Diversity in the Financial Industry - June 2020
Women on Boards

Women on boards offer financial companies and their clients a wealth of advantages. Because let's face it, women think differently than men. And that's a good thing. Adhering to the same old demographics only leads to more of the same, same outlooks, same opinions. Which, in term, means no debate and no change.

In 2012 Harvard Business Review, highlighted a study by Catalyst that showed when Fortune-500 companies were ranked by the number of women directors on their boards, those in the highest quartile reported a 42% greater return on sales and a 53% higher return on equity than the rest. The study also revealed experts believe companies with women directors deal more effectively with risk. Further, women not only better address the concerns of customers, employees, shareholders, and the local community, but also tend to focus on long-term priorities. Women directors are also more likely to be in tune with women's needs than men, which helps develop successful products and services. After all, women drive 70% of purchase decisions by consumers in the European Union and 80% of them in the United States.

Burgeoning Numbers
So, what are the numbers for women in the boardroom today? How far have we come and where do we still need to go? A 2019 progress report from Morgan Stanley Capital International (MSCI) revealed the following key stats:

1. While progress is still slow, 2019 saw a noticeable uptick in women on board positions within the financial industry: 20.0% of directors were women in 2019, up from 17.9% in 2018 and 17.3% in 2017. This 2.1 percentage-point increase in 2019 also slightly shortened the path to 30% female directorship (projected for 2027, based on the latest data). At the current pace, a 50/50 gender split among global directors might be reached by 2044.

2. Over half the companies subject to mandatory gender quotas had exceeded requirements as of October 31, 2019. In fact, Italy and France had the highest percentage of companies with more females than required (among MSCI ACWI Index constituents).

3. In 2019 the number of companies with majority female boards doubled compared with 2018. (It is also true that these 22 firms account for fewer than 1% of the constituents of the MSCI ACWI Index as of October 30, 2019; 98.7% of the boards remained male-dominated.)

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4. The information technology sector, historically lagging, saw the steepest increase in companies with three or more female directors (28.3% in 2019 vs 15.5% in 2018).

5. Most excitingly, within emerging markets, female directors and executives were more likely to have financial expertise than their male counterparts: 47% vs 39%. (In developed markets, the report found no significant differences in professional expertise (risk or financial expertise) between male and female directors.)

6. More women (22%) than men (12%) were overboarded (serving on three or more boards) globally. These higher levels of multiple directorships among female directors may indicate an over reliance on a limited pool of women directors.

Exciting Results

So, what do these burgeoning numbers actually mean for companies and clients? A 2019 report from
Forbes bolsters the Catalyst report findings and highlights studies showing that women-led companies tend to perform better than those led by men.

Specifically, one analysis found that women CEOs in the Fortune 1000 drove three times the returns as S&P 500 enterprises run predominantly by men! Another study by Nordea, one of the biggest banks in Europe, showed that companies with a woman in the chief executive or chairman role performed far better than a major global index over an eight-year period. Credit Suisse also unveiled a research report showing that companies with more female executives in decision-making positions continue to generate stronger market returns and superior profits.

CAIM - woman owned and run since 2008

As a woman owned and run investment firm since 2008, CAIM firmly believes in the expertise and unique contributions of women to the financial sector.

In 2019, as we've learned, the typical corporate board had on average just 20.0% of female directors. Contrast that with CAIM owned companies where the number is 31.3% on average.

At CAIM we also deal effectively with risk, and focus on the long-term, by looking for companies that have strong balance sheets, produce generous amounts of cash flow and give back to shareholders with dividends.