

## **Increasing the Representation of Senior Female Leaders: A Key Factor for Optimising the Success of Australian Organisation's**

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### **The Dilemma**

Women's participation in the workforce has increased in past years, with women representing approximately 46% of employed people in the Australian Labour Force in 2010 (EOWA, 2010). Despite an increase in the number of women participating in the workforce, women are still significantly underrepresented in senior management and executive roles. Although research suggests that women and men are equally represented in management and professional positions (ie 45% women, 55%men) the proportion of women in the upper echelons of businesses remains dismally low (EOWA, 2010). In fact, in 2010, women occupied only 8% of the executive key management positions of the ASX 200 companies. Moreover, women occupied only six CEO positions and five chair positions in the ASX 200 companies at this time. The substantial underrepresentation of women in leadership positions indicates that many of Australia's organisations are still failing to challenge the conventional male dominated business model.

Despite the significant underrepresentation of women in senior leadership roles, there is a strong business case for gender diversity in senior management positions. In today's competitive business market, organisation's can simply not afford to continue failing to capitalize on the benefits that women have to offer. Increasing the representation of women on senior leadership teams is not merely the politically correct thing to do, but more importantly is a critical factor for improving the success of Australian organisations. Accordingly, the purpose of this paper is to discuss the positive implications of gender-diverse work teams for organisational outcomes. In particular, improved financial performance, reduced expenditure, improved organisational performance, enhanced attraction and recruitment of candidates and marketing ability will be highlighted as benefits of diverse workforces.

### **Improved Financial Performance**

A strong argument exists in support for the notion that gender diversity in senior management teams results in improved financial performance. Several studies have generated empirical support for this finding (e.g., Catalyst, 2004; Carter, Simpson & Simpkins, 2003; Erhardt, Shrader & Werbel, 2003). In fact, an examination of 353 of the Fortune 500 companies found that companies with the highest representation of women on top management teams experienced significantly higher Return on Equity and Total Return to Stakeholders than companies with the lowest representation of women (Catalyst, 2004). Similarly, McKinsey & Company (2007) found that organisations with gender diverse management teams gained earnings that were 48% higher than the industry average and experienced share price growth that was 1.7 times the industry average. Such findings indicate that gender-diverse senior management teams are essential for driving the financial performance of organisations.

## Reduced Expenditure related to Turnover

Another financial benefit that can be expected by organisations that effectively manage gender diversity is a reduction in the substantial costs associated with high turnover rates (Cox & Blake, 1991). Organisations are understandably concerned about the high costs incurred as a result of staff turnover. Specifically, not only does the organisation's productivity reduce whilst the position remains vacant, but substantial costs are also incurred due to the investment of time and resources in the recruitment, selection and development of the new employee. Research suggests that the substantial costs associated with employee turnover can be reduced by providing employees with appropriate training, development and promotion opportunities.

The provision of opportunities for development and advancement is particularly important for female employees, who have been found to have higher turnover rates in comparison to men. In particular, a longitudinal study conducted over a three year period found significantly higher rates of turnover among female managers in comparison to male managers employed by twenty of the Fortune 500 corporations (Stroh, Brett & Reilly, 1996). Specifically, 26% of female managers had left the job within the three year period, in comparison to 14% of male managers. Interestingly, the researchers found that female manager's intentions to leave were not related to career and family balance factors as has previously been suggested. In fact, females were just as likely as males to resign from their jobs as a result of family reasons. The results indicated that women were most likely to leave their jobs when they perceived a lack of career opportunities within their organisation (Stroh et al., 1996). Similarly, Jawahar and Hemmasi (2006) found that the perception of low organisational support for women's advancement was predictive of increased turnover intentions. These findings suggest that women are equally as ambitious as men and will leave their organisations if inadequate opportunities for learning, development and progression exist. Given the high costs associated with turnover, organisations that support the development and promotion of employees irrespective of gender can expect to reduce the substantial costs associated with employee turnover.

## Improved Organisational Performance

McKinsey and Company (2007) investigated the association between the presence of women in senior management roles and organisational excellence. In particular, the researchers measured organisational performance against nine criteria: leadership, direction, accountability, coordination and control, innovation, external orientation, capability, motivation, work environment and values. The results indicate that performance on each organisational criterion was higher for organisations with a critical mass of women in senior management roles. In particular, companies with at least three women on management boards for an average membership of ten people, performed significantly better than companies with a proportion of women on management boards below this threshold (McKinsey & Company, 2007).

In addition to improved performance on these criteria of organisational excellence, researchers have consistently found that gender diverse-teams are more effective in decision making and strategic thinking than

are homogenous teams (Barnett, Morley & Piterman, 2010; Brown, Brown & Anastasopoulous, 2002). Unsurprisingly, the varied opinions and experiences that are possessed by members of diverse groups results in higher creativity and innovation (Barnett, Morely & Piterman, 2010; Cox & Blake, 1991). Therefore, effective diversity management in the organisation will create a competitive advantage, through a more innovative approach to decision making and problem solving.

## Recruitment

Another benefit for organisations that support diversity is the potential to attract and recruit a wider pool of high potential candidates (Ash, 2007). Specifically, organisations that advertise the diverse demographics of their employees may attract a wider proportion of the available talent pool. Williams and Bauer (1994) found that subjects rated fictitious companies significantly more positively when a brochure was included that communicated a proactive stance on diversity management. Therefore organizations that support diversity and advertise this may attract more high quality candidates, which will subsequently have positive implications for organisational performance.

## Marketing

A further benefit of diverse senior management teams is their ability to improve the marketing potential of the organisation in several ways. Firstly, the selling of goods and services can be facilitated by a workforce that reflects the diversity in the market (Cox & Blake, 1991). Specifically, as women represent approximately half of the target market, a higher representation of women in decision making roles in the upper ranks of the organisation is likely to increase the proportion of the market that an organisation can target. Secondly, the visible presence of women on boards enhances corporate reputations, thus increasing marketing power and potentially positioning an organisation as an employer of choice. In fact, research indicates that organisations who have a diverse workforce and publicise this, elicit a positive reaction from investors (Pandey, Shanahan & Hansen, 2005; Catalyst, 2004). The ability for diverse teams to target a wider pool of the potential market and to attract investors is highly beneficial for increasing organisational performance.

## The Solution

The positive implications of gender diverse teams include significant cost savings due to a reduction in employee turnover, attraction of a wider pool of high potential applicants, improved financial and organisational performance and improved organisational marketing. The empirical findings discussed in this paper generate strong support for the notion that an organization's ability to attract retain and develop a diverse workforce, particularly in the upper ranks of the organisation will improve an organisation's competitive edge. Australian businesses need to diverge from the conventional business agenda and put a stop to the wastage of skills & the inefficiency that results from homogenous senior management and executive teams. In order to meet the demands of today's competitive business environment and maximise sustainability and shareholder value, organisations must focus on increasing the participation of women in the upper ranks. Therefore, it is recommended that organisations capitalise on the benefits of gender diverse work groups, by making the commitment to develop and implement an action plan to effectively manage diversity.

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