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February 8, 2016 5:01 am

Women leaders deliver boost to profitability

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Forget women on boards and focus on women in leadership: that is the message from a major study of more than 21,000 public companies in 91 countries that found increasing the number of women in top management positions notably boosts profitability.

It found that a company with 30 per cent female leadership could expect to add up to six percentage points to its net margin when compared with an otherwise similar business with no female leaders.

But the study, from respected US think-tank the Peterson Institute and EY, could find no impact — negative or positive — from simply having a female chief executive and only marginal impacts from women on the board.

“While the boards of publicly traded firms are an easy target for legislators, the pay-offs for policies that would facilitate women rising through the corporate ranks more broadly might be larger,” it concludes.

Its findings add further fuel to the debate about improving the chances of women breaking into the male-dominated senior posts.

Despite years of focus on increasing gender diversity, progress remains slow: nearly one-third of companies analysed in the report had no women in either board or top management positions, 60 per cent had no female board members and 50 per cent had no female top executives.

In the UK, the government-backed Davies Review recommended in the Autumn that a third of all board seats at Britain's biggest companies should be held by women by 2020, raising its previous aim of 25 per cent by 2015.

While no formal targets were set for executives, speaking to the Financial Times Lord Davies said "radical change" in the executive layer was needed if progress was to be maintained and he backed the idea of formal targets in principle.

The UK government on Sunday said that Sir Philip Hampton, the chairman of GlaxoSmithKline and former chairman of RBS and Sainsbury's, would lead the successor body to the Davies Review. Dame Helen Alexander, chair of UBM, will take on the role of deputy chair to the review.

Sir Philip said in a statement that he would focus on "improving representation in the executive layer of companies, as well as maintaining the momentum on boards". He added: "This means looking at the talent pipeline for female executives and emerging non-executive directors to ensure we create opportunities and the right conditions for women to succeed."

Nicky Morgan, the women and equalities minister, said she wanted to see "an end to all-male boards anywhere on the FTSE 350" as well as "much more progress at the executive layer where we know progress has been slowest to date."

Terms of reference for the review have yet to be finalised but the government said the main aims would be to promote more female representation on FTSE 350 boards and to "consider options" for increasing the number of women in the executive layer of the FTSE 350.

According to new research from The Pipeline, an organisation that works with companies to help develop their female managers, most FTSE 100 companies are failing to increase the number of women on their senior executive committees.

It found that only two companies in the index — Severn Trent and Kingfisher — achieved a 50:50 split of male and female senior executives, while 13 failed to employ any senior female executives at all.

Carolyn Fairbairn, the head of the business lobby group the CBI, said recently that "women as leaders" was the real issue, rather than women on boards, and called for the successor

body to the Davies Review to adopt a voluntary target that a quarter of senior executives are female at FTSE 350 companies.

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