Why gender diversity makes business sense

Produced by WISE
June 2018

The business case for diversity:

✓ Better choice of skilled workers
✓ Better platform for innovation and creativity
✓ Better workforce productivity
✓ Better customer experience
✓ Better financial performance

Organisations that lead the way on gender diversity so often also lead on performance and even profitability. Those that ignore diversity risk losing out to the competition. This is not, of course, simple cause and effect. But the correlation between improved diversity and business results is striking.

Better choice of skilled workers

The most pressing reason for employing more women as scientists, engineers and technologists is that – at a time of continuing skills shortages – companies cannot afford to do otherwise.

Successful firms also recognise the cost of losing talented and experienced people. They make the best use of all the skills they have, with inclusive policies and practices, transparent opportunities for progression and women getting the support they need to apply on an equal footing with men.

• Employers see skills shortages as the most important business case for diversity, with 96% anticipating future difficulties and wanting to broaden the recruitment pool. (Diversity and Inclusion Toolkit, Royal Academy of Engineering).

• Companies with a more inclusive culture find it easier to recruit women initially and more diverse workplaces have a 22% lower turnover rate. (Research by Gallup quoted in Diversity and Inclusion Toolkit, RAEng).

• A survey of 222 organisations found that women were not leaving their companies at higher rates than men and very few planned to leave the workforce to focus on family. (Women in the Workplace, McKinsey & Co, 2017).

“With a shortage of skilled staff, excluding half the population as a possible source of talent for the sector makes no sense.”

Louise Stokes
Digital Leaders, Women in Tech, 2017 Attitudes Survey
Better platform for innovation and creativity
Mixed teams bring wider experience, different ways of thinking and fresh approaches to problem solving – all necessary to meet the new challenges in many industries.

- Creativity, problem-solving and lateral thinking are enhanced through more diversity. (Research from Behavioural Science Laboratory at Aston University’s Business School, reported in HR magazine, 2016).
- 83% of engineering organisations see ‘enhancing capacity for innovation and creativity’ as one of the top factors driving diversity and inclusion work. (Diversity and Inclusion Toolkit, RAEng).
- When employees feel their organisation is committed to diversity and they feel included, the ability to innovate is increased by more than 80%. (Research by Deloitte quoted in Creating cultures where all engineers thrive. A unique study of inclusion across UK engineering, RAEng, 2017).
- The National Bureau of Economic Research in the US reports that patents granted to mixed-gender teams are cited 30-40% more often than those from all-male teams.

Better workforce productivity
Improving gender diversity and establishing a more inclusive culture within an organisation mean better employee engagement, with the potential to improve productivity and transform the business.

- Inclusion benefits the performance of individual engineers, with 80% reporting increased motivation, 68% increased performance and 52% increased commitment to their organisation. (Creating cultures where all engineers thrive. A unique study of inclusion across UK engineering, RAEng, 2017).
- When leaders are perceived by their teams as being inclusive, 81% of workers indicate this has a positive impact on their productivity. (Inclusive Leadership: culture change for business success, Opportunity Now and Shapiro Consulting, quoted in Diversity and Inclusion Toolkit, RAEng).
- The more included engineers feel, the more likely they are to understand business priorities, to be confident about speaking up on improvements, mistakes or safety concerns, and to see a future for themselves in engineering. (Creating cultures where all engineers thrive. A unique study of inclusion across UK engineering, RAEng, 2017).

“Bringing women into software development can introduce an extra dynamic. Women often bring a detailed approach and that can make for better teams.”
Conrad Langworthy
Head of Sky’s Software Engineering Academy

“High performing teams are balanced teams.”
Apurva Sinha
Head of Innovation & Information Management, Network Rail - speaking at the WISE Conference 2018

“This could be seen as just ‘nice thing to do’, but it’s been recognised as a business imperative, which drives higher performance. That’s why it’s being rolled out from the top down.”
Camilla Barrow
Deputy Project Manager on Crossrail project, Bechtel
Why gender diversity makes business sense

Better customer experience

In many industries, improved diversity can result in better products, better marketing and a better customer experience.

- With 80% of purchasing decisions in the UK made by women, firms with diverse leadership teams are likely to have a better understanding of market behaviour. (McKinsey & Co research quoted in Diversity and Inclusion Toolkit, RAEng).
- In the highways and transportation sector, 73% of firms see client pressure as a reason for improving diversity and inclusion and 59% want to better represent the demographics of customers. (Routes to Diversity & Inclusion, CIHT, October 2015).
- Organisations that successfully create an inclusive culture have 39% higher customer satisfaction scores than those that do not. (Gallup workplace studies quoted in Diversity and Inclusion Toolkit, RAEng).
- When employees feel their organisation is committed to diversity and inclusion, responsiveness to changing customer needs is increased by more than 30%. (Deloitte research quoted in Creating cultures where all engineers thrive. A unique study of inclusion across UK engineering, RAEng, 2017).

Better financial performance

The evidence that recruiting, retaining and promoting more women feeds through into hard results is hard to ignore.

- Companies in the top quartile for gender diversity in executive teams are 21% more likely to have financial returns above their industry's national median than companies in the fourth quartile. (Delivering through Diversity, McKinsey & Co, 2018).
- Companies in the bottom quartile for both gender and ethnic/cultural diversity were 29% less likely to achieve above-average profitability than all other companies. (Delivering through Diversity, McKinsey & Co, 2018).
- Gender-focused companies out-performed the MSCI World Index (covering 1,600 large and mid-capital companies in 23 countries) by 2% a year on average between 2011 and November 2017. (Mark Haefele, Chairman of UBS Global Investment Committee, Daily Telegraph, 15 December 2017).

“Companies that are doing better on gender diversity tend to have better returns and a better performance – the two are interconnected.”

Anne Tolmunen
AXA Investment Manager, in FT Adviser, 25 May 2018

“Why you’re playing to a 12.45 trillion-pound [global female consumer] market, employing women in leadership roles who understand female consumers’ needs is no longer just a nice thing to do to – it’s essential.”

Karina Govindji
Recipient of Asian Woman of Achievement Award in Business

Companies with women in senior jobs tend to perform better Absolute return index

Source: Bloomberg Finance L.P., UBS AG (C), as of November 2017
Why gender diversity makes business sense

• A more female workforce is correlated with higher average returns. The top third of companies for gender diversity experienced 2% higher average relative returns than other companies in their region. (Why Gender Diversity May Lead to Better Returns for Investors, Morgan Stanley, March 2018).

• Highly gender-diverse tech companies returned on average 5.4% more on an annual basis than the average yearly returns of their peers with less gender diversity. (Women Employees Boost the Bottom Line for Tech Firms. Morgan Stanley, 2017).

• Companies with at least three women directors outperform those with no women directors across several metrics, including return on sales, return on invested capital and return on equity. (The Gender Advantage, Morgan Stanley, 2016).

• Gender equality can reverberate throughout the global economy, especially in countries with ageing populations. By one estimate, higher female participation and employment rates could lead to a GDP gain of about 6% by 2030. (Why Gender Diversity May Lead to Better Returns for Investors, Morgan Stanley, March 2018).

• Organisations with diverse and inclusive leaders are 70% more likely to have captured a new market in the past 12 months and 45% more likely to have increased market share. (CTI research quoted in Creating cultures where all engineers thrive. A unique study of inclusion across UK engineering, RAEng, 2017).

• Shifting from an all-male or all-female office to one that is evenly split along gender lines could increase revenue by over 40%. (Journal of Economics and Management Strategy, quoted in Women in Technology 2017 Attitudes Survey).

• The AXA World Funds Mix in Perspectives fund, which invests in companies that score well on gender diversity measures, has proved very competitive, up 5.85% in the six months to the end of May 2018, compared to 4.21% for the MSCI World Index. (Morningstar, May 2018).

“Crafting a truly effective I&D strategy is no small effort, and requires strong and sustained and inclusive leadership. But we, and many of the companies we studied in depth, believe the potential benefits of stronger business performance are well worth it.”

Delivering through Diversity, McKinsey & Co, 2018

Companies within the STEM sector are increasingly recognising the strength of the business case for diversity. It’s why more and more of them are working with WISE to maximise women’s contribution at all levels. Join us and find out how a better gender balance can boost your organisation’s productivity and performance.