

## THE BUSINESS CASE FOR WOMEN LEADERS

Research that will appear later this year in the *Journal of Management* shows that women leadership is positively associated with firm performance. However, the body of research to date, possibly due to various research design issues, has been more equivocal than expected. Specifically, more women on the board were associated with a small positive financial return for the firm. Similarly, women CEOs were found to also have a small positive effect on firm sales performance, but not on other financial metrics.

### **Key Takeaways:**

- More women on the board of directors is positively associated with financial performance.
- Women leadership, in general, is associated with positive sales performance.
- In countries high in gender egalitarianism, having a woman CEO is more positively associated with firm performance than in countries with lower gender egalitarianism.

Using data collected from 78 studies spanning 117,639 organizations, the authors examined the relationships between female participation on the board, female CEOs, and female executive representation with a variety of firm outcomes, including ROA, ROE, sales, profitability, ROI, Tobins Q, and stock performance. The combined results across revealed that more women on the

board led to incremental firm performance benefits beyond boards with fewer women representatives, and the more women the greater the performance benefits. The cumulative results also reveal that women CEOs are associated with higher sales performance for firms, but there does not appear to be an effect between women CEOs and other financial indicators.

The research team also found more complex relationships among the comparisons. In countries that rank higher on gender egalitarianism (e.g., attitudes toward women), the relationship between women's leadership overall, and female CEOs in particular on firm performance, is even stronger than in countries where this is not the case.

The authors argue that future research is needed to understand the underlying mechanisms that may explain both the positive relationships identified and those relationships that were not identified. The authors claim that much of the prior research, which was meta-analyzed, has failed to accurately capture or measure the precise differences that may exist between men and women business leaders.

Source: Hoobler, J.M., Masterson, C.R., Nkomo, S.B., Michel, E.J. (2016). The business case for women leaders: Meta-analysis, research critique, and path forward. *Journal of Management*, In Press.

