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Why have women business leaders?

The bottom line case for women CEOs

By Alison Bergblom Johnson



Deepali Bagati, senior research associate at Catalyst

Companies with more women in senior positions perform better financially than companies with the fewest women at the top, according to a study by Catalyst, a leading nonprofit promoting advancement of women in the business world.

The study that turned up this bit of news is only one piece of Catalyst's research on women in the workplace. They've also studied whether women want to be CEOs, what barriers women face in getting to high-level positions and what practices help women advance in corporations.

Women add to the bottom line

Catalyst is frequently asked by business leaders to justify gender diversity as a business decision rather than a socially conscious move. So researchers with the organization conducted a study called "The Bottom Line: Connecting Corporate Performance and Gender Diversity," which makes a financial argument for advancing women in corporations—that companies with more women at the top tend to be stronger financially. The study is available at www.catalystwomen.org.

"At Catalyst, we make a strong effort to relate everything to the bottom line," Deepali Bagati, a senior research associate at Catalyst, told the audience at the University of St. Thomas' 18th annual Multicultural Forum in February.

For the study, Catalyst used publicly available data and divided Fortune 500 companies according to how many women they had in management. They compared the financial performance of the companies with the most women leaders to those with the fewest women leaders. The top companies performed 35 percent better on their return on equity (ROE) measure than did companies with low gender diversity.

Catalyst then reversed this process and divided the companies based on financial performance. They analyzed the number of women in top management of those companies. Again the best performing companies had the most women in top management.

Bagati says the study shows there is a link between gender diversity and financial performance. She says, however, that Catalyst does not yet have enough data to say gender diversity causes good financial performance.

We do want the corner office

In addition to studying the link between gender diversity and financial performance, Catalyst also looked at whether women want to be CEOs. In a highly controversial 2003 New York Times Magazine article, Lisa Belkin argued that women are choosing motherhood over the corner office. In her piece, "The Opt-Out Revolution," Belkin posited that the glass ceiling isn't the only thing that's stopping women from getting to the top of companies. "It's not just that the workplace has failed women. It is also that women are rejecting the workplace," Belkin wrote.

To explore the validity of this argument, Catalyst asked men and women in senior management if they want to become a CEO, and 57 percent of male and 55 percent of female respondents said they did.

Brick walls and glass ceilings

Once Catalyst had research showing that women did want to become CEOs, they began researching the barriers that keep many women from attaining executive positions in Fortune 500 corporations. Bagati says barriers for women's advancement in the workplace include stereotyping, exclusion from the old boys club, a lack of role models and mentors and a lack of high visibility assignments.

Catalyst will be studying each of these barriers; recently they released a report on stereotyping called "Women 'Take Care,' Men 'Take Charge': Stereotyping of U.S. Business Leaders Exposed." Researchers in this study found that men consider women to be poor problem solvers. According to Bagati, this is a key skill for business leaders. Using the literature on stereotyping, Catalyst separated leadership traits into male- and female-identified traits. Those associated with men were take-charge traits like delegating and influencing superiors, and those associated with women were caring traits like mentoring and rewarding subordinates.

"Simply hiring more women in senior management isn't enough," Bagati argued. This is because those with the most contact with women managers held the most biased views. Programs explaining the likelihood of unintentional stereotyping are necessary to level the playing field, Bagati said.

Some of them get it

Bagati also talked about what some corporations have done to improve the situation for women. Some companies have tied bonuses to diversity benchmarks, she said. General Electric has a women's network that has raised the percentage of women in GE's management team from 5 percent to 13 percent.

Local companies in the Bottom Line study included 3M, which ranked in the group with the second most women leaders; Best Buy, which ranked in the third group; and Target and General Mills, which ranked in the first group, with the greatest representation of women in high-level management.

The bottom line

- Catalyst compared data from 353 Fortune 500 companies in five industries, looking at gender diversity and financial performance.
- Companies with the highest representation of women on their top management teams saw better financial performance than companies with the lowest representation of women in top management.
- Companies with the highest representation of women on their senior management teams experienced a 35 percent greater return on equity and 34 percent greater total return to shareholders.

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