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FEATURES.....

Women Leaders Boost Profit

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WOMEN EXECUTIVES ARE CLIMBING the corporate ladder and exerting a powerful influence on a substantial number of companies. Witness the elevation of Indra Nooyi as CEO of PepsiCo, soon to be the largest female-led U.S. company by stock-market capitalization and the second-largest by revenue, after Archer Daniels Midland. On Oct. 1, when Nooyi's post becomes official, 11 Fortune 500 companies will be headed by women—barring any new executive shuffles.

Many other companies have women in significant leadership positions. This is progress. However, the road toward gender parity in Corporate America still is long. To make real headway, the focus of the gender-diversity debate should shift to the bottom line. That, in turn, should crack the "glass ceiling."

In discussions about why women are still disproportionately absent from top corporate-leadership positions, we hear about issues such as women opting out, facing networking challenges and making slow progress to the top.

Real change won't occur if the focus remains negative. Why not attend to the proven positive impact that women leaders have on companies' financial performance? Companies that increase the number of women in leadership roles have a competitive advantage. For public companies, supporting women is a savvy practice and should therefore become an obligation to investors.

One study, conducted over 28 years and published in the *Harvard Business Review*, evaluated 215 Fortune 500 companies. Compared with the median companies in their industries, organizations with a higher number of women executives performed better with respect to profits as a percentage of revenue, assets and stockholders' equity, by a range of 18% to 69%.

The independent research organization Catalyst reviewed 353 Fortune 500 companies. Catalyst found a 35% advantage in return on equity and a 34% advantage in total return to shareholders for the companies that had the highest representation of women in top management.

The University of California/Davis' Graduate School of Management surveyed the 200 largest publicly traded companies in California. This survey concluded that having more women in top leadership roles results in "stronger relationships with customers and shareholders and a more diverse and profitable business."

Researchers at the University of Delaware found a positive stock-price reaction following publicity over diversity-promoting initiatives.

These studies suggest a correlation between boosting the number of female executives and an increased bottom line.

Our interviews with women executives provided some insight into qualities women typically possess that may give rise to enhanced profitability. As Barbara Kolsun, General Counsel for jean-manufacturer 7 For All Mankind stated, "Women are skilled at efficiency, mediation, getting to the heart of matters quickly, communication and consensus building, skills that have critical impact on a bottom line.

The actual experience of many companies also indicates that including women in leadership provides a financial benefit.

For example, in 1995, IBM launched its women's task force, focused on increasing opportunities for women within the company. IBM's executive ranks included 185 women, accounting for 11.2% of its executive population, none of whom were country general managers. At that time, IBM's stock price was in the low 30s, adjusted for two subsequent splits.

A little more than a decade later, there are more than 1,045 women executives within IBM worldwide, making up 19% of its executive population. Ten are country general managers. IBM's stock price is now around 80. The company ranks among the Fortune 10, and its efforts on behalf of women leaders have only further strengthened its position as the leading U.S. technology company.

At DuPont, supporting women's advancement is a global issue. DuPont sees it as the only way to outpace the competition. Women lead two of the best-performing business groups.

Says Willie Martin, DuPont's vice president of diversity and work life, "Supporting diversity increases our competitive edge. The business case is a completely win-win scenario. The bigger question is: 'Why wouldn't you?" "

Georgia-Pacific has been promoting a "Bridging Cultures, Leveraging Differences," initiative, a comprehensive effort to recruit, develop and advance women. The program, which began in 2001, is based on a vision that the more culturally diverse an organization is, the more competitive it will be. Between 2002 and 2005, Georgia-Pacific's representation of women in general management positions and its facilities increased from 12% to 17%. On the financial side, Georgia-Pacific now better mirrors its consumer market, which its studies show to be majority female. An ability to better understand and meet its customers' needs may have translated into more profits.

The studies and the experiences of these three companies show a relationship between women leaders and positive financial results. It stems from better identification with consumers, diversity of thought and approach, and access to a broader talent pool.

Women in the U.S. hold more buying power than ever before, and reportedly make 80% of household consumer decisions. If more women are making consumer decisions, companies must be able to successfully market to them.

Creating a corporate environment that is diversity-friendly is critical to a company's ability to hire and retain the best professionals. According to the National Center for Education Statistics, women earn more than half of all bachelor's and master's degrees and nearly half of all doctorates and law degrees. To profit and succeed, companies must tap this growing segment of the potential leadership pool.

The academic research and the experiences of companies such as IBM, DuPont, and Georgia-Pacific indicate that businesses that embrace gender diversity at the highest levels reap financial rewards. Organizations that don't use women leaders are more likely to lose their competitive edge.

This is not a male-versus-female issue, but rather one of financial performance: Corporate leaders must focus on how best to perform in today's marketplace.

Increasing gender diversity in the leadership ranks plays an important role in ensuring success in a changing economy.

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