

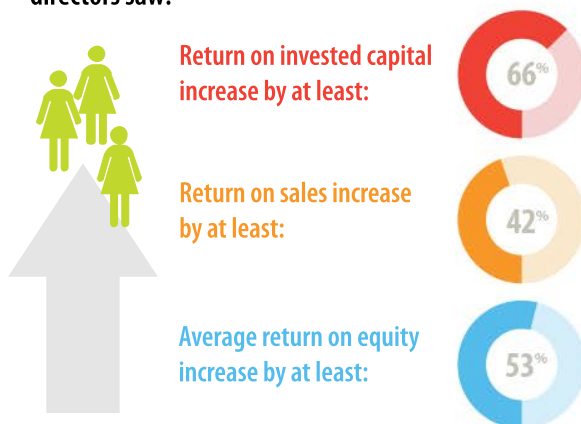
## Improved Operational & Financial Performance

### The wisdom of representing the market in the workforce

Women in the United States possess purchasing power in excess of an estimated \$5 trillion. Globally, that purchasing power is estimated at US\$20 trillion of total consumer spending. Women actively use that power to purchase half of all computers, half of all cars, and more than 80 percent of all consumer goods.

### Increase women, increase ROI.

Fortune 500 companies that had at least three women directors saw:



Since women are responsible for a majority of household spending decisions, it follows that a diverse workforce may provide better insight into consumer preferences. This understanding can be translated into new or improved products and services, which leads to growth in market share or expansion into new markets. Simply put, women know what women want.

Numerous studies demonstrate that companies that place a priority on hiring women manifest higher organizational and financial performance. The link is clear: Organizations with more women in key roles are better equipped to create products and services that meet the needs of the market – which has a direct positive impact on the bottom line.

For several years, McKinsey & Company has conducted extensive research on the relationship between business outcomes and the number of women in leadership roles. McKinsey's findings, published annually in a series titled *Women Matter*, provide evidence that companies with larger numbers of women at senior management levels demonstrate better organizational and financial performance. A 2010 McKinsey global survey of a broad cross-section of business executives reveals that 72% of respondents believe there is a direct connection between a company's gender diversity and its financial success. The totality of McKinsey's research provides considerable support for this linkage, and presents a compelling argument for greater gender diversity within corporations.

*"Correlation is not necessarily cause, but the correlation between organizational excellence and women's participation in management bodies is nonetheless striking."*

– from McKinsey & Company in *Women Matter: Gender Diversity, a Corporate Performance Driver*, 2007



Business Advantage

## Increased Innovation

### The link between women and innovation

Organizational and financial performance are tightly connected to staying ahead of the competition – and this is where innovation fits in. In their 2008 study covering 1,500 U.S. firms included in the S&P, Dezsö and Ross found that female representation in top management does improve financial performance for organizations where innovation is a key focus of the company's business strategy.

Work from other organizations supports this view, repeatedly showing demonstrable links between diversity and innovation. This body of research marks the biggest difference between the early calls for gender diversity and the benefits that can now be proven. In a September 2008 *McKinsey Quarterly* article "A business case for women", the authors conclude that "companies that hire and retain more women are not only doing the right thing, they are also putting themselves in a position to gain a competitive advantage."

Cindy Padnos, founder of Illuminate Ventures, compiled data from 100 studies on gender and tech entrepreneurship. She concludes: "When you have gender diversity in an organization, you have better innovation, and I don't know where innovation is more important than in the high-tech world."

Scott Page is an economist and professor at the University of Michigan at Ann Arbor. Lu Hong is a professor at Loyola University Chicago. Together, they have studied the impact of diversity on innovation. Their findings indicate that diverse groups outperform homogenous ones by a significant margin. In fact, they say, when a problem is difficult, diversity trumps individual ability. For companies that depend on continuous innovation and the introduction of new products to stay competitive, those "...that take advantage of the power of functional diversity should perform well."

*"If people think alike, then no matter how smart they are they most likely will get stuck at the same locally optimal solutions. Finding new and better solutions, innovating, requires thinking differently. That's why diversity powers innovation."*

– Scott Page, *The Difference*, 2007

# Key Findings

## Inclusion is the key to unlocking innovation

In a September 2013 research report, *Innovation, Diversity and Market Growth*, The Center for Talent Innovation (CTI) concludes that organizational leaders who practice inclusive behaviors “unlock the innovative potential” of a diverse workforce. Their research reveals that this is a critical factor in market growth because, while workforce productivity gains always improve earnings, continued innovation is required to increase market share and open new markets. In turn, an organization’s capacity for innovation is greatly enhanced by a diverse workforce that is managed by leaders who embrace and encourage diversity. CTI’s research finds a strong positive correlation between highly innovative, diverse companies and market growth.

## Women are critical for innovation

The 2007 report from the London Business School, *Innovative Potential: Men and Women in Teams*, explores the impact of the proportion of women in professional working teams engaged in knowledge-based work on knowledge transfer, experimentation, and task performance. Their study concluded that the optimal gender representation on teams is 50:50. When innovation is crucial, they say, companies should construct workgroups with equal proportions of men and women, adding that “tokenism” should be discouraged due to its detrimental effects on both women and team performance and innovation.

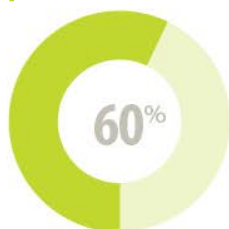
## Diversity powers innovation.

The London Business School surveyed over 850 individuals on more than 100 teams across a variety of industries operating in 17 countries, studying the effect of women on knowledge transfer, experimentation, and task performance.

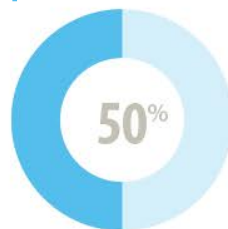
Psychological safety is optimal at 50% women



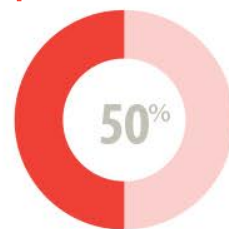
Team self confidence is optimal at 60% women



Team experimentation is optimal at 50% women



Team efficiency is optimal at 50% women



## Patents by mixed-gender teams are cited more often

An analysis of women’s participation in IT patents by NCWIT in 2007 found that U.S. patents produced by mixed-gender teams were cited 26 to 42 percent more frequently than the average citation rate. The research was updated in 2012, with nearly identical results – citation rates on patents from mixed gender teams were 30-40% higher than the norm for patents of similar age and type.



Business Advantage

## Better Problem-Solving & Group Performance

### Diverse teams outperform homogenous teams

Problem solving is a continual challenge within organizations. Solve problems faster or reach more innovative solutions, and benefits accrue. Diversity improves problem solving by way of bringing together unique perspectives and non-traditional approaches that are the result of unique skill sets, experiences, and complementary knowledge. Diverse groups are more likely to represent important constituencies, bringing valuable insights from the external marketplace into the workgroup.

In a 2009 study by Ernst and Young, researchers demonstrated that diverse groups tend to perform better than homogeneous ones, even if the members of the homogeneous groups are individually more capable. In fact, the diversity of the group's members matters as much as their ability and brainpower, if not more. The study concludes: "The diverse group almost always outperforms the group of the best by a substantial margin."

Research on group behavior conducted by Catalyst reaches similar findings, demonstrating that diverse groups, when properly managed, make more innovative business decisions than non-diverse groups.

Given the fact that much of today's knowledge work is performed in teams, companies that cultivate teams with more women will gain a competitive advantage – a benefit that extends to all stakeholders.

*"The standard argument is that diversity is good and you should have both men and women in a group. But so far, the data show, the more women, the better."*

– Thomas Malone, management professor at MIT, to the *Harvard Business Review*, 2011