Rebecca Cassells and Alan Duncan
BCEC|WGEA Gender Equity Insights 2020 Report Launch Event presented on 19 June 2020

@BankwestCurtin    @WGEAgency    #womenleaders
For five years now, the BCEC|WGEA Gender Equity Insights series has provided new evidence into what works when it comes to progressing more equitable workplaces across Australia.

Previous reports have focussed attention on closing the gender pay gap, and in progressing women in leadership.

And for 2020, our focus is on Delivering the Business Outcomes.

We have been able to gain these insights through the world-leading WGEA reporting data – 4 million workers, 11,000+ employers...now seven years of reporting...longitudinal data.
The longitudinal feature of the WGEA data – **where information about the same company is captured annually** we are able to observe outcomes of an organisation’s actions, policies or changes in leadership...

And we are able to test the proposition.....**Do more women leaders deliver better company performance?**

This fills an important knowledge gap and extends and strengthens the evidence base that currently exists around female leadership and company performance.
But more than this, this research identifies a **causal pathway between the two** by taking advantage of the WGEA reporting data and its unique properties and through the statistical methods that we apply that relate prior changes in female leadership shares to subsequent company performance outcomes.

This new evidence base is an important step towards not only delivering more gender equitable workplaces, but understanding what that means for Australian businesses.
Progress is being made in management positions...

Share of women in management positions, full-time workers
... but less so among key decision makers

Share of women in CEO, Board Chair and Board member positions, full-time workers

- Share of women in Board Members positions:
  - 2014: 25.3%
  - 2019: 29.3%

- Share of women in CEOs positions:
  - 2014: 15.7%
  - 2019: 17.1%

- Share of women in Board Chairs positions:
  - 2014: 11.9%
  - 2019: 14.1%
## Parity for CEOs – Next Century

Women’s progression in management roles and project time to achieve parity

<table>
<thead>
<tr>
<th>Role</th>
<th>Parity Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>2100</td>
</tr>
<tr>
<td>Key Management Personnel</td>
<td>2039</td>
</tr>
<tr>
<td>Executives</td>
<td>2047</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>2037</td>
</tr>
<tr>
<td>Other Managers</td>
<td>2031</td>
</tr>
<tr>
<td>All Managers</td>
<td>2042</td>
</tr>
</tbody>
</table>
WOMEN LEADERS & MARKET CAPITALISATION
ASX50 companies more likely to be headed by a woman

Share of companies with a woman CEO by market capitalisation (%)

The larger the **market capitalisation**, the more likely there is a woman at the helm.

<table>
<thead>
<tr>
<th>Year</th>
<th>ASX 50</th>
<th>ASX 100</th>
<th>ASX 200</th>
<th>Non ASX 200</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7.1</td>
<td>5.3</td>
<td>6.8</td>
<td>6.4</td>
</tr>
<tr>
<td>2015</td>
<td>5.1</td>
<td>5.5</td>
<td>5.8</td>
<td>5.1</td>
</tr>
<tr>
<td>2016</td>
<td>5.8</td>
<td>5.1</td>
<td>4.3</td>
<td>5.8</td>
</tr>
<tr>
<td>2017</td>
<td>4.3</td>
<td>6.0</td>
<td>6.0</td>
<td>6.2</td>
</tr>
<tr>
<td>2018</td>
<td>6.2</td>
<td>6.5</td>
<td>5.9</td>
<td>5.5</td>
</tr>
<tr>
<td>2019</td>
<td>7.9</td>
<td>12.4</td>
<td>9.1</td>
<td>12.8</td>
</tr>
<tr>
<td>All years</td>
<td>6.0</td>
<td>5.9</td>
<td>6.9</td>
<td>7.4</td>
</tr>
</tbody>
</table>

**ASX 50**

**ASX 100**

**ASX 200**

**Non ASX 200**
Gender diversity on Boards improves with company size...

Share of women as Board members and Chairs, by market capitalisation (%)

- ASX 50
- ASX 100
- ASX 200
- Non ASX 200

<table>
<thead>
<tr>
<th>Year</th>
<th>ASX 50</th>
<th>ASX 100</th>
<th>ASX 200</th>
<th>Non ASX 200</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>21.6</td>
<td>10.3</td>
<td>16.5</td>
<td>9.9</td>
</tr>
<tr>
<td>2015</td>
<td>25.6</td>
<td>23.4</td>
<td>18.7</td>
<td>12.2</td>
</tr>
<tr>
<td>2016</td>
<td>28.4</td>
<td>26.3</td>
<td>21.7</td>
<td>13.9</td>
</tr>
<tr>
<td>2017</td>
<td>30.5</td>
<td>30.5</td>
<td>21.7</td>
<td>13.9</td>
</tr>
<tr>
<td>2018</td>
<td>32.6</td>
<td>30.9</td>
<td>27.2</td>
<td>16.7</td>
</tr>
<tr>
<td>2019</td>
<td>33.5</td>
<td>32.0</td>
<td>28.9</td>
<td>18.1</td>
</tr>
<tr>
<td>All years</td>
<td>28.9</td>
<td>26.9</td>
<td>23.1</td>
<td>14.8</td>
</tr>
</tbody>
</table>
...while gender diversity among KMPs has come later...

Share of women as Key Management Personnel, by market capitalisation (%)
LINKING GENDER DIVERSITY IN LEADERSHIP WITH COMPANY OUTCOMES
How to measure company performance?

3P’s - performance, profitability and productivity

Single measures of performance

• In this report we focus on a set of orthodox indicators of company performance
• These include: return on equity, earnings before interest and tax (EBIT), sales per worker, return on assets, dividend yield and company added value (Tobin’s Q).

A composite performance measure

• A new composite measure to capture company performance across a range of dimensions.
• Companies are defined to outperform their sector when the corresponding metric is in the top quartile within the relevant industry sector.
• Similarly, companies to be underperforming if they are in the bottom quartile of the sector.
• The composite performance measure is then defined as a situation in which a company either outperforms or underperforms their sector on three or more component metrics.
Firms with more female KMPs are more likely to outperform their peers.

Almost one in five companies where more than a third of KMPs were women outperform their peers. This compares to only 13.9% among companies with no female KMP representation.

In 2019, companies with over a third of female KMPs were more than twice as likely to outperform their peers than those with no female KMPs.
Greater gender diversity is linked to more outperformance...

Share of companies that outperform their sector, by metric and change in share of female KMPs.

An increase in the share of female KMPs is associated with companies being more likely to outperform their peers.

Return on equity and sales per employee have the strongest relationship.
... and less underperformance

Share of companies that underperform, by metric and change in share of female KMPs (%)

An increase in the share of female KMPs is associated with companies being less likely to underperform their peers.

This is the case for single measures (Return on Equity, for example) and importantly, for combinations of 3+ performance metrics.
And crucially, women leaders improve company performance...

**Change** in company performance by **change** in share of female KMPs

An increase in the share of female KMPs leads to **improved** performance.
And crucially, women leaders improve company performance...

**CHANGE in company performance: by CHANGE in share of women on Boards**

An increase in the share of female Board members leads to better shareholder value.
DELIVERING THE BUSINESS OUTCOMES
We apply a number of critical design features to identify causality.

1. Control for other company characteristics (firm size, capital intensity, sector etc.)
2. Control of intrinsic differences between individual companies in their approach and attitude towards gender diversity (fixed effects – longitudinal data)
3. Strip away business cycle effects that have a common effect on performance across sectors of the economy (also fixed effects)
4. Companies are compared against industry benchmarks within their sector
5. Relate prior changes to female representation to subsequent changes in business outcomes.

This goes to the heart of the strategy to identify a causal relationship between the two, and not just the degree but also the direction of causality.
## Women leaders improve company performance...

### Impact of change in female leadership on company performance

<table>
<thead>
<tr>
<th>Change in female representation</th>
<th>Impact on value of company</th>
<th>Impact on company performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Change in Tobin's Q</td>
<td>Change in Market Value (AUD$m)</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>From moving to female CEO</td>
<td>0.112</td>
<td>79.6 **</td>
</tr>
<tr>
<td>From increasing female Board representation</td>
<td>0.110</td>
<td>78.5 ***</td>
</tr>
<tr>
<td>From increasing female KMP representation</td>
<td>0.147</td>
<td>104.7 ***</td>
</tr>
<tr>
<td>From reducing female Board representation</td>
<td>-0.061</td>
<td>-43.4</td>
</tr>
<tr>
<td>From reducing female KMP representation</td>
<td>-0.065</td>
<td>-46.0 *</td>
</tr>
</tbody>
</table>

Notes: Projections are presented at the average company market value and average value of common equity for Australian ASX-listed companies. Estimates are flagged as statistically significant (Sig.) at 1% (**), 5% (**) and 10% (*).

Source: Bankwest Curtin Economics Centre | Authors’ estimates from WGEA Gender Equality data 2014 to 2019.
So what might be driving improved performance?

More women in key decision making positions delivers better company performance

- **Untapped talent pool**: diversity of views, backgrounds and approach, superior knowledge stocks – ultimately leads to better decision making.

- **Different Management Techniques**: more collaborative, run businesses more democratically, promote information sharing and better decision making.

- **Greater stakeholder-orientation**: leads to a stronger commitment to corporate social responsibility and better performance in a crisis.
What does this mean for policy and practice?

More women in key decision making positions delivers better company performance

- A critical mass (30%+) is needed to erode homogeneity on Boards and promote better governance. We’ve seen that targets work – ASX200 30%.

- **Leadership has never been more important** – business, workers, families are relying on this to navigate us through the current economic crisis.

- **We need all the ideas, all the talent and all of the views** around the decision-making table now more than ever.