies must complement their training with action. As a Technology professional from New York implored, “You need to retrain people, you need to make it known that this is important, you need to educate people, and you need to invest money in hiring the people to make it a reality”.

Stay informed

At Phaidon International, we are committed to promoting a truly meritocratic workforce that values talent from all backgrounds. We believe organisations flourish when they embrace diversity.

Awareness is the first step, but putting thought into action is where real change happens.

As, where appropriate, you adjust your diversity and inclusion policies, register your details to keep up to date with our current research and global events.

Send your name, role and location to diversity@phaidoninternational.com.


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