

# Women on Board in Egypt

How Gender-Diverse Boards Bring Value  
to Egyptian Companies

IN PARTNERSHIP WITH:



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This report was prepared based on information collected through primary and secondary research. Much of the statistical data came from desk research of publicly available information, including annual reports. The research also consisted of focus group discussions, one-on-one interviews, and an online questionnaire.

Although the report results are derived from qualitative and quantitative data, using sound research methodology, IFC and Voluntas Advisory do not guarantee or warrant the accuracy and reliability of the information in this publication. It should not be relied on as a substitute for legal or corporate advice.



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# FOREWORD

In Egypt, like the rest of the Middle East and North Africa, there are plenty of women who are qualified to serve on boards and in leadership positions but are not given the chance to do so. This represents a tremendous missed opportunity because women are a significant source of untapped potential: They can help drive economic growth and spur job creation, whether they are managing operations in the C-suite or driving strategy in the boardroom.

Strong leadership is needed to enhance and empower boards in Egypt. Some difficult questions need to be asked as to why women aren't fully part of this leadership, and whether boards are taking appropriate action to move their organizations forward by having varied qualified perspectives in the boardroom. Qualified women bring strong skills, fresh perspectives, and a different way of handling issues than their male counterparts. Numerous studies have shown that diverse boards enable companies to operate more efficiently and perform more effectively, helping them improve profit margins, return on equity and valuation while reducing their risk of exposure to corruption, fraud, and scandal.

For Egypt's private sector, improving the gender balance of its leadership is mission-critical. A recent World Bank assessment noted that the nation's economic situation is improving—the result of governmental reforms, along with the gradual restoration of confidence and stability. In the fiscal year 2018, Egypt's domestic output grew at 5.3 percent, compared to 4.2 percent in the fiscal year 2017. A robust private sector will enable the nation to build on these gains, but this will require a heightened focus on business competitiveness—attracting and retaining top talent, enhancing the efficiency and effectiveness of operations, competing on the global stage, and pulling in new investment. For this to happen, Egyptian companies of all sizes must prioritize their focus on balancing the gender scales throughout the workforce, with a particular emphasis on the top of their organization charts.

Fortunately, the push toward greater diversity at the top is already happening in Egypt, as in other nations. It is driven by a growing number of qualified women, male champions, investors and shareholders, legislation and governance codes, and overall awareness that companies must better reflect the markets they serve.

This report, *Women on Board in Egypt: How Gender-Diverse Boards Bring Value to Egyptian Companies*, contributes to the growing body of research affirming the connection between gender-diverse business leadership and improved company performance. It builds on an earlier IFC study published in Jordan and is designed to be used in tandem with that report as well as a similar study on company boards in Lebanon. Together, the findings from all three form a compelling collection of evidence—of the value that women bring to the boardroom.

The study is part of IFC's strategic focus on corporate governance best practices, to help companies and markets in MENA enhance their performance and attract investments. These efforts support the development of a robust private sector—creating markets and opportunities—by promoting gender diversity and women's empowerment and enhancing overall sustainability through improved governance practices.

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As part of its mission to create markets and opportunity, IFC is focused on closing gender gaps in the workplaces of emerging market companies, with a particular emphasis on efforts to balance the scales when it comes to women in business leadership. This study, which explores the connection between gender-diverse boards and company performance in Egypt, is part of IFC's ongoing effort to demonstrate the value of increasing women's participation on company boards in the regions where we work. By comparing measures of gender diversity and corporate performance, highlighting barriers to women's ascension into Egyptian boardrooms, and providing recommendations to reduce these barriers, it is hoped that this study will contribute to the knowledge base on the connection between gender-diverse boards and enhanced company performance.

This study was developed by a team led by Yehia El Hussein, in cooperation with Linda Clark and Mohamed Sadek, as part of the IFC MENA Corporate Governance team, in collaboration with Voluntas Advisory, whose consultants conducted the research.

It builds on a similar study of Jordanian companies, published in 2015. The earlier research showed that companies with greater board gender diversity exhibit higher returns on assets and equity compared to companies without gender-diverse boards, among other advantages.<sup>1</sup>

The team would like to thank the Egyptian Exchange and the Egyptian Institute of Directors who provided valuable insights, facilitated access to data and information, and shared important feedback during the development of this report.

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<sup>1</sup> International Finance Corporation. 2015. "Gender Diversity in Jordan: Research on the Impact of Gender Diversity on the Economic Performance of Companies in Jordan." Washington, D.C. [https://www.ifc.org/wps/wcm/connect/e93318004a0d7ff195cfb7e54d141794/IFC\\_Jordan\\_Gender\\_Report\\_Sep\\_2015.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/e93318004a0d7ff195cfb7e54d141794/IFC_Jordan_Gender_Report_Sep_2015.pdf?MOD=AJPERES).

# ABOUT IFC

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## IFC AND CORPORATE GOVERNANCE

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Corporate governance also contributes to development. Increased access to capital encourages new investments, boosts economic growth, and provides employment opportunities. Businesses that operate more efficiently tend to allocate and manage resources more sustainably. Better stakeholder relationships help companies address environmental protection, social, and labor issues.

With strong donor support, IFC continues to strengthen corporate governance programs in underserved regions, particularly in Sub-Saharan Africa, Latin America, and the Middle East and North Africa by closely integrating its investments and advice, and focusing on capacity building of intermediaries, resulting in improved operational efficiency.

IFC's Corporate Governance Group brings together staff from investment support and advisory operations into a single, global team. This unified team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family businesses governance. The group also helps support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels. For more information, visit: [ifc.org/corporategovernance](http://ifc.org/corporategovernance).

## IFC AND WOMEN ON BOARDS AND IN BUSINESS LEADERSHIP

IFC is a leader in advocating for change and advancing the case for gender diversity on boards and in business leadership in emerging markets and developing countries. Our growing Women on Boards and in Business Leadership program is designed to meet the needs of companies as they look to improve diversity in management and on boards, build their pipeline of female talent, and create new generations of women leaders. The program features training, awareness-raising, guidance, and a robust research component to demonstrate the link between more women in senior leadership positions and stronger environment, social and governance standards. We also are mainstreaming the gender dimension in our investment operations. In companies where we have investments, we have reached a target of 30 percent female representation for IFC-nominated director positions, with the goal of 50 percent by 2030. For more information, visit: [ifc.org/cggender](http://ifc.org/cggender)

“

**Gender-diverse boards lead to stronger company performance and female board members appear to positively impact a company's financial performance.**



## EXECUTIVE SUMMARY

Socially, women in Egypt have made strides in recent years. Today, they represent nearly half of the country's college graduates. But, only 23 percent of women participate in the labor force<sup>2</sup>, and very few reach the upper echelons of the corporate world.

This research study sets out to:

- quantify the relationship between gender diversity on corporate boardrooms and a company's financial performance in Egypt;
- examine the barriers to female participation on boards;
- highlight opportunities to increase the number of women in boardrooms; and
- propose recommendations on how to achieve greater gender equality in the boardroom, build a pipeline of female business leaders, and promote gender equality practices in the Egyptian labor market.

The study covered a sample of 2,139 Egyptian companies. The data was collected through an analysis of publicly available information, and through focus groups, interviews, and surveys.

The study found that **gender-diverse boards lead to stronger company performance, adding to the business case for women on boards.** The qualitative research, though, reveals that Egyptian businesswomen continue to face hurdles in ascending through the corporate ranks. They often work in administrative job functions, such as human resources and accounting, that do not come with key revenue-generating or operational responsibilities. As a result, they are not developing the range of skills and expertise needed to win managerial promotions and compete for board directorships.

The analysis focused on two main groups of companies: privately-held companies and publicly-listed companies. The group of privately-held companies was further divided to compare results between firms without gender-diverse workforces and those with an employee mix that is at least 25 percent female. The publicly-listed category comprised companies listed on the Egyptian Exchange as well as on the Nile Stock Exchange for small and medium enterprises (Nilex).

The study concluded that 47 percent of the sampled companies (see Research Methodology section) have female board members and women represent 14 percent of all board members. Furthermore, 39 percent have one or two female board members and 8 percent of the companies have three or more. The average board size is 6.1 members (6.7 for companies with women on boards and 5.6 for companies with all-male boards).

Study concluded that

**47%**

of sampled companies have **female board members**, and **women** represent

**14%**

of all board members.

**39%**

have **one or two** female board members and

**8%**

of companies have **three or more.**

**50%**

of graduates are **female**, but only

**23%**

participate in the **labor force.**

<sup>2</sup> World Bank. 2017. "Labor Force, Female (% of Total Labor Force)."

While Egypt’s private sector includes many privately-held companies that are family-owned businesses, such firms were specifically excluded from the analysis. The rationale for this decision lies in the existing, albeit limited, body of global research into family firms, which suggests that female board members of family-owned companies have less influence than their counterparts at non-family companies and that typically, such appointments are due to family connections rather than merit, further devaluing women’s presence. Additionally, family-owned businesses tend to be reluctant in sharing their data and financial information. Given this, the research sample was limited to non-family firms, to ensure equivalency in comparisons of the ways in which female directors affect company financial performance.

Privately-held companies with **female board members** and a **gender diverse workforce** benefit from

**X2** profit growth and better solvency,

**X3** return on assets,

**X4** return on sales.

### POSITIVE RELATIONSHIP BETWEEN GENDER-DIVERSE BOARDS AND FINANCIAL PERFORMANCE

The study found that female board members appear to positively impact a company’s financial performance. The quantitative analysis of privately-held companies revealed that entities with gender-diverse boards outperformed those with all-male boards. Among privately-held companies, 57 percent have women on their boards while women make up 19 percent of all board members. The average board size is 5.1 and board size ranges between two and fifteen, while the share of women on these boards ranges from 6.6 percent to 100 percent. On average, companies exhibited higher profitability measures and better solvency across the 2014–2016 period covered in this research. Specifically, companies with female board members exhibited 2 percent higher growth in return on equity, 4 percent higher growth in return on assets, and 5 percent higher growth in return on sales (operating profit margin). Furthermore, privately-held companies with gender-diverse boards displayed greater preference for equity financing and less dependency on debt, as reflected in the equity-to-asset, debt-to-equity, and debt-to-asset ratios.

Within this group, the privately-held companies with female board members and gender-diverse workforces (employee mix of minimum 25 percent female) came out well ahead on profitability measures (more than double the profit growth) and better solvency. Companies in this group exhibited 8 percent greater growth in return on equity as well as return on assets, and 7 percent higher growth in return on sales (gross operating margin). Additionally, privately-held companies with a gender-diverse workforce that also have women on their boards are less willing to finance through debt.

Forty-five percent of publicly listed companies have women on their boards, while women make up 10 percent of all board members. The average board size is 7.5 and board size ranges between three and nineteen, while the share of women on these boards ranges from 8 percent to 63 percent. The quantitative analysis of publicly-listed companies revealed mixed results. Companies with female board members exhibited 7 percent higher return on equity, an equal return on assets (of 4 percent), and 14 percent lower return on sales.

The study also looked at a subset of companies in the financial services industry. Fifty-four percent of publicly listed financial institutions have women on their boards, with women as a group constituting 11 percent of all board members. The average board size is 8.3 and board size ranges between three and nineteen members. The share of women on these boards ranges from 8.3 percent to 62.5 percent. This group of financial institutions exhibited similar patterns to privately held companies. Those with women on their boards nearly doubled the return on equity of peer companies with all-male boards and had higher returns on assets and on sales.

Publicly-listed companies with gender-diverse boards displayed slight preference for equity financing and less dependency on debt. The analysis of the publicly-listed companies in Egypt indicates that companies with female directors on their boards outperformed their peers with all-male boards across all indicators of capital structure and solvency. While, publicly-listed financial institutions without women on their boards have higher equity ratio and better debt-to-equity and debt-to-asset ratios.

At privately held companies, the assessment of the return on equity and return on assets was further broken down by the number of women in the boardroom. That analysis found that privately-held companies with five female board members had the highest return on equity and return on assets, publicly listed companies with three female board members had the highest return on equity, and those with two females on the board had the highest return on assets.

The findings of this study suggest that gender diversity is associated with better corporate financial performance. Yet, due to the relatively small sample size, as compared to the entirety of the Egyptian private sector, the statistical findings of this research are limited to the analyzed sample and cannot be extrapolated to the entire population of privately-held Egyptian companies. This is not the case for the publicly-listed companies, as they were all included in the quantitative analysis in this study.

The qualitative analysis, which was based on interviews, focus groups, and responses to an online questionnaire, highlighted important characteristics of female board members: sound economic and strategic thinking, excellence in problem-solving skills, and exceptional ability to identify profitable deals. The study findings showed that such attributes yield significant benefits for companies, in the areas of risk management, planning and strategic direction.

Diverse boards also better reflect the marketplace—and, consequently, customer and investor needs. This is of particular relevance in a country like Egypt, where women drive purchasing decisions in 85 percent of households.<sup>3</sup> Such non-financial factors allow companies to make better financial decisions, operate more efficiently and cost-effectively, and broaden their customer base.

### ORGANIZATIONAL AND HUMAN CAPITAL BENEFITS OF GENDER-DIVERSE BOARDS

The analysis revealed that having women on boards is likely to enhance organizational and human capital development aspects of companies. While classified as non-financial indicators, these characteristics feed into financial performance over time. As a result, they are of vital importance.

This study uncovered several key linkages between gender diversity and organizational structure. In focus groups, interviews, and surveys, participants indicated that the presence of women improves board dynamics and performance. They contribute a broader perspective. They improve conflict management and communication. In addition, respondents perceived female board members as highly focused on the workplace environment, company culture, and professional development. Such an emphasis contributes to increased employee satisfaction, retention, and talent development—all beneficial to building companies’ human capital base.

Publicly Listed Companies

54%

of publicly listed financial institutions have women on their boards, with women constituting

11%

of all board members.

Publicly listed financial institutions with women on their boards exhibited

X2 return on equity.

<sup>3</sup> International Finance Corporation. “Investing in Women: Creating Value and Accelerating Growth for Egypt’s Businesses.” PowerPoint presentation for Cairo Roundtable, March 30, 2017.



These insights are reflected in the study’s quantitative analysis, which found that privately-held companies with women on their boards spend more on employee development: 0.33–0.38 percent of annual sales, compared to 0.19–0.25 percent of annual sales. In addition, the privately held companies with female board members demonstrated lower full-time employee turnover than companies with all-male boards: around 5.58 percent turnover for firms with gender-diverse boards, compared to about 7.16 percent turnover for firms with no women on their boards.

### PRESENCE OF WOMEN ON BOARDS BOOSTS INNOVATION, RESEARCH, AND SOCIAL RESPONSIBILITY

Study participants said that gender-diverse boards contribute to innovation and enhance corporate social responsibility efforts. The very nature of diversity—offering different perspectives, experiences, and points of view—stimulates robust dialogue and creative thinking. Respondents said that female board members challenge male-dominated perceptions and initiate new ideas, creating a conducive environment for innovation. The quantitative analysis of this research study supports this presumption, showing that privately-held companies with women on their boards spend more on research and development as a percent of annual sales than companies with all-male boards.

### BARRIERS FOR WOMEN ON BOARDS

The qualitative analysis highlighted the obstacles for Egyptian women in gaining access to board positions. Interview, focus group, and survey respondents noted that Egyptian women are subject to societal expectations about women’s roles from a very early age. Popular culture reinforces the stereotypes of women as homemakers and men as leaders, they said.

Such gender stratification feeds on itself, contributing to a lack of self confidence among women and a hesitation to pursue career tracks leading to executive-level responsibilities. It also leads to negative perceptions about women’s skills and capabilities for performance and career dedication, influencing men’s and women’s views alike. In the workplace, these expectations and perceptions manifest as conscious and unconscious gender-biased behavior. Women often lack the necessary encouragement and empowerment for pursuing high-demanding careers. As a result, the pipeline of qualified women for board positions is relatively small, according to study participants.

The interviews and focus groups yielded another insight: that female board members often enjoy less authority and decision-making power than their male counterparts—even in non-family companies, when, presumably, the women are appointed for their professional skills, rather than for their family connections. This can be driven by assumptions about women’s capabilities and other gendered biases. Adding to these issues: women are underrepresented within many sectors, and often have less work experience. In such cases, female board members may lack the skills and experiences necessary for effective performance or acceptance by peers, study participants noted.

### HOW TO ACCELERATE THE PACE OF CHANGE

In Egypt, pre-defined expectations about gender roles have rendered women’s careers disproportionately constrained by domestic responsibilities and unequal participation in the workplace. Working women are steadily gaining acceptance, but extensive change requires comprehensive efforts at multiple levels. Among the concrete recommendations identified by this study:



### COMPARISON OF RESULTS FROM THREE COUNTRIES: EGYPT, JORDAN, AND LEBANON

With the completion of similar analyses in three countries—Egypt, Jordan, and Lebanon, a regional picture begins to emerge. It is clear that gender-diverse boards of MENA companies can improve corporate governance, positively influencing board dynamics and making companies more attractive to investors, and that the presence of women on boards enhances the workplace environment, reduces employee turnover, and contributes to a stronger focus on innovation—all of which strengthen companies over the long term.

The challenges faced by women in the three countries are similar as well. In recent years, women in all three nations have increased access to a wider range of opportunities. Yet gendered stereotypes persist. It will require concerted effort and a host of actions to bring about the changes needed so that women in MENA can achieve positions of leadership in similar numbers to their male peers.





# 1. INTRODUCTION

A growing number of studies show that a gender-diverse board can have a positive impact on company performance. More specifically, studies have found that gender diversity in the boardroom is associated with positive effects on key performance indicators—profitability, innovation, growth—along with enhanced internal controls, stronger organizational structures, and higher employee retention rates and engagement levels.<sup>4</sup> A 2016 OECD report showed that companies with gender-diverse executive committees outperformed those without women in senior-level positions, achieving an average of 47 percent higher returns on equity (ROE) and 55 percent greater gross income.<sup>5</sup> Similarly, a 2011 Catalyst study found that companies with the most female board directors outperformed those with the fewest.<sup>6</sup>

Beyond the positive company-level impacts observed when firms have more gender-equitable leadership, the evidence suggests that greater gender equality in the general workforce boosts overall economic growth by improving productivity, diversifying labor markets, advancing corporate governance, and increasing human potential. A 2015 McKinsey study, for example, predicts that reaching gender parity by 2025 could increase GDP by \$12 trillion globally and \$0.6 trillion in the MENA region alone.<sup>7</sup>

Supported by this evidence, initiatives to improve gender diversity in the boardroom have been undertaken globally, regionally, and within Egypt. For instance, in 2014, the American University in Cairo (AUC) created the Women on Boards Consortium, with United Nations Development Programme (UNDP), the American Chamber of Commerce and the Women and Memory Forum to promote gender-diversity efforts on corporate boards. In 2017 the consortium created the Women on Boards Observatory at AUC together with the Egyptian Exchange, the Central Bank of Egypt and the National Council for Women. IFC, the Financial Regulatory Authority and the Ministry of Public Enterprise are also partners in this effort. The Observatory has developed a database of women currently serving on boards of Egyptian companies across the sectors and is in the process of expanding it to include qualified women with the potential to serve on boards in the future.

Companies with **gender diverse executive committees** have

**47%**

higher return on equity (ROE) and

**55%**

greater gross income.

Reaching gender parity by **2025** could increase **GDP**

**\$0.6 trillion**

in the **MENA region** alone.

<sup>4</sup> Catalyst Information Center. 2012. "Why Diversity Matters"; Sangeeta Bharadja Badal. 2014. "The Business Benefits of Gender Diversity." Gallup Business Journal, <http://news.gallup.com/businessjournal/166220/business-benefits-gender-diversity.aspx>; Diversity Best Practices. 2009. "The ROI of Diversity and Inclusion." Diversity Primer, [https://www.diversitybestpractices.com/sites/diversitybestpractices.com/files/import/embedded/anchors/files/diversity\\_primer\\_chapter\\_02.pdf](https://www.diversitybestpractices.com/sites/diversitybestpractices.com/files/import/embedded/anchors/files/diversity_primer_chapter_02.pdf); Ingrid Dyott and Sajjad Ladiwala. 2017. "Gender Impact: Assessing Gender Diversity at the Portfolio Level." Neuberger Berman.

<sup>5</sup> Deloitte. 2016. "Women in the Boardroom: A Global Perspective," Deloitte Global Center.

<sup>6</sup> Catalyst. 2011. "The Bottom Line: Corporate Performance and Women's Representation on Boards (2004-2008)."

<sup>7</sup> McKinsey&Company. 2015. "The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion To Global Growth."

### WHY CORPORATE GOVERNANCE MATTERS AND THE CONNECTION WITH GENDER-DIVERSE BUSINESS LEADERSHIP

Often, such initiatives are part of broader efforts to improve corporate governance—the structures and processes by which companies are directed and controlled. Research has shown that, along with stronger environmental and social standards, good corporate governance enhances company performance, helping them operate more efficiently, improve access to capital, mitigate risk, safeguard against mismanagement, increase stakeholder confidence, and strengthen reputation. Good governance makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns.<sup>8</sup>

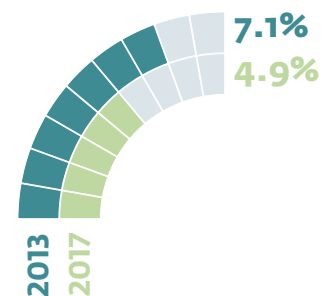
Corporate governance also contributes to development. Increased access to capital encourages new investments, boosts economic growth, and provides employment opportunities. Over the past decade, an estimated \$4.5 trillion in project finance across emerging markets has adhered to IFC’s performance standards and corporate governance methodology—or principles inspired by this guidance. The adoption and application of these standards is evidence of a broad-based acknowledgement that governance considerations, along with environmental and social standards, are central to business and economic success.

#### ROLE OF THE BOARD

The board of directors is the central corporate governance organ of a business enterprise, simultaneously directing the financial and non-financial performance of the company. Boards play a vital role in corporate governance by setting the strategic direction of a company and ensuring that the right talent is in place to manage the business. Consequently, improving board performance has become a primary focus of corporate governance initiatives in recent years, with several studies making connections between effectively functioning boards and better performance.<sup>9</sup>

Other studies have shown that women in decision-making positions such as board directorships tend to focus more on key aspects of corporate governance, with heightened attention to board processes, compliance, internal controls, and transparency, helping to elevate the overall governance culture.<sup>10</sup> A recently published paper by two academics, Alexandre Di Miceli and Angela Donaggio, codifies the existing body of recent research, revealing substantial evidence connecting increased diversity at the top with enhanced environmental, social, and governance (ESG) standards. The authors identified equally strong evidence connecting better ESG with stronger corporate performance, building a comprehensive business case for the value of women’s participation on boards and in senior leadership.<sup>11</sup>

#### Appointment of senior female leaders at Egyptian companies



<sup>8</sup> See: Deloitte Governance Services and Nyenrode Business Universiteit. 2016. “Good Governance Driving Corporate Performance? A Meta-Analysis of Academic Research & Invitation to Engage in the Dialogue,” <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/risk/deloitte-nl-risk-good-governance-driving-corporate-performance.pdf>; and, Flavianus Benedicto Ng’eni. 2015. “The Corporate Governance and Firm Performance: A Review of Existing Empirical Evidence,” *European Journal of Business and Management*, Vol. 7, no. 33  
<sup>9</sup> See: McKinsey&Company. “A Time for Boards to Act.” March, 2018. Available at <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/a-time-for-boards-to-act>  
<sup>10</sup> See: Isidro and Cobral. 2015. “The Effects of Women on Corporate Boards on Firm Value, Financial Performance, and Ethical and Social Compliance.”  
<sup>11</sup> Alexandre Di Miceli and Angela Donaggio. “Women in Business Leadership Boost ESG Performance: Existing Body of Evidence Makes Definitive Case. IFC Private Sector Opinion 42. December, 2018.

### THE GENDER GAP AT THE TOP AND WHAT IT MEANS FOR ECONOMIES AROUND THE WORLD

Yet despite notable gains, and the ever-strengthening business case for gender-diverse boards in recent years, women are still underrepresented on boards across the globe (figure 1.1) holding only 17 percent of all board seats.<sup>12</sup> The Middle East and North Africa region lags behind even this: as a group, women constitute less than 2 percent of all MENA board members.<sup>13</sup>

In developed markets, 20 percent of major companies report the presence of women on their boards. In emerging markets, only 10 percent of companies have gender-diverse boards.<sup>14</sup> Globally, of the companies with gender-diverse boards, only 20.1 percent have at least three or more women on their boards—often viewed as the tipping point for women to make their voices heard.<sup>15</sup>

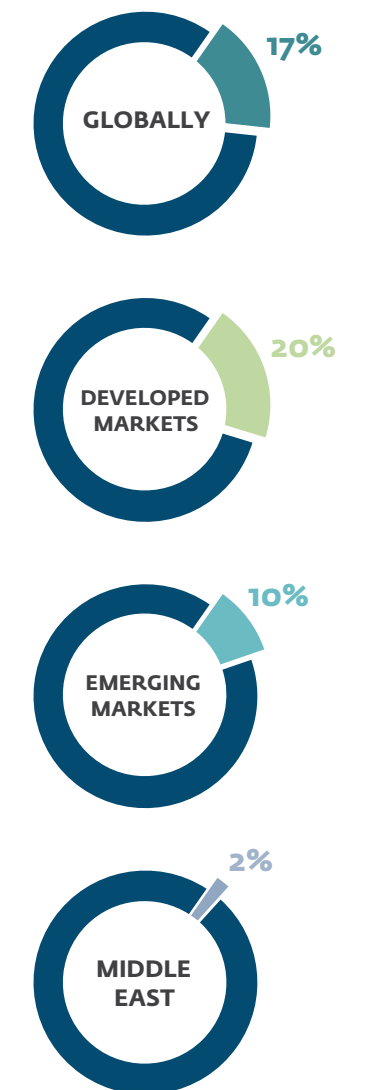
The data collected on the number of firms in the MENA region with women in top management—a stepping stone to board appointments—is equally striking. In 2013, only 5.4 percent of firms had female senior leaders. At that time, 7.1 percent of Egyptian companies had appointed women to senior leadership positions. Notably, this figure declined in the ensuing years, falling to 4.9 percent in 2016.<sup>16</sup> For intra-regional comparison, 2.4 percent of Jordanian companies and 4.4 percent of companies in Lebanon included women in their senior leadership teams. The data on women-owned businesses is not much better. In the region overall, about 23.3 percent of companies are owned by women (figure 1.2). In Egypt, only 17.8 percent of companies have female owners in 2016 compared to 16.1 percent in 2013, 15.7 percent in Jordan and 43.5 percent in Lebanon during the same year.<sup>17</sup> Worldwide, about 35 percent of businesses are women-owned, according to the World Bank.

Aside from the moral imperative of fairness, not giving voice and decision-making authority to half the world’s population means losing out on a massive well of talent. In Egypt alone, the International Monetary Fund has said that closing the gender gaps in the labor market could increase gross domestic product by 34 percent.<sup>18</sup>

The global picture is equally clear. A 2017 report from the World Economic Forum identifies a 42 percent average global gender gap that must be closed in order to reach full gender equality. The report notes that making even small inroads in closing these gaps could quickly yield strong results—increasing countries’ gross domestic product by \$5.3 trillion in the next seven years.<sup>19</sup>

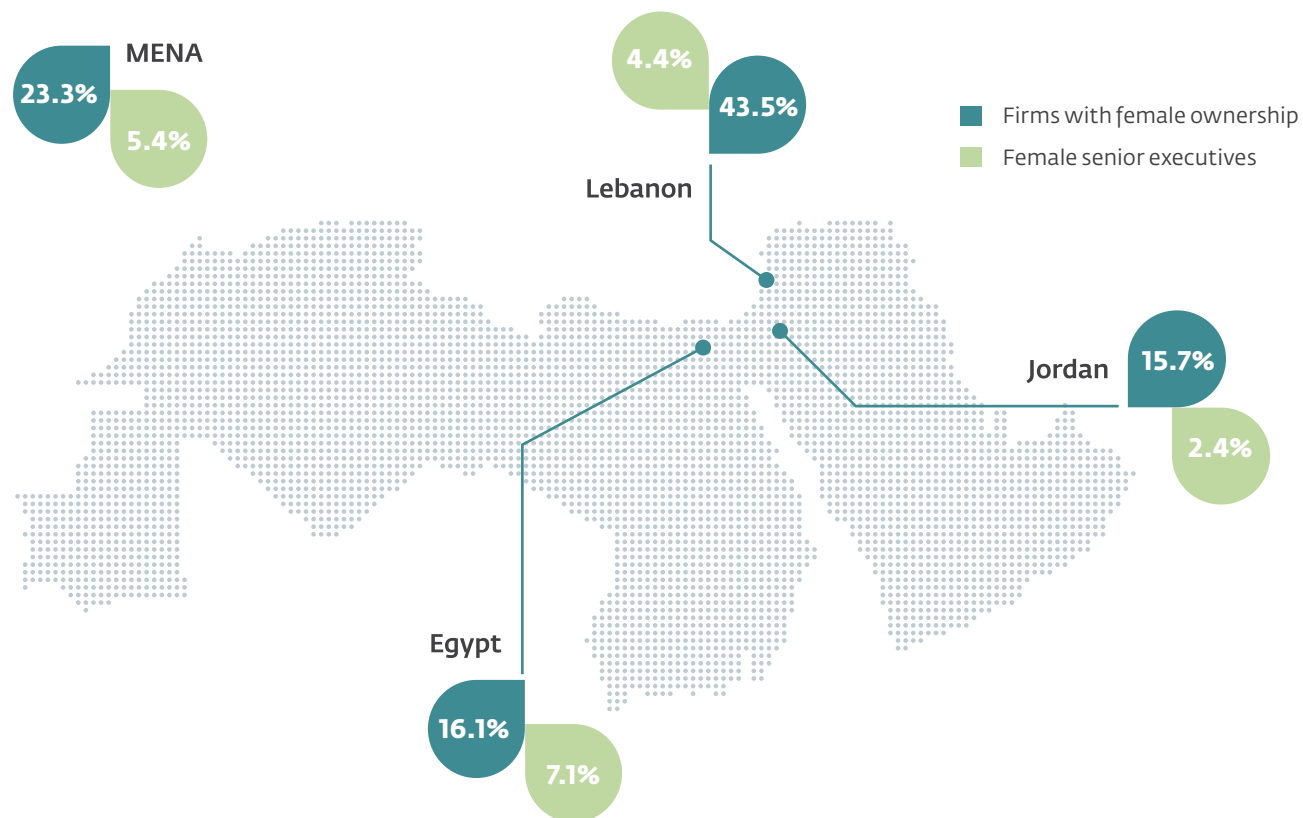
Hence, there is great potential for increasing board gender diversity and a strong case to be made that by accelerating the pace of women’s ascension to boards, individual businesses and economies as a whole will experience improvements.

Figure 1.1 Women’s representation on boards, as % of total board directors



<sup>12</sup> Meggin Thwing Eastman. 2017. “Women on Boards. Progress Report 2017.” MSCI, <https://www.msci.com/www/research-paper/women-on-boards-progress-report/0806530251>  
<sup>13</sup> Deloitte. “Women in the Boardroom: A Global Perspective.”  
<sup>14</sup> Eastman. “Women on Boards. Progress Report 2017.”  
<sup>15</sup> Linda-Eling Lee et al. 2015. “Women on Boards: Global Trends in Gender Diversity on Corporate Boards.” *Research Insights*, <https://www.msci.com/www/blog-posts/women-on-boards-global-trends/0263383649>  
<sup>16</sup> World Bank. 2017. “Firms with Female Top Managers.” *DataBank Gender Statistics*.  
<sup>17</sup> World Bank. 2017. “Firms with Female Participation in Ownership.” *DataBank Gender Statistics*.  
<sup>18</sup> Kalpana Kochar, Sonali Jain-Chandra and Monique Newiak. 2017. *Women, Work, and Economic Growth: Leveling the Playing Field*. International Monetary Fund: Washington, D.C.  
<sup>19</sup> World Economic Forum. 2017. “The Global Gender Gap Report 2017.”

**Figure 1.2 Regional overview: Women's participation in senior business leadership in MENA**



**THE STATUS OF WOMEN IN EGYPT**

The most recently adopted constitution of Egypt calls for equality between men and women. It reads, in part: “The state commits to achieving equality between women and men in all civil, political, economic, social, and cultural rights in accordance with the provisions of this Constitution.”

Still, out of the total Egyptian labor force women’s representation scored 23.1 percent in 2017. This figure has not changed much since 1990.<sup>20</sup>

Female labor market participants face greater difficulty in securing jobs, with an unemployment rate of 24 percent, compared to 9.8 percent for men.<sup>21</sup> Overall, Egypt ranks 134 out of 144 countries

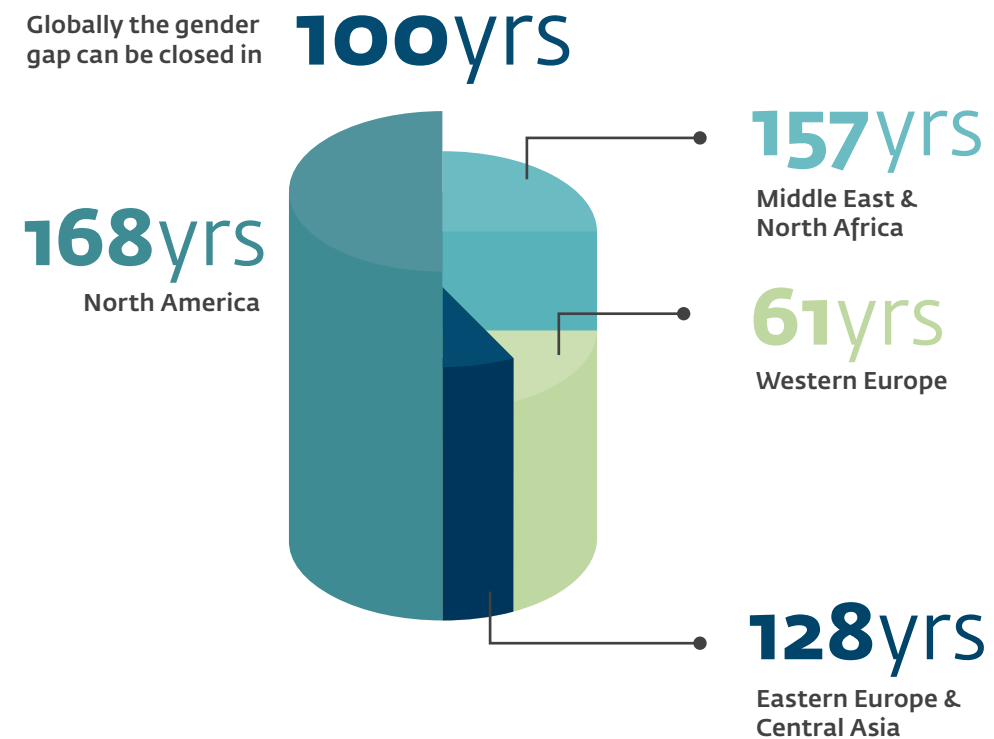
<sup>20</sup> Markus, Loewe, et al. 2013. “Which Factors Determine the Upgrading of Small and Medium-Sized Enterprises (SMEs)? The Case of Egypt.” Bonn; World Bank. 2017. “Labor Force, Female (% of Total Labor Force).” DataBank Gender Statistics; Rana Hendy. 2015. “Women’s Participation in the Egyptian Labor Market : 1998-2012.”  
<sup>21</sup> International Labour Organization. 2017. “Labor Force Participation Rate, Female (% of Female Population Ages 15+) (Modeled ILO Estimate).” ILOSTAT Database.

on economic, education, health and political criteria on the World Economic Forum’s 2017 Global Gender Gap Index,<sup>22</sup> reflecting the current challenges for Egyptian women. Converging factors are squeezing women from traditional means of employment, while new opportunities are limited.

Female representation in the public sector is considerably higher in proportion to the economy as a whole. Since the 1980s, the public sector has proved more hospitable to women than the private sector, offering flexible and stable government jobs with maternity benefits.<sup>23</sup> This partially explains the low female representation in private companies and, by extension, on corporate boards.

However, the recent contraction of the public sector has reduced opportunities for women, leading some to enter the private sector. Many others—particularly educated women—have become unemployed, dropping out of the workforce entirely.<sup>24</sup> Changes in cultural norms over the past 30 years have reinforced female unemployment. For instance, occupations historically associated with women have lost this characterization, which has increased the competition as more men enter these fields. At the same time, traditionally-male jobs have to a much lesser extent lost their gendered requisites preventing female participation.

**Figure 1.3 Closing the gender gap: How long it will take to achieve gender parity in different regions<sup>25</sup>**



<sup>22</sup> Catalyst. “The Bottom Line: Corporate Performance and Women’s Representation on Boards (2004-2008).”  
<sup>23</sup> World Bank. “Egypt’s Private Sector: A Driving Force for Job Creation.” September 18, 2014, <http://www.worldbank.org/en/news/feature/2014/09/18/egypts-private-sector-a-driving-force-for-job-creation>.  
<sup>24</sup> Hendy. “Women’s Participation in the Egyptian Labor Market : 1998-2012.”  
<sup>25</sup> World Economic Forum. 2017. “The Global Gender Gap Report 2017.”

Egypt's gender gap is even more pronounced for the younger demographic, with overall youth unemployment disproportionately affecting young women. According to the Population Council, female university graduates are five times more likely to be unemployed than their male counterparts.<sup>26</sup> Yet at the same time, women have achieved near gender parity in university enrollment. This creates a concerning dynamic, in which Egypt's increasingly well-educated and highly talented younger women see lower prospects for their future careers.

## EGYPT'S CORPORATE GOVERNANCE CONTEXT

Egypt's economic liberalization in the 1990s spurred a movement towards the adoption of formal corporate governance aligned with OECD standards. Non-banking financial services organizations and listed companies are regulated by the Financial Regulatory Authority (FRA), which imposes mandatory corporate governance requirements within its regulations and listing rules. Banks must abide by corporate governance regulations mandated by the Central Bank of Egypt.

In 2005, the Ministry of Investment was the second in the MENA region, after Oman, to issue a voluntary corporate governance code for listed companies in coordination with the Egyptian Institute of Directors (EIoD). The code was then renewed twice by the FRA and the EIoD—in 2011 and again in 2016. The code includes a general corporate governance framework and promotes international best practices related to board composition. It calls for board diversity, noting that boards “should ideally be made up by a diverse mix, unbiased to gender or faith.”<sup>27</sup> The code is based on the “comply or explain” principle, in which companies report on compliance and explain their reasons for non-compliance.

In 2014, the listing rules of the Egyptian Exchange and Nilex were revised to include explicit corporate governance provisions, known as Chapter 4, of which is the requirement for boards to include at least two independent directors. In 2016, FRA issued a set of corporate governance rules to be adopted by all capital market participants, including brokerage firms, asset management companies and investment funds.

For the banking sector, in 2011 the Central Bank of Egypt (CBE) issued corporate governance guidelines for banks aiming to develop the banking system and become aligned with international best practices. The corporate governance regulations in 2011 provided a comprehensive set of provisions to strengthen board practices and composition, board committees, internal control functions, disclosure, and transparency. Later in 2016, the CBE issued a decision mandating all banks to limit the term of the CEO to nine years and have a non-executive Chairman of the board i.e. splitting the role of the Chairman and the CEO.

While the economic outlook for the country is positive, Egypt ranked 114/190 in corporate governance with the indicators on the strength of minority investor protection scoring 4.8 (on a 0-10 index), extent of corporate transparency at 5.0, and extent of shareholder rights at 3.0 on the same

<sup>26</sup> Jihad Abaza. “Women Dominate the Face of Unemployment in Egypt: Researchers.” Daily News Egypt, November 11, 2016.

<https://www.dailynewsegypt.com/2016/11/21/women-dominate-face-unemployment-egypt-woman-researchers/>.

<sup>27</sup> Egyptian Institute of Directors 2016. “Egyptian Corporate Governance Code”.

index, according to the Doing Business Report published by the World Bank Group.<sup>28</sup> At such a critical time in history for Egypt, the promotion of good corporate governance is essential to ensure a robust private sector able to contribute to economic and social development.

To date, the Egyptian government has not issued official recommendations or regulations related to board gender diversity.<sup>29</sup> Primarily, the impetus for action has come from international development institutions, nongovernmental organizations, business associations, and universities.

## ABOUT THE STUDY

This study explores the impact of gender-diverse boards on the performance of Egyptian companies. The first part of the analysis identifies and quantifies the relationship between gender-diverse boards and company financial performance. The second aspect of the analysis looks at the ways in which the presence of women on boards affects company operations, including such non-financial but equally important indicators as organizational structure and employee turnover. The study then details some of the barriers to women's access to Egyptian board directorships and to their ability to perform well in these positions. Then, it identifies opportunities and recommendations on how to achieve better gender balance in the boardrooms of Egyptian companies and ultimately advance the broader case for gender equality in Egypt's labor market. The report concludes with a comparison of the board gender diversity situation in three MENA countries: Egypt, Jordan, and Lebanon.

The report builds on IFC's 2015 study of 1,200 Jordanian firms, which was the first to analyze in-depth the role of women on boards in that country and the link between gender-diverse boards and company performance. The Jordanian research revealed that despite a limited presence in boardrooms—only about 23 percent of companies had female board directors—when they are present, they have a beneficial influence on performance, with positive correlations between gender-diverse boards and returns on assets and on equity.<sup>30</sup>

With the completion of similar analysis in three countries—Egypt, Jordan, and Lebanon—these reports will contribute to a robust knowledge base that takes into account the unique characteristics of individual countries as well as the MENA region as a whole, contributing to the business case for better gender balance in MENA boardrooms.

<sup>28</sup> World Bank Group. 2017. “Doing Business Report”.

<sup>29</sup> The code recommends a gender-unbiased approach to selecting board members.

<sup>30</sup> IFC. 2015. “Gender Diversity in Jordan: Research on the Impact of Gender Diversity on the Economic Performance of Companies in Jordan.”

## 2. RESEARCH METHODOLOGY

This research study examines the impact of gender-diverse boards - independent variable - on the performance of companies - dependent variable. To expand on and enhance the findings from the quantitative methods, qualitative research methods were deployed, including focus groups, interviews, and a survey. The results from the qualitative research helped to reinforce the results of the quantitative analysis.

### SAMPLE SIZE AND CHARACTERISTICS

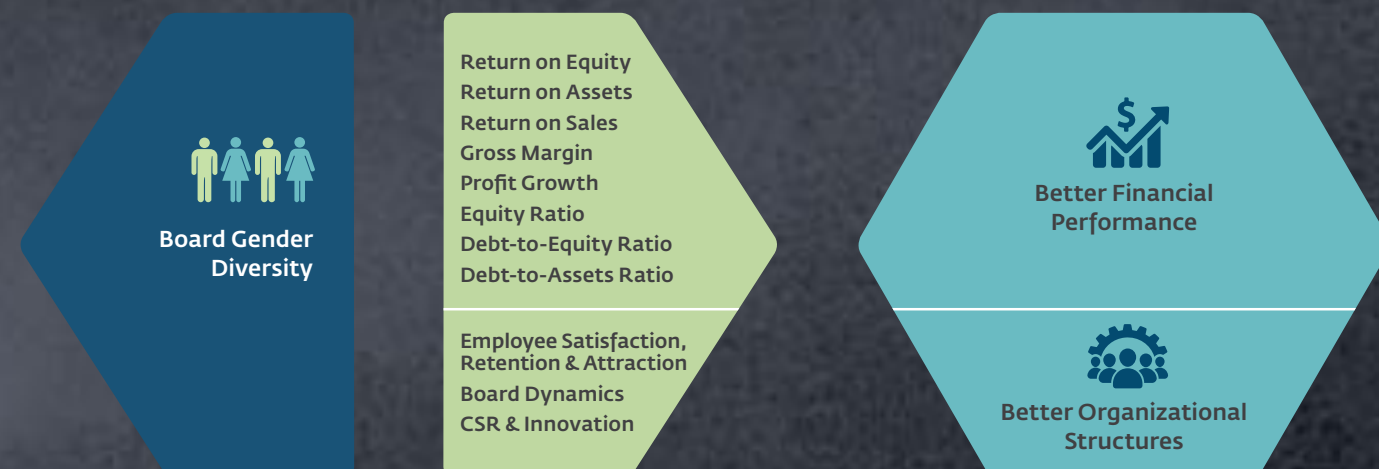
The analysis focused on two main groups of companies, privately-held companies and publicly-listed companies, with observations spanning a three-year period (2014, 2015, and 2016).

The study sample includes a total of 2,139 companies, of which 261 are publicly-listed and the remainder are privately-held companies. After data collection, validation, and exclusion of outliers from the data set, the quantitative and the qualitative analysis attested a total of 817 companies. **The study concluded that 53 percent of these companies have no female board members and women represent 14 percent of all board members.** Furthermore, 47 percent of the companies have women on their boards where 39 percent have 1-2 female board members<sup>31</sup> and 8 percent of the companies have 3 or more. The average board size is 6.1 members (6.7 for companies with women on boards and 5.6 for companies with all-male boards) and board sizes range between 2 to 20 members.<sup>32</sup>

<sup>31</sup> To ensure a comparable sample, our sampling strategy included an approximate 50/50 distribution of companies with and without women on board.

<sup>32</sup> Corporate governance Code in Egypt, as well as the Egyptian companies' law, require a board to be composed of at least three board members. However, 36 companies in our sample said that their boards included only two members, which is why the average is from 2-20.

Figure 2.1 A statistical analysis of Egyptian companies looked at the correlation between gender-diverse boards and company performance



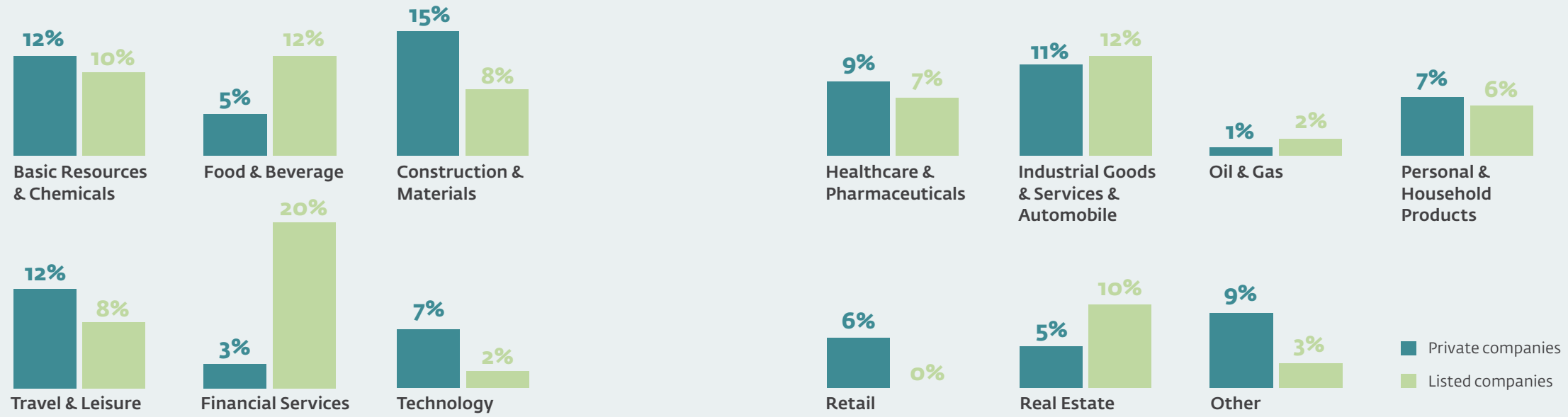
Research was conducted on the following breakdown and sample:

**2,139**

Sample size

**817**

Quantitative analysis

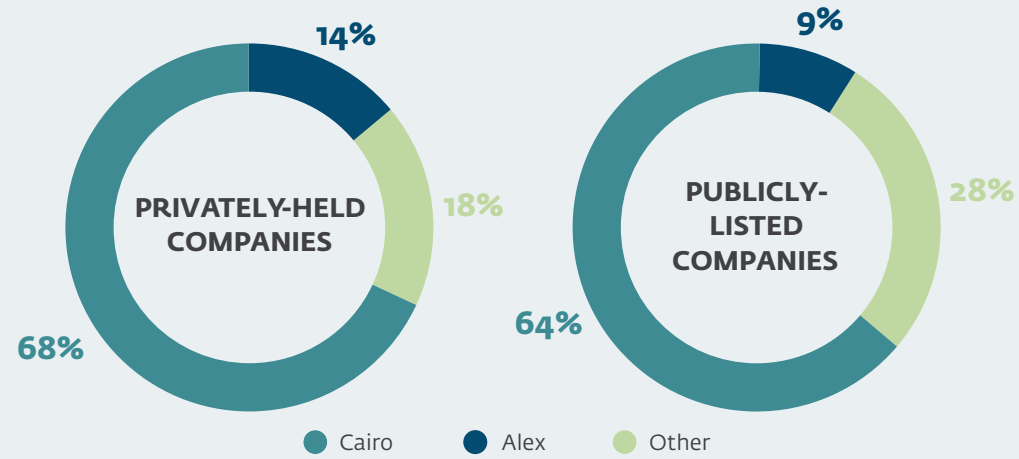


**517**

Private companies

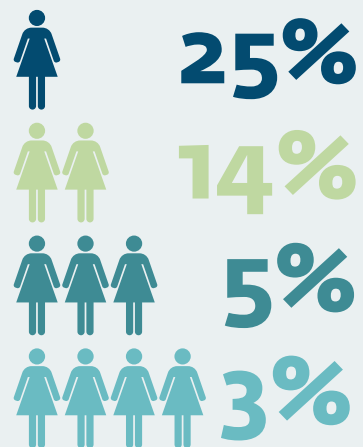
**242**

Listed companies

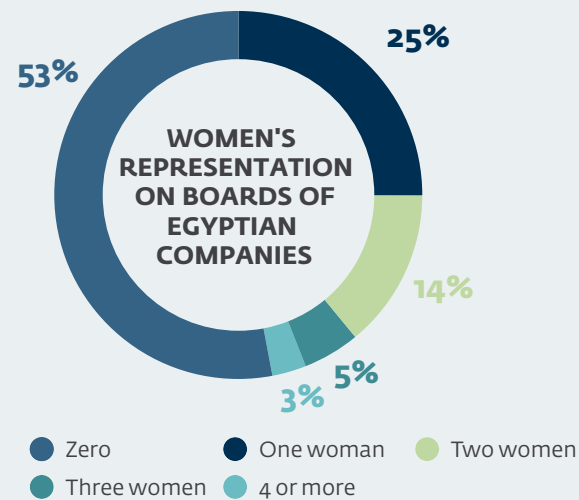


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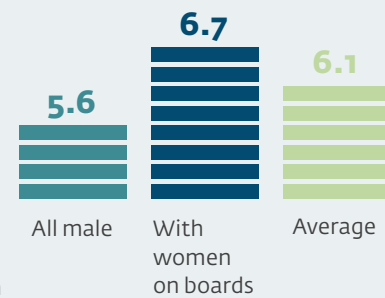
This research study examines the impact of gender-diverse boards - independent variable - on the performance of companies - dependent variable, using both quantitative and qualitative methods.



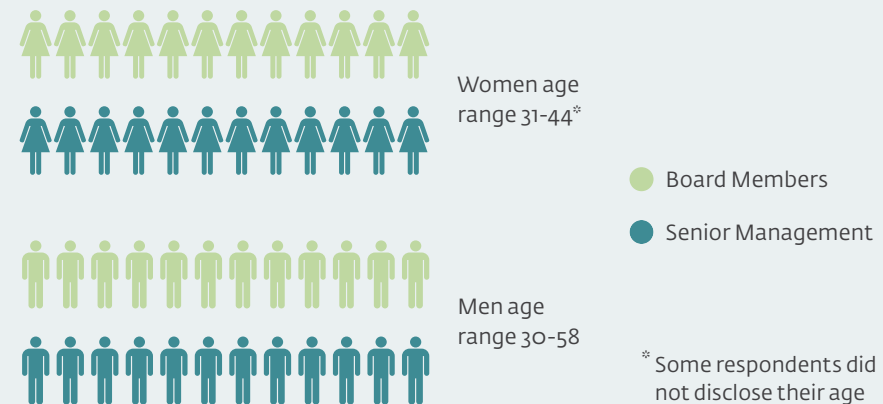
Women's representation on boards of Egyptian companies



The average board size and breakdown on for companies with women on boards



Participation breakdown





## PRIVATELY-HELD COMPANIES

The sample size includes 517 privately-held companies from different sectors. This group was further divided between firms without gender-diverse workforces and those with an employee mix that is at least 25 percent female. This in-depth exploration yielded a deeper understanding of the ways in which gender-diverse boards affect firm performance, as well as the factors that make a difference.

Additionally, a conscious decision was made to focus on non-family companies, despite the fact that many Egyptian firms are owned by families, for the following reasons. Evidence from the existing body of global research suggests that non-family companies maintain better corporate governance structures than family-owned firms<sup>33</sup>—meaning that by limiting the analysis to non-family companies there would be a presumption of a certain standard of corporate governance, making for a more accurate comparison among similarly structured firms. Insights provided by Egyptian company representatives in the interviews and focus groups further reinforced this view. Many noted that the appointment of female board members in family companies often is based on family relations rather than on merit. In addition, they noted that the corporate governance structures of family companies can limit the role of female board members, making it more difficult for them to have input into decision making or to have an impact on performance. These findings suggest that female board members of non-family companies have more influence than the women on boards of family-owned firms.<sup>34</sup> For these reasons, family firms were excluded from the analysis.

## PUBLICLY-LISTED COMPANIES

From the 261 companies listed on the Egyptian Exchange and the Nile Stock Exchange for small and medium enterprises (Nilex), data was collected on 242 companies across all sectors with an in-depth quantitative analysis of the 48 publicly-listed financial institutions.

## COMPANY PERFORMANCE INDICATORS

The financial indicators included in the quantitative analysis are return on equity (ROE), return on assets (ROA), return on sales (ROS), gross margin, profit growth, equity ratio (ER), debt-to-equity ratio (D/E) and debt-to-asset ratio (D/A). ROE, ROA, ROS, gross margin and profit growth represent profitability measures, while ER, D/E and D/A reflect capital structure and solvency.

<sup>33</sup> S. Arcot and V. Bruno. 2012. "Do Standard Corporate Governance Practices Matter in Family Firms." Financial Markets Group. Discussion paper 710. Available at: <http://www.lse.ac.uk/fmg/assets/documents/papers/discussion-papers/DP710.pdf>

<sup>34</sup> Research on women's roles in family companies is limited. One study in India showed that women on boards have a positive impact on company performance, but that this positive effect is weaker when the company and management positions are controlled by a family. The study also showed that female board members have no significant effect on the value of the company if they are affiliated with the family, while independent female directors have a positive impact. For more, see Sarkar, J. and Selarka, E. 2015. "Women on Board and Performance of Family Firms: Evidence from India." Available at: [papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2730551](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2730551).

For the analysis of privately-held companies, average annual growth measures were calculated and used for comparison instead of annual profitability variables (refer to section on research limitations for rationale).

Capital structure and solvency can be an important indicator of the company's risk profile, as well as claims that various stakeholders have on the company. The optimal risk level depends on the industry, but, in general, a company with more debt financing faces higher fixed obligations and would have a smaller operating buffer as well as greater risk. Depending on the cost of capital in the industry, this could mean higher financing costs. While capital structure indicators do not directly reflect economic performance of companies, when taken together in comparison with other companies, they can provide an overall understanding of the financial performance and health of the companies analyzed.

Non-financial indicators were also used in the study in order to measure improved organizational structures. Expenditures on corporate social responsibility (CSR), as measured by the percentage of sales dedicated to CSR, reflect commitment to sustainability and the community. Expenditures on research and development, as a percentage of annual sales, demonstrate a willingness to invest in innovation. Expenditures on employee development as a percentage of annual sales along with the average annual full-time employee turnover rate (employees who have left as a percentage of the total number of employees) indicate the firm's efforts in developing its employees and ensuring meaningful work lives.

## DATA COLLECTION

The following instruments were used for data collection:

### Desk research of publicly-listed companies on the Egyptian Exchange

The data was pulled from the published annual reports, financial reporting services and company websites, the Egyptian Exchange, with board-related and financial data collected on 242 listed companies for the years 2014, 2015 and 2016.

### Face-to-face interviews with representatives of privately-held companies

A questionnaire was developed to gather the data. Questions addressed general operations, financial, non-financial, and board-related matters. Respondents included representatives of 517 companies, selected on the basis of:

- Minimum of 50 employees—to capture a sample of firms in which corporate governance-related areas such as board composition would have more significant impacts
- Located in Cairo or Alexandria—with the assumption that most companies with boards are registered in these two metropolitan areas
- Equal distribution across industry sectors
- Equally balanced between companies with women on their boards and those with all-male boards

### Online survey of privately-held companies

To collect as much information as possible from the broadest possible range of companies, an online survey was sent out to 1,303 privately-held companies—a group that did not include any of the above interviewed companies. The response rate to the online survey was very low, and where valid financial information was available, it was aggregated into the data used for the quantitative analysis.

### Interviews

To provide additional insight into the status of women on boards in Egypt, 10 in-depth individual and company interviews were conducted. Questions focused on identifying barriers preventing more women from joining boards and opportunities to accelerate the pace of gender equality in boardrooms. In the process, two female board members and eight senior managers were interviewed—a mix of male and female. The individual interviews served to enrich the analysis as women who have succeeded in advancing to board positions shared their experiences in detail. The company interviews added valuable insight on gender diversity and gender biases in the workplace. The number of interviews was determined by resources available, time, and methodological considerations. Participants were offered anonymity and some names are omitted in the report.



### Focus group discussions

Eight focus group discussions were convened—each with a different audience—which helped to provide a broader perspective. Participants represented the range of stakeholders from firms of varying sizes, sectors, and regions of the country. Four sessions included male board members and senior executives, while another four included female board members and senior executives. The separation by gender was purposeful: the goal was to allow a comparison of the perceived barriers and opportunities for women on boards between male and female respondents. The number and size of the discussion groups were determined by a balance between available resources, time, and a structured methodology, as well as the availability of participants. Participants were offered anonymity and some names are omitted in the report.

## RESEARCH LIMITATIONS

As with any fact-based research, there are some limitations to this study. It was not possible to determine the effectiveness of the sample companies' overall corporate governance—and whether or not their boards play a significant role in company functioning. This was the reason for limiting the sample to only those firms with at least 50 employees. The presumption here was that an effective board of directors would be significant to companies of this size or larger.

In addition, although the quantitative analysis shows relevant differences in financial performance between companies with women on their boards and those with all-male boards, it is not possible to establish causality between the variables. This is a key reason to supplement the quantitative findings with the qualitative research to gain further insight into the relationship between the presence of women on boards and the impact on company performance.

The financial data of publicly-listed companies was mainly extracted from their annual reports. While for privately-held companies, their representatives provided estimates of the financial status during face-to-face discussions. These figures have not been verified by a third party. Hence, additional steps were taken to ensure data reliability. For instance, several firms provided financial information during the interviews that proved to be consistently overly optimistic. These outliers were excluded from the data set. In addition, to provide a realistic measure for comparison, average annual growth was calculated for all financial indicators between 2014 and 2016 in place of yearly levels that express mean annual change in profitability.

Of note, the solvency variables (ER, D/A, D/E) are slightly affected by the proportionally low debt reported by the privately-held companies compared to the publicly-listed companies. However, no evidence was found either for or against these measures and therefore they remain included in the analysis.

Finally, in order to develop a comparative analysis between companies with and without women on their boards, an intentional sampling process was deployed to obtain a 50-50 split among firms, rather than using a truly random sampling process. Consequently, the sample might not reflect the overall population of companies. While it does capture a snapshot of the Egyptian business context, it would not be valid to use the descriptive insights from the sample, such as percentage of women on boards, as a general representation of all Egyptian companies.



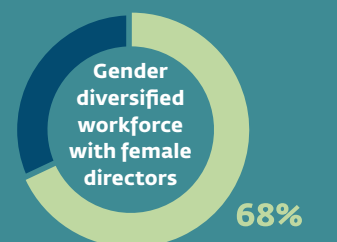
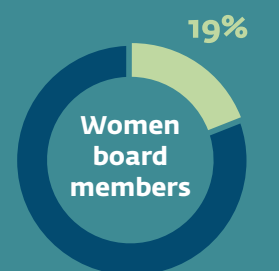
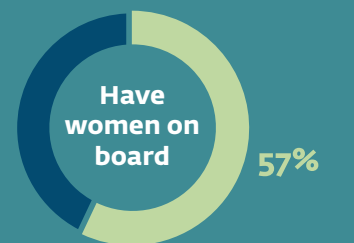
### 3. ANALYSIS: WOMEN ON BOARDS IMPACT ON THE FINANCIAL PERFORMANCE OF EGYPTIAN COMPANIES

The quantitative and qualitative analysis of the privately-held and publicly-listed Egyptian companies reveals positive correlations between the presence of women on boards and financial performance. The statistical results align with the conclusions from multiple studies conducted in recent years—that companies with gender-diverse management teams and boards outperform companies with more heterogeneous teams.<sup>35</sup> The analysis of this research study compared measures of profitability, capital structure, and risk for a more complete representation of company performance.

The input provided by the qualitative data gathered through focus groups, interviews, and online surveys corroborates the quantitative findings on profitability indicators. Respondents—including senior managers and board members of Egyptian companies—indicated that the presence of women on boards improves risk management and strategic operations, female board members tend to excel at economic and strategic thinking, problem-solving and identifying profitable deals. Company representatives interviewed observed that gender-diverse boards enable decision making that best addresses market—and, consequently, customer and investor—needs. This also allows companies to make better financial decisions, operate in more cost-effective ways and broaden their customer base.

#### PROFITABILITY PERFORMANCE FOR PRIVATELY-HELD COMPANIES

The quantitative analysis of profitability performance shows that privately-held companies with women on boards outperform those with all-male boards across all indicators.<sup>36</sup> The sample size has 517 privately-held companies, out of which 57 percent have women on their boards while women make up 19 percent of all board members. The average board size is 5.1 and board size ranges between two and fifteen, while the share of women on these boards ranges from 6.6 percent to 100 percent.<sup>37</sup>

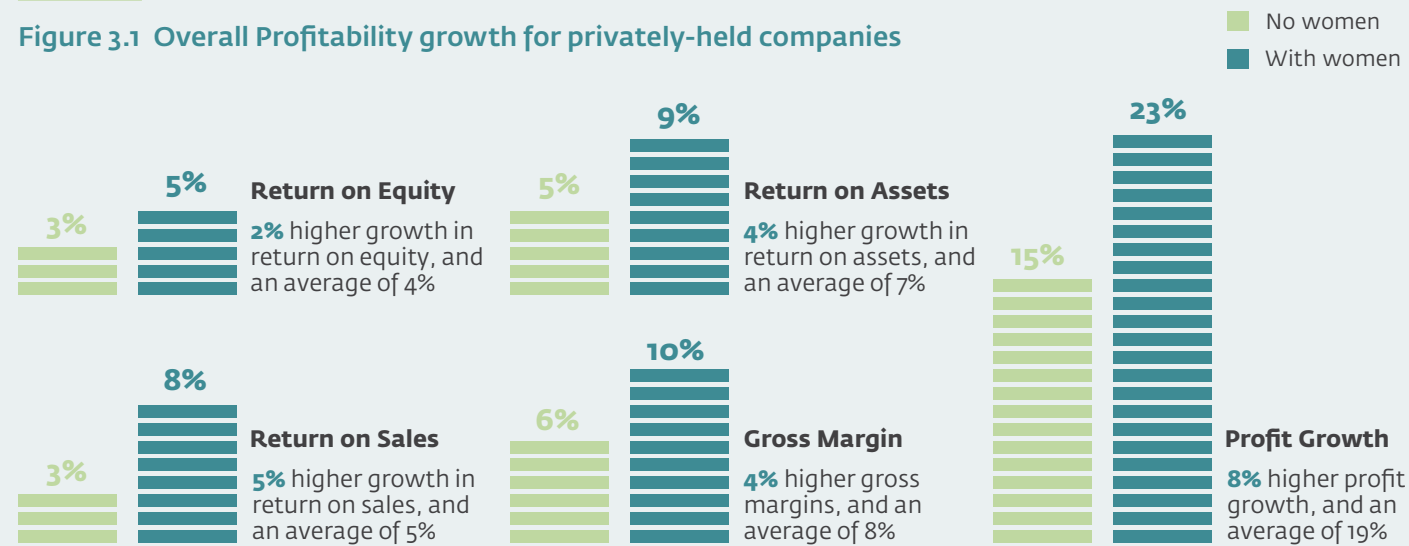


<sup>35</sup> See: Catalyst. “The Bottom Line: Corporate Performance and Women’s Representation on Boards (2004-2008);” IFC. 2015. “Gender Diversity in Jordan;” and Morgan Stanley. 2016. “The Gender Advantage.”

<sup>36</sup> Note: The analysis for privately-held companies compares growth measures to ensure realistic comparisons between companies (see Research Methodology section for further details)

<sup>37</sup> One company had no men on the board.

Figure 3.1 Overall Profitability growth for privately-held companies

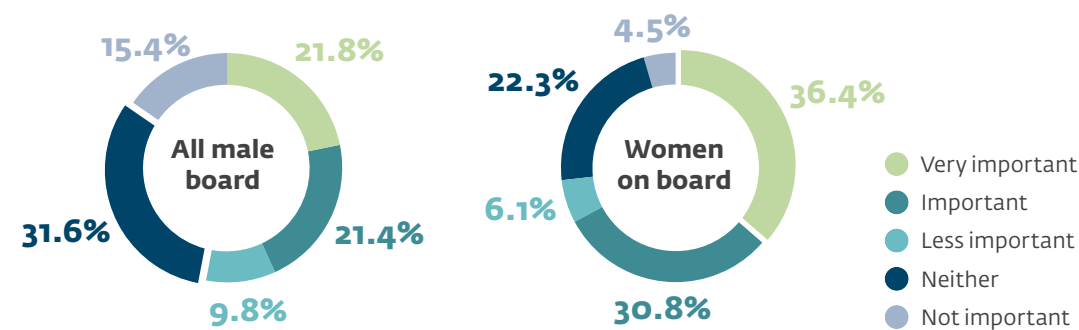


Specifically, companies with female board members (figure 3.1) exhibited 2 percent higher growth in return on equity, 4 percent higher growth in return on assets, and 5 percent higher growth in return on sales (operating profit margin).

In other indicators, privately-held companies with female board members also performed better than similar companies with all-male boards (figure 3.1). Companies with women on their boards had eight-point differential in profit growth (23 percent for companies with gender-diverse boards and 15 percent for companies with all-male boards), and four-point differential in average gross margin (10 percent for companies with gender-diverse boards and 6 percent for companies with all-male boards).

Adding to this data, company representatives who were surveyed and interviewed offered their perspective on the value of gender-diverse boards (figure 3.2), where 67 percent of representatives from companies with women on their boards said that the presence of female board members is either very important or important to improve their financial performance, while 22 percent said that it made

Figure 3.2 The value of female board members in improving financial performance of companies



67%

of representatives from companies with women on their boards said that the presence of **female board members** is either **very important** or **important to improve** their financial performance.

no difference and 11 percent said that having female board directors was either less important or not important at all. In contrast, 43 percent of representatives from companies with all-male boards said that female board members are either very important or important to improve financial performance, while 32 percent said that having women on the board made no difference and 25 percent said that it was either less important or not important at all.

**“If we want to go to the bank for a loan that might be risky, a female board director might object because women typically search for more realistic solutions. They bring a different perspective to our discussions about possible risks, making us more aware of what these risks might be.”**

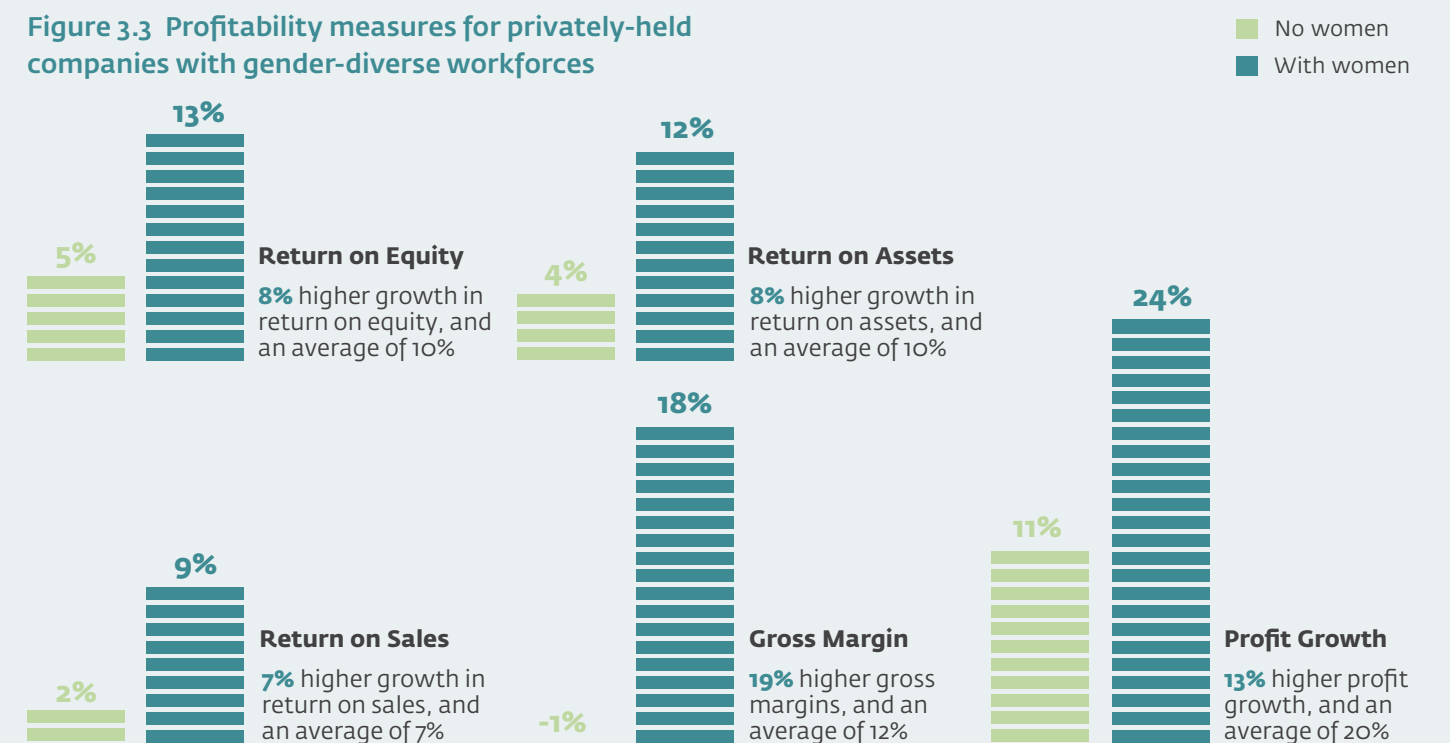
Excerpt from focus group discussion with male board directors of Egyptian companies

Recent research by Morgan Stanley determined that increased gender diversity throughout a firm improves overall company performance. Looking at 1,600 listed companies, the Morgan Stanley study shows that a greater percentage of female employees correlates with higher returns. The authors found that the firms ranking in the top third for gender diversity experienced average returns 2 percent higher than other firms.<sup>38</sup> The analysis also showed that greater gender diversity was correlated with lower volatility of ROE.

The analysis of privately-held companies with a gender-diverse workforce showed that those with female board members outperformed those with all-male boards across all profitability growth indicators. As noted in the Research Methodology section, for the purposes of this study, companies

<sup>38</sup> Morgan Stanley. 2017. “An Investor’s Guide to Gender Diversity,” <https://www.morganstanley.com/ideas/gender-diversity-investor-guide>.

Figure 3.3 Profitability measures for privately-held companies with gender-diverse workforces





with gender-diverse workforces are those with a workforce that is at least 25 percent female. The sample of companies with gender-diverse workforces include 139 companies, 68 percent of which have female directors on their boards.

Specifically, companies with a workforce that is at least 25 percent female and have gender-diverse boards (figure 3.3) exhibited 8 percent greater growth in return on equity as well as return on assets, and 7 percent higher growth in return on sales (gross operating margin).

In other measures, privately-held companies with gender-diverse workforce showed that those with female board members outperformed those with all-male boards, scoring thirteen-point differential in profit growth (24 percent for companies with both gender-diverse boards and workforces compared to 11 percent for companies with all-male boards), and nineteen-point differential in average gross margin (18 percent compared to -1 percent for companies with all-male boards).

Figure 3.4 Average ROE and ROA for privately-held companies by number of women on boards



The assessment of the return on equity and return on assets was further broken down and analyzed for privately-held companies by the number of women in the boardroom, it is evident that privately-held companies with five female board members had the highest return on equity and return on assets. Privately-held companies with two, three, or five women on their boards performed better than their peers of companies with all-male boards (figure 3.4), where companies with five women on their boards had the highest average return on equity of 1.46. Similar conclusions were drawn for the return on assets, privately-held companies with three or five women on their boards performed better than their peers with all-male boards, where companies with five women on their boards had the highest average return on assets of 1.20.

Table 3.1 Overall Capital Structure and Solvency Indicators (2014–2016)

	Privately-Held Companies		Privately-Held Companies with Gender-Diverse Workforces	
	All-male boards	Women on boards	All-male boards	Women on boards
Equity Ratio	66%	74%	68%	79%
Debt-to-Equity Ratio	0.28	0.28	0.18	0.20
Debt-to-Asset Ratio	38%	26%	51%	21%

CAPITAL STRUCTURE AND SOLVENCY IN PRIVATELY-HELD COMPANIES

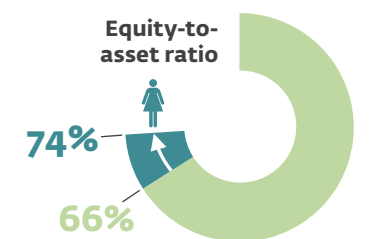
Global research on the impact of gender-diverse boards for capital structures shows that companies with female board members typically are not as leveraged, which—in theory—makes them more stable. For example, one study of listed firms in Kenya found that companies with gender-diverse boards had significantly lower proportions of debt relative to equity.<sup>39</sup> Another study of U.S. public companies found that for boards with a minimum of 25 percent female directors, the influence of risk-aware female directors appeared to significantly impact financial decisions, observable in these companies’ lower debt ratios compared to companies with no female board members.<sup>40</sup> Similar patterns for capital structure and solvency profile were observed among privately-held Egyptian companies in this study.

Privately-held companies with gender-diverse boards displayed greater preference for equity financing and less dependency on debt, as reflected in the equity-to-asset, debt-to-equity, and debt-to-asset ratios. Generally, equity is viewed as safer than debt, because it does not require interest or repayment. As such, these firms are in an arguably better position to fulfill obligations towards shareholders and creditors, such as in case of liquidation. This is reflected by lower debt-to-equity (D/E) ratio and debt-to-asset (D/A) ratios (table 3.1), and higher equity ratios—an average 74 percent equity ratio (equity-to-asset) compared to 66 percent for companies without female board members. Privately-held companies with gender-diverse boards (figure 3.5) had lower D/E and D/A ratios in all years — with the exception of the D/E ratio in 2015 — indicating that they leveraged less debt as they grew.<sup>41</sup>

Privately-held companies with women on their board have an

8%

better average equity-to-asset ratio.

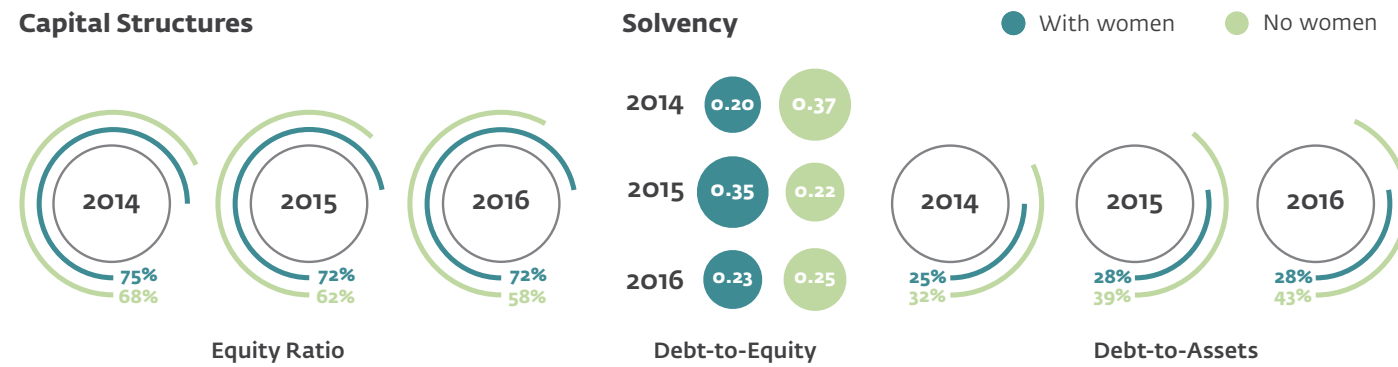


<sup>39</sup> Emmanuel Lochor Emoni, Willy Muturi, and Robert Wamalwa Wandera. “Effect of Board Diversity on Capital Structure among Listed Firms in Nairobi Stock Exchange, Kenya.” *International Journal of Management and Commerce Innovations* 4, no. 2 (n.d.): 141–50.

<sup>40</sup> Cindy K Harris. 2014. “Women Directors on Public Company Boards: Does a Critical Mass Affect Leverage?,” *Proceedings of the Northeastern Association of Business, Economics, and Technology*, 2014, 139–54, [https://digitalcommons.ursinus.edu/bus\\_econ\\_fac/29/](https://digitalcommons.ursinus.edu/bus_econ_fac/29/)

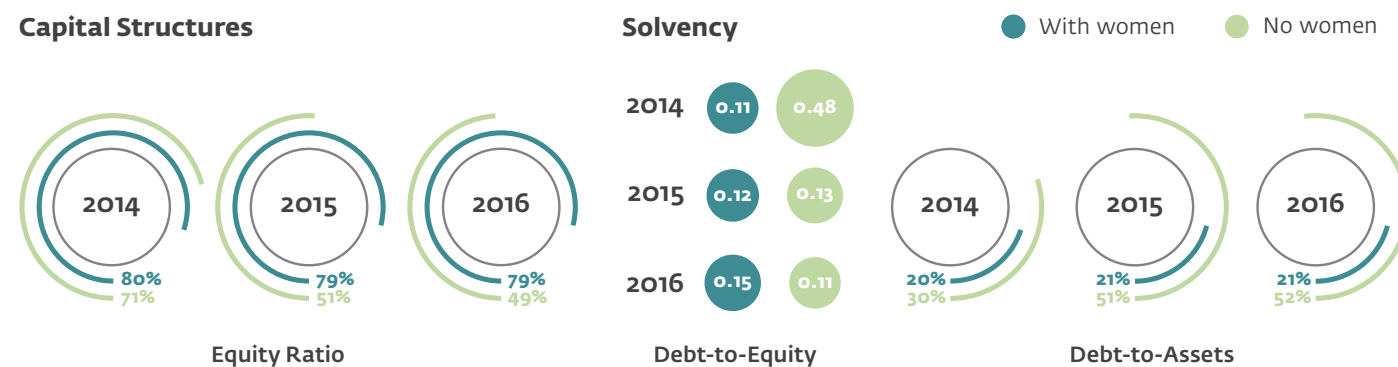
<sup>41</sup> Note: The analysis for privately-held companies compares growth measures to ensure realistic comparisons between companies (see section on research limitations for more information)

Figure 3.5 Capital structure and solvency for privately-held companies by year



The analysis further indicates that privately-held companies with a gender-diverse workforce that also have women on their boards are less willing to finance through debt. As such, they are in a better position to fulfil obligations towards shareholders in case of liquidation and creditors compared to the gender-diverse companies without women on boards. This is reflected in higher equity ratios for all years – an average of 79 percent for privately-held companies with a gender-diverse workforce (figure 3.6) compared to 68 percent for gender-diverse companies without women on boards. The observed differences in solvency indicators are even greater, with a 30 percentage point difference in D/A ratios—21 percent for companies with women on their boards compared to 52 percent for firms with all male boards, and 0.20 D/E compared to 0.18.<sup>42</sup>

Figure 3.6 Capital structure and solvency for privately-held companies with gender-diverse workforces by year



<sup>42</sup> Note that the privately-held data is based on estimates of financial performance i.e. equity, debt and assets.

PROFITABILITY PERFORMANCE FOR PUBLICLY-LISTED COMPANIES

As noted earlier, Egypt does not have an overall regulatory body responsible for corporate governance, although its corporate governance code has generated some voluntary compliance.<sup>43</sup> However, Egypt’s financial sector has placed particular emphasis on corporate governance and transparency, mirroring the proactive stance of financial institutions in other countries. Globally, financial institutions have taken a leading role in recognizing the broader benefits of gender diversity throughout their organizations, as well as on their boards.

The quantitative analysis of profitability performance shows mixed results for publicly-held companies with women on boards compared to those with all-male boards. From the 261 companies listed on the Egyptian Exchange and the Nile Stock Exchange for small and medium enterprises (Nilex). Data was collected on 242 companies across all sectors, out of which 45 percent have women on their boards while women make up 10 percent of all board members. The average board size is 7.5 and board size ranges between 3 and 19, while the share of women on these boards ranges from 8 percent to 63 percent.

Publicly-listed companies with female board members (table 3.2) exhibited 7 percent higher return on equity, 4 percent equal return on assets, and 14 percent lower return on sales.

Specifically, Publicly-listed companies with female board members exhibited 6 percent higher growth in return on equity in 2016 (figure 3.7) and 4 percent higher in 2015, 1.4 percent higher growth in return on assets during the same two years compared to all-male boards. In 2014, all-male boards outperformed in both return on equity and return on assets with 5 percent and 0.1 percent respectively.

In other measures of profitability, publicly-listed companies with all-male boards revealed 8 percent higher growth in return on sales in 2016 and 7 percent higher in 2015, while in 2014 companies that had women on their boards outperformed with 5 percent higher growth in return on sales compared to all-male boards. Publicly-held companies with gender-diverse boards showed that those with female board members outperformed those with all-male boards in 2014 and 2016, scoring seven-point and eight-point differential respectively in average gross margin, where in year 2015, all-male boards had 3 percent higher growth margin.

However, when the assessment of the return on equity and return on assets was further broken down and analyzed for publicly-listed companies by the number of women in the boardroom, it is evident that publicly-listed companies with three female board members had the highest return on equity,

Table 3.2 Overall Profitability of Publicly-Listed Companies (2014–2016)

	All-male board	Women on board
Return on Equity	12%	19%
Return on Assets	4%	4%
Return on Sales	8%	-6%
Gross Margin	24%	21%

Publicly-Listed Egyptian Companies

242  
Sample size

7.5  
Average board size

45%  
of companies have women on their boards

10%  
of board seats are held by women

<sup>43</sup> Egypt’s financial sector is regulated by two authorities. The Central Bank of Egypt is the sole regulator for banks and the Financial Regulatory Authority (FRA) is the sole regulator for non-banking financial companies. In 2016, FRA published comprehensive guidelines on corporate governance and developed a comply or explain approach for financial companies’ implementation of best practices.

and those with two females on the board had the highest return on assets. Publicly-listed companies with one and three women on their boards (figure 3.8) performed better than their peers of companies with all-male boards or with more than four female board members, where companies with three women on their boards had the highest average return on equity of 0.28. Similar conclusions were drawn for the return on assets, publicly-listed companies with two and four women on their boards performed better than their peers with all-male boards, with one female or more than five female board members, where companies with two women on their boards had the highest average return on assets of 0.06.

Figure 3.7 Profitability measures for publicly-listed companies across all sectors by year

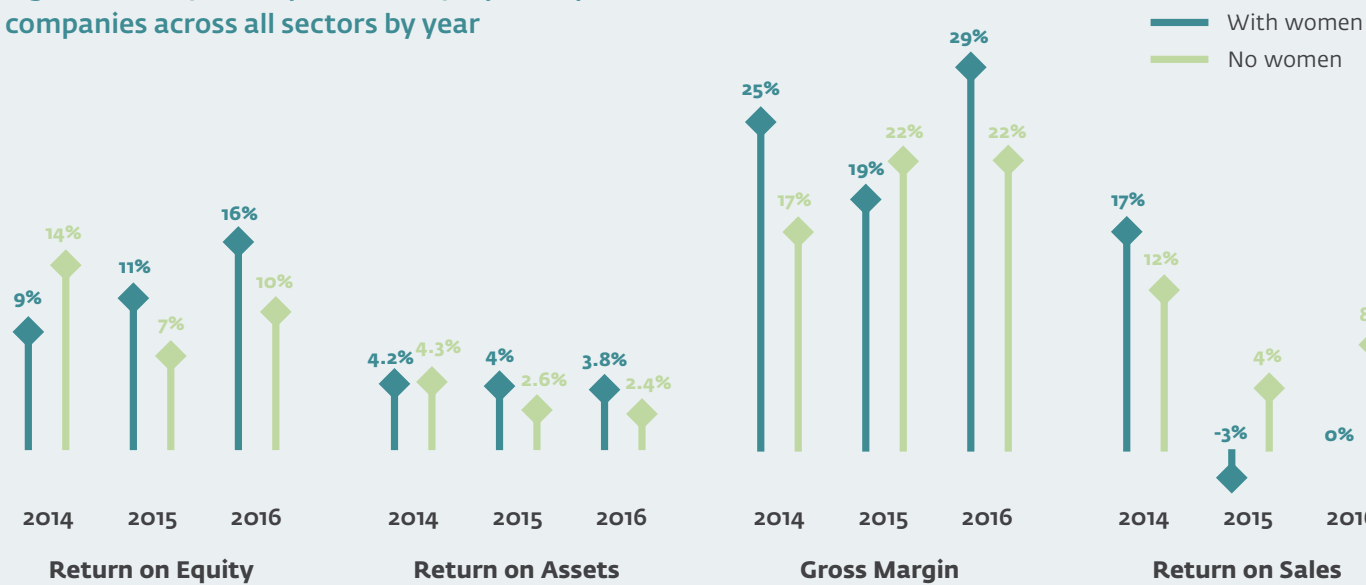


Figure 3.8 Average ROE and ROA for publicly-listed companies by number of women on their boards



The publicly-listed financial institutions account for 3.25 percent of total GDP as of 2014 and has a leading role in prioritizing corporate governance and gender equality in the workplace.<sup>44</sup> This study covers in its analysis 48 publicly-listed financial institutions, of which, 54 percent have women on their boards, with women as a group constituting 11 percent of all board members. The average board size is 8.3 and board size ranges between 3 and 19 members. The share of women on these boards ranges from 8.3 percent to 62.5 percent.

Table 3.3 Overall Profitability of Publicly-Listed Financial Institutions (2014–2016)

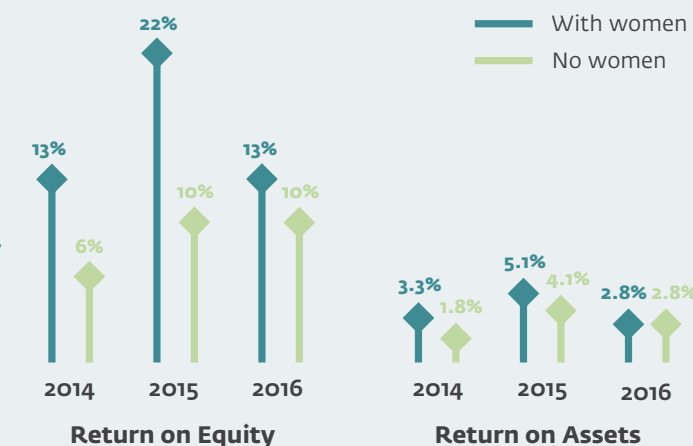
	All-male board	Women on board
Return on Equity	8.7%	16%
Return on Assets	2.9%	3.7%
Return on Sales	19%	26%
Gross Margin	35%	36%

The quantitative analysis in this research study showed that Egyptian publicly-listed financial institutions with women on their boards had almost double return on equity outperforming those with all-male boards (table 3.3). Furthermore, publicly-listed financial institutions with women on their boards have higher return on assets at 3.7 percent, higher return on sales of at 26 percent and higher growth margin at 36 percent, compared to 2.9 percent, 19 percent, and 35 percent respectively for publicly-listed financial institutions with all-male boards.

Return on equity differentials for publicly-listed financial institutions with female board members (figure 3.9) range between 3 and 12 percentage points higher across each of the three years observed and averaging nearly the double (16 percent for publicly-listed financial institutions with women on their boards compared to 8.7 percent return on equity of their peer institutions with all-male boards). Returns on assets show either equivalent ratios in 2016 at 2.8 percent or a 1 to 1.5 percent advantage for publicly-listed financial institutions with female board members.

<sup>44</sup> In 2017 the Central Bank of Egypt together with the National Council for Women launched the “Women Leading the Future” program to improve the pipeline of women for leadership positions in all social, economic and political fields. For more see: IFC. 2016. “Banking on Women in Egypt,” [https://www.ifc.org/wps/wcm/connect/7931b811-04b3-45b5-9dc5-c36a5eb5faf5/Web+version\\_Banking+on+Women+in+Egypt+FINAL.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/7931b811-04b3-45b5-9dc5-c36a5eb5faf5/Web+version_Banking+on+Women+in+Egypt+FINAL.pdf?MOD=AJPERES); and Hossam Mounir. “Egypt’s Banking Sector Strongly Supports Women.” Daily News Egypt, October 22, 2017, <https://www.dailynewsegypt.com/2017/10/22/egypts-banking-sector-strongly-supports-women/>.

Figure 3.9 Profitability measures for publicly-listed financial institutions by year



Publicly-Listed Egyptian financial institutions

48

Sample size

8.3

Average board size

54%

of financial institutions have women on their boards

11%

of board seats are held by women

Table 3.4 Overall Capital Structure and Solvency of Publicly-Listed Companies (2014–2016)

	All-male board	Women on board
Equity Ratio	47%	49%
Debt-to-Equity Ratio	1.04	0.95
Debt-to-Asset Ratio	55%	51%

**CAPITAL STRUCTURE AND SOLVENCY IN PUBLICLY-LISTED COMPANIES**

Publicly-listed companies with gender-diverse boards displayed slight preference for equity financing and less dependency on debt, as reflected in the equity, debt-to-equity, and debt-to-asset ratios. Generally, a higher debt-to-equity ratio is accompanied with higher risk as the institution is financing its growth through borrowing. Although, a higher leverage might potentially lead to more earnings than it would have without financing, the leverage should be compared to the cost of debt. The analysis of the publicly-listed companies in Egypt indicates that companies with female directors on their boards outperformed their peers with all-male boards across all indicators of capital structure and solvency. Publicly-listed companies with female board members had 2 percent higher equity ratio, a lower debt-to-equity ratio of 0.95 (compared to 1.04) and 4 percent lower debt-to-asset ratio (table 3.4).

Publicly-listed companies have either equal or higher equity ratio for all years observed – 53 percent for publicly-listed companies with women on boards compared to 48 percent for their peers without female board members in 2015. Both types of companies, with and without women on boards, had the same equity ratio in 2014 and 2016 at 51 percent and 49 percent respectively (figure 3.10).

The analysis further indicates that publicly-listed companies with female board members scored 47 and 49 percent compared to 53 and 52 percent of their peers with no women on boards during two out of the three years observed and an equally debt-to-asset in the third year.

Figure 3.10 Capital structure and solvency for publicly-listed companies across all sectors by year

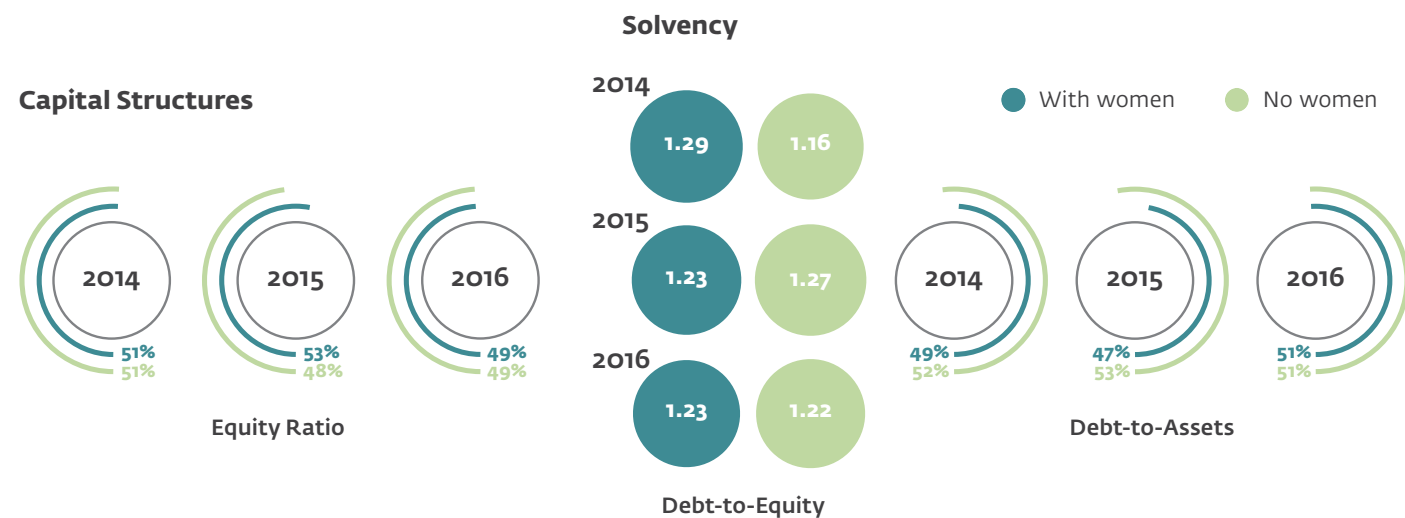
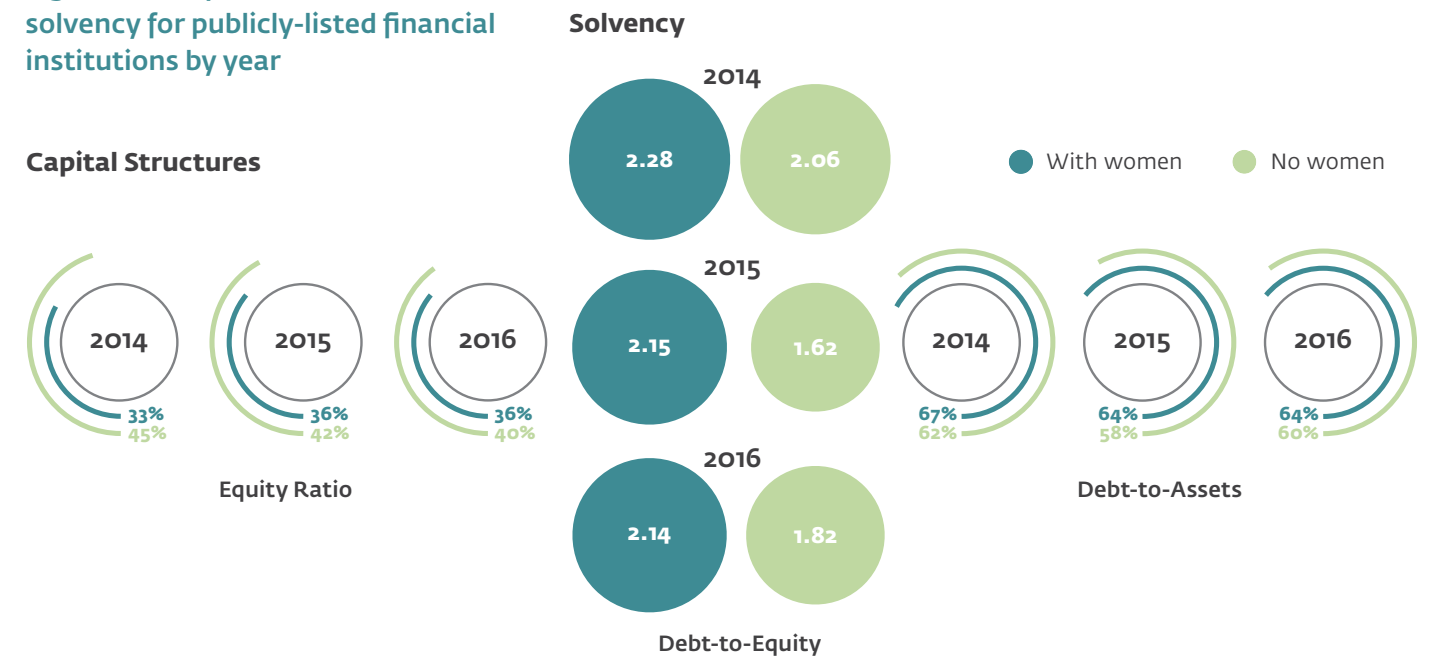


Figure 3.11 Capital structure and solvency for publicly-listed financial institutions by year



Publicly-listed financial institutions exhibited different behaviors than privately-held companies. The quantitative analysis of this research study showed that Egyptian publicly-listed financial institutions without women on their boards had higher equity ratios, better debt-to-equity and debt-to-asset ratios. This indicates that financial institutions with female directors are somewhat more inclined to take on risk in the form of debt financing. Publicly-listed financial institutions with all-male boards have 11 percent higher equity ratio, a lower debt-to-equity ratio of 1.29 (compared to 2.10) and 11 percent lower debt-to-asset ratio (table 3.5).

Publicly-listed financial institutions with all-male boards have higher equity ratio for all years observed – 40 percent in 2016, 42 percent in 2015, and 45 percent in 2014 compared to 36 percent for financial institutions with female board members in 2016, 36 percent in 2015, and 33 percent in 2014 (figure 3.11).

The analysis further indicates that publicly-listed financial institutions with all-male boards have lower debt-to-asset ratios during 2014–2016 (60 percent, 58 percent, and 62 percent respectively) compared to 64 percent for financial institutions with female board members in 2016 and 2015, and 67 percent in 2014.

Table 3.5 Overall Capital Structure and Solvency for Publicly-Listed Financial Institutions (2014–2016)

	All-male board	Women on board
Equity Ratio	43%	32%
Debt-to-Equity Ratio	1.29	2.10
Debt-to-Asset Ratio	57%	68%





## 4. EVIDENCE: ORGANIZATIONAL AND HUMAN CAPITAL BENEFITS OF GENDER-DIVERSE BOARDS

In addition to the connection between women on boards and positive financial outcomes, there is significant global evidence that gender-diverse boards contribute to company-wide institutional enhancements, such as strengthened board roles and dynamics, greater degrees of innovation and improved employee retention. The research suggests that these benefits are driven by tapping into previously hidden potential, accessing a broader range of perspectives, building more productive workforces, and creating reputational enhancements that open up new business opportunities.<sup>45</sup>

Although classified as non-financial indicators, the global research has shown that these factors indirectly influence the financial performance of companies. For instance, improvements in board dynamics or employee satisfaction can positively and significantly affect financial outcomes by influencing the decision-making process or increasing productivity.<sup>46</sup>

Findings of this research study in Egypt are aligned with these results, with strong indications that the presence of women on boards and in senior leadership strengthens companies' organizational structures by:

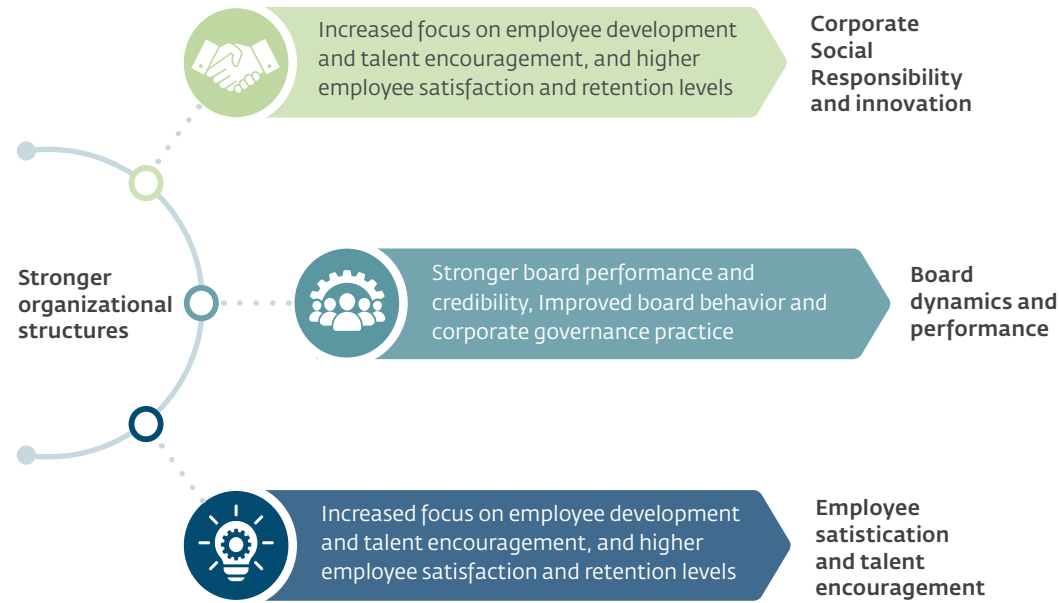
- Improving board dynamics and performance
- Increasing employee satisfaction
- Building the talent pipeline and supporting human capital development
- Emphasizing research, development and innovation
- Enhancing environmental, social, and governance standards

These factors are addressed in the sections that follow.

<sup>45</sup> Lone Christiansen et al. 2016. "Gender Diversity in Senior Positions and Firm Performance: Evidence from Europe;" Catalyst Information Center. "Why Diversity Matters;" Credit Suisse. 2016. "The Credit Suisse Gender 3000: Women in Senior Management;" Dyott and Ladiwala. 2017. "Gender Impact: Assessing Gender Diversity at the Portfolio Level."

<sup>46</sup> Helena Isidro and Marcia Sobral. 2015. "The Effects of Women on Corporate Boards on Firm Value, Financial Performance, and Ethical and Social Compliance." *Journal of Business Ethics* 132, no. 1: 1–19, <https://link.springer.com/article/10.1007/s10551-014-2302-9>; Susan Sorenson. 2013. "How Employee Engagement Drives Growth." *Gallup Business Journal*, <http://news.gallup.com/businessjournal/163130/employee-engagement-drives-growth.aspx>.

Organizational benefits of gender-diverse boards and leadership teams



BOARD DYNAMICS AND PERFORMANCE

Responses from the focus groups, interviews and surveys reveal that the presence of women on company boards can have a positive effect on the behavior of other board members. Respondents noted that women’s presence generally affects the language used and the nature of conversations in board meetings. They indicated that women bring valuable conflict management and communication skills to the table. By using diplomacy and patience in solving problems, women help to create a more positive environment—not just at the board level, but throughout the company as well.

Those interviewed said that greater gender diversity on boards contributes to healthy competition and collaboration among members, which, in turn, improves overall board performance. In addition, boards with female directors are a better reflection of increasingly gender-diverse workforces, which enhances board credibility.

**66%**

of privately-held Egyptian companies with gender diverse boards and

**45%**

of privately-held companies with all-male boards said:

**“Female board members add value by prioritizing corporate governance improvements”**

GENDER-DIVERSE BOARDS AND CORPORATE GOVERNANCE

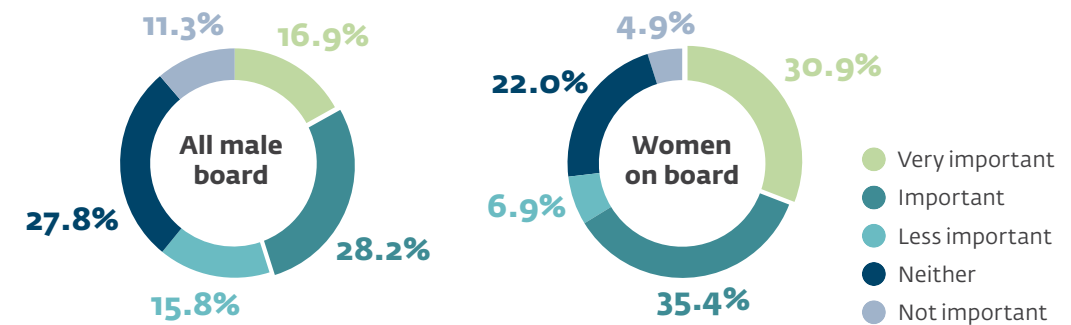
Respondents from privately-held companies acknowledged the importance of board gender diversity in furthering the overall corporate governance agenda. In the survey, 45 percent of representatives from privately-held companies without women on their boards and 66 percent of those with diverse boards said that female board members add value by prioritizing corporate governance improvements (figure 4.1). This is an important point, as a growing body of global evidence connects better corporate governance and enhanced company performance, as noted earlier in this report. Thus, a company with a gender-diverse board may be more focused on corporate governance, which, in turn, contributes to better performance—as well as increased interest from institutional investors increasingly interested in companies’ environmental, social, and governance standards.<sup>47</sup>

“Of course, having women on the board makes a difference. They have strong negotiation skills. And they have financial and organizational skills that are important when it comes to contracting with other companies.”  
 “When women are on the board there is definitely a spirit of competition along with new and innovative ideas, all of which benefits the company.”  
 Excerpts from focus group discussions with male board members of Egyptian companies

EMPLOYEE SATISFACTION

Employee satisfaction and meaningfulness are important measures of company performance.<sup>48</sup> Research shows that a sense of meaningfulness can result in significantly higher levels of engagement, with one study finding that employees who find their work meaningful are 93 percent more

Figure 4.1 How important are female board members for improved corporate governance practices?



<sup>47</sup> Pauline Pielichata. “Two-Thirds of Institutional Investors Utilize ESG Policy.” Pensions and Investments, September 12, 2018. <http://www.pionline.com/article/20180912/ONLINE/180919934/two-thirds-of-institutional-investors-utilize-esg-policy-8211-report>  
<sup>48</sup> Susan Sorenson. 2013. “How Employee Engagement Drives Growth,” Gallup Business Journal; Corporate Leadership Council. 2004. “Driving Performance and Retention Through Employee Engagement.” Washington, DC: Corporate Executive Board.

**“When the board has female members, it encourages other women in the company to aspire for higher positions and shows them that they, too, could someday become board directors.”**  
 Excerpts from focus group discussions with male board members of Egyptian companies

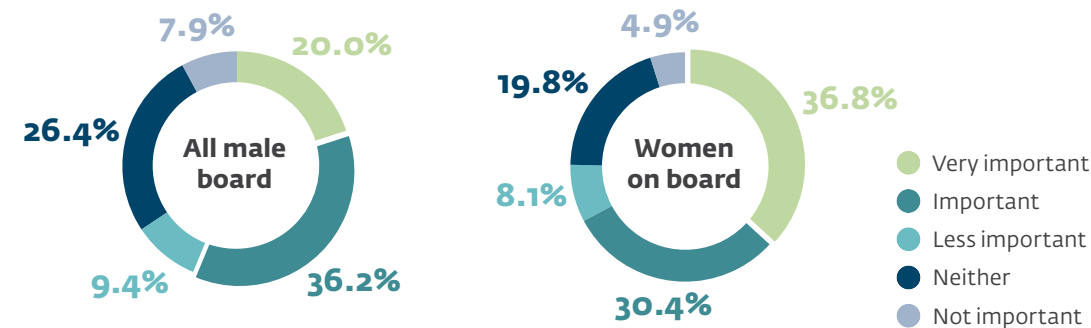
engaged than employees who do not. In addition, meaningfulness is connected to increased job satisfaction, with research showing that employees who find their job meaningful are twice as likely to be satisfied with their jobs.<sup>49</sup>

Although no studies have investigated the direct relationship between meaningfulness and women on boards, many have identified a positive correlation

between more women in senior leadership positions and overall employee job satisfaction. Attention to diversity translates to the fair treatment of customers and of various employee demographic groups, including promotion opportunities and career advancement. Increased gender diversity also has a positive effect on employee retention rates.<sup>50</sup>

Respondents from privately-held companies acknowledged the importance of board gender diversity in improving employee satisfaction. In the survey, 56 percent of representatives from privately-held companies with no women on their boards and 67 percent of those with diverse boards said that female board members add value improving employee satisfaction and meaningfulness (figure 4.2). In fact, a strong commitment to diversity is thought to be one of the key managerial characteristics driving employee engagement, suggesting that gender diversity in company management can positively drive employee satisfaction and engagement levels.<sup>51</sup> In addition to employee satisfaction, gender diversity makes a company more attractive to a greater pool of talent, creating competitive edge for recruitment.

**Figure 4.2 How important are female board members in improving employee satisfaction and meaningfulness?**



<sup>49</sup> Catherine Bailey and Adrian Madden. 2016. “What Makes Work Meaningful — Or Meaningless.” MIT Sloan Management Review.  
<sup>50</sup> Catalyst Information Center. 2013. “Why Diversity Matters”; Catalyst. “The Bottom Line: Corporate Performance and Women’s Representation on Boards (2004-2008);” Catalyst. 2010. “Why Diversity Matters Research Studies 2005-2010.”  
<sup>51</sup> McKinsey. 2015. “Why Diversity Matters.” [https://www.mckinsey.com/~/media/McKinsey/Business Functions/Organization/Our Insights/Why diversity matters/Why diversity matters.ashx](https://www.mckinsey.com/~/media/McKinsey/Business Functions/Organization/Our%20Insights/Why%20diversity%20matters/Why%20diversity%20matters.ashx); Corporate Leadership Council, “Driving Performance and Retention Through Employee Engagement.”

Findings of this research study in Egypt are aligned with this evidence. During interviews and focus groups, participants said that when more women were in senior leadership, employee satisfaction levels increase, because female leaders tend to place greater emphasis on workplace environment and company culture.

Respondents said that female board members focus more on human capital development and encourage welcoming, accessible and comfortable work environments. Among the downstream effects noted were improved productivity and increased sales. Respondents further noted that women generally bring to the table strong communication and management skills, know how to motivate their employees, and encourage commitment among their peers. Female leaders also consider the individual needs of employees, supporting educational opportunities and flexible work arrangements, they said. Moreover, respondents commented that the presence of more women on boards and in top management sends an important message about commitment to diversity and inclusiveness, which encourages other women with leadership potential to continue their climb up the career ladder and into senior roles.

**QUANTIFYING DIFFERENCES IN TALENT DEVELOPMENT AND TURNOVER**

Quantitative analysis of this study supports the positive impact of women on boards for employee satisfaction and talent encouragement. This was measured in terms of expenditure on employee development activities and full-time employee (FTE) turnover.

Overall, the analysis shows that companies with gender-diverse boards spent more on employee development and had a lower turnover, meaning that fewer employees left the company. High employee turnover can be costly for companies, particularly for firms in need of specific skill sets. It can take a while to fill vacancies, impacting productivity. Meanwhile the costs associated with recruitment and on-boarding could mean leaner budgets for other key company needs.<sup>52</sup>

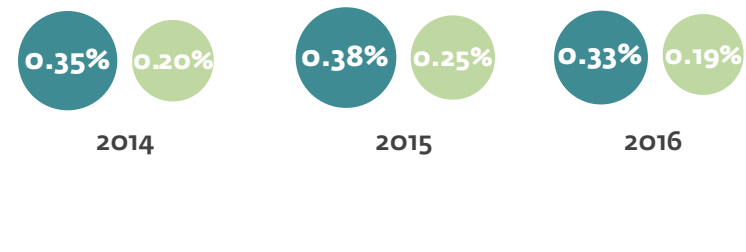
For privately-held companies with women on boards, the FTE turnover was lower than for companies with no women on boards: 5.58 percent compared to 7.16 percent for 2014–2016. This finding could be due to the differential in spending on employee development activities. The analysis shows that privately-held companies with women on boards spend more on employee development activities compared to companies with all male boards: between 0.33 and 0.38 percent of sales compared to between 0.19 and 0.25 percent (figure 4.3).

The analysis for privately-held Egyptian companies with a gender-diverse workforces reveals a similar pattern. FTE turnover was significantly lower for companies with women on boards: 5.5 percent compared to 7 percent. In addition, the annual employee development spend was higher for those firms with female board members, ranging from 0.37 to 0.44 percent of sales for companies with women on their boards compared to a range of 0.17 to 0.31 percent for companies with no women on boards (figure 4.4).

<sup>52</sup> Kokemuller, Neil. “Negative Effects of Turnover,” accessed October 24, 2018. <http://smallbusiness.chron.com/negative-effects-turnover-18531.html>

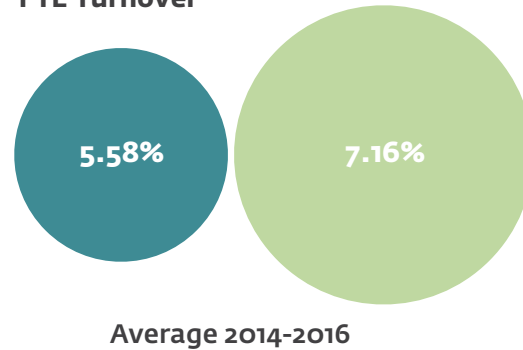
Figure 4.3 Employee development spending and FTE turnover, privately-held companies

Employee Development Spending



● With women  
● No women

FTE Turnover

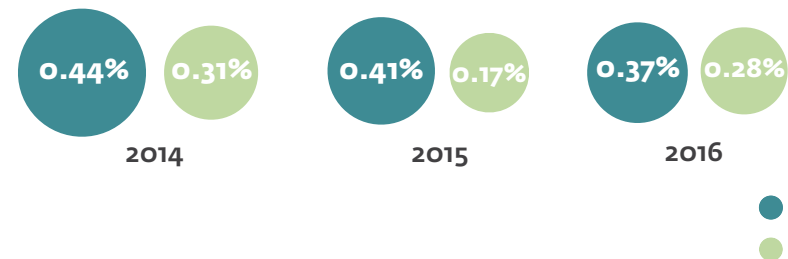


The data paints a clear picture, indicating that the presence of women on boards can result in an improved work environment and stronger investment in human capital. In turn, this can lead to greater employee satisfaction and increased retention.

These insights are further reflected in the survey of privately-held companies. In response to the question, “How important are female board members in increasing focus on employee satisfaction and meaningfulness?” 56 percent of respondents from companies with all-male boards said that they were “important” or very important,” while 67 percent of those from companies with women on their boards responded similarly.

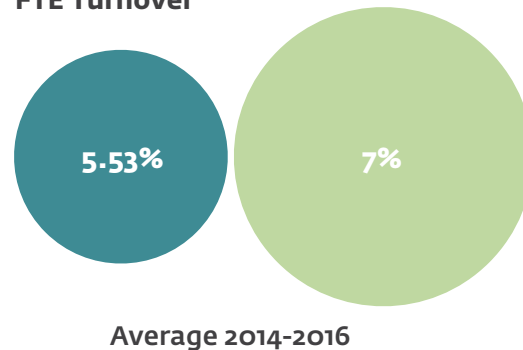
Figure 4.4 Employee development spending and FTE turnover by privately-held companies with gender-diverse workforces

Employee Development Spending



● With women  
● No women

FTE Turnover



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY STANDARDS

A report from Catalyst and Harvard Business School notes that gender-inclusive leadership is associated with increased corporate social responsibility and that gender-diverse boards typically engaged more on average in corporate philanthropy and charitable giving.<sup>53</sup>

Similar connections were drawn in the analysis of this research study. For privately-held firms in the sample, those with women on their boards spent more on corporate social responsibility: 0.82-0.97 percent of annual sales, compared with 0.68-0.75 percent of annual sales spent on corporate social responsibility by companies with all-male boards.

A similar pattern is observed when comparing the sub-set of companies in the sample that have gender-diverse workforces. Gender-diverse privately-held companies with women on their boards spent 1.01–1.06 percent of their annual sales on corporate social responsibility, compared to the 0.65–0.99 percent spent by gender-diverse Egyptian companies with all-male boards.

Interview and focus group participants observed that female board members place a great emphasis on corporate social responsibility. They said that gender-diverse boards tended to engage in environmental sustainability and corporate philanthropy initiatives that otherwise would not be prioritized.

INNOVATION

Similar findings were observed in the area of innovation. The privately-held Egyptian companies in the sample with women on their boards typically spent 0.24–0.4 percent of annual sales on research and development while companies with all-male boards typically spent 0.18–0.20 percent on research and development (figure 4.5).

The same patterns were found in the gender-diverse company subset: companies with women on their boards typically spent 0.29–0.41 percent of annual sales on research and development activities compared to 0.10–0.12 percent spent by firms with all-male boards (figure 4.6). Those interviewed one-on-one and in focus groups said that the broader range of perspectives that comes with increased diversity sparks creativity, boosting innovation and ultimately driving better performance. Women are willing to challenge long-held male perceptions and initiate new ideas, concepts and inputs, they said, thereby promoting a more conducive environment for innovation and creativity.

“Our CEO is a woman. She has initiated many of our CSR initiatives, such as participation in World Children’s Day.”  
Interview with male manager

“We initially only exported to other Arab countries. But our female board member suggested a new perspective. Because of her new ideas, we now export products to Europe, in addition to other countries in our region.”  
Excerpt from focus group discussion with male board members of Egyptian companies

<sup>53</sup> Rachel Soares, Christopher Marquis, and Matthew Lee. 2011. “Gender and Corporate Social Responsibility: It’s a Matter of Sustainability.” Catalyst, [https://www.catalyst.org/system/files/gender\\_and\\_corporate\\_social\\_responsibility.pdf](https://www.catalyst.org/system/files/gender_and_corporate_social_responsibility.pdf)

Figure 4.5 Corporate social responsibility and research and development spending by privately-held companies, as percent of annual sales

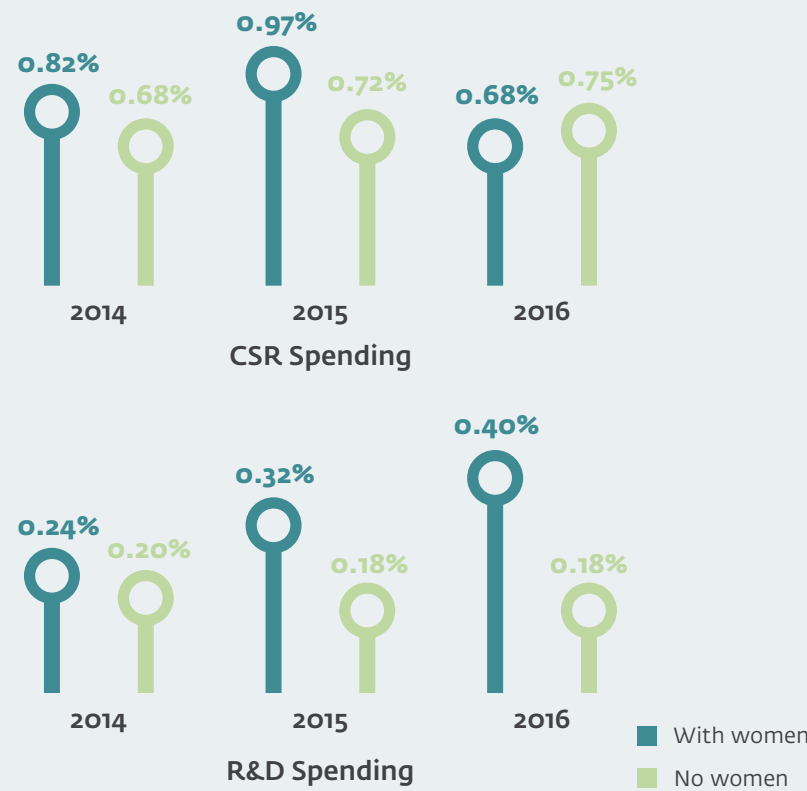
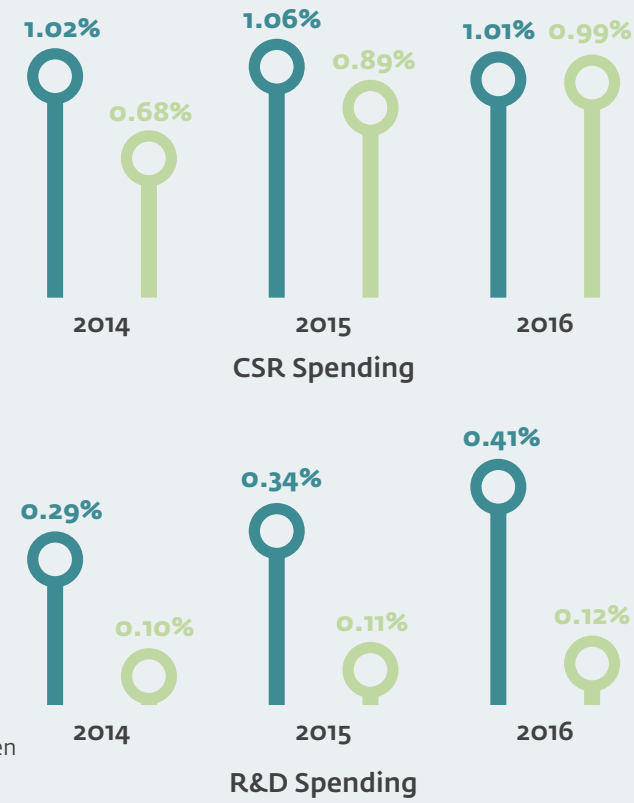


Figure 4.6 Corporate social responsibility and research and development spending by privately-held companies with gender-diverse workforces as percent of annual sales



Adding to this, of those who responded to the online survey of privately-held companies, nearly 70 percent of those representing firms with gender-diverse boards and nearly

50 percent of those representing firms with all-male boards agreed that female board members can improve innovation levels. They said that this characteristic was either important or very important to the company. Taken together, these results indicate that Egyptian companies overall acknowledge the benefits of gender-diverse leadership for innovation and that companies with women on their boards are more conscious of these benefits—possibly because of the presence of female board members.

**66%**

of privately-held Egyptian companies with gender diverse boards and

**49%**

of privately-held companies with all-male boards said:

**“The presence of female board members improves innovation and this is of importance to my company.”**

“

One reason for my success is that I always think outside the box. I am always innovative. And I always bring fresh ideas. I think this is a characteristic of women—we think differently and our decision-making processes are different. This is the reason that female board members add value.

Dr. Shahenaz Rashad Abdellatif, chair, Egyptian Leasing Association and prominent financial expert

## 5. INSIGHT: BARRIERS TO ENTRY FOR WOMEN ON EGYPT'S BOARDS

What prevents more women from joining boards of Egyptian companies? In conducting the research, several barriers were uncovered. Among them: social and cultural expectations that are different for women than they are for men. For example, during one focus group, participants said that Egyptian women are expected to stay home and tend to the household, while men go to work. Others noted that their culture was such that women did not lead companies.

Other barriers include conscious and unconscious biases in the workplace that prevent qualified women from winning promotions they deserve and affect their ability to climb to the top of the career ladder. Additional issues include limited visibility for qualified female board candidates, a lack of female role models, and constraints on women's ambitions due to a shortage of child care options or lack of family support.

Of course, these challenges are symptomatic of broader gender-related issues in the Egyptian workplace—and indeed, in Egyptian society as a whole. By exploring one piece of this complex puzzle, however, it is hoped that a deeper understanding can develop on the challenges Egypt's businesswomen face and, from that, a way forward emerges to break down the barriers to entry and widen the pool of qualified and talented women feeding into board positions.

### GENDERED SOCIAL PERCEPTIONS

Among those interviewed individually or in focus groups, men and women alike acknowledged the presence of social, cultural, and workplace expectations that affect perceptions of working women's abilities and ambitions. These expectations often result in negative notions about women's capacity to work long hours or willingness to travel—and in skepticism about women's productivity or dedication to the job.

Interview and focus group participants noted that such gendered beliefs about societal roles pose great challenges to women's equal inclusion in business and society. The limited leadership opportunities for women, combined with a lack of available training that could enhance women's qualifications, exacerbate the problem. Added to this: popular Egyptian culture tends to reinforce gendered stereotypes, with television series and movies that play up traditional differences in men's and women's roles.

Common factors preventing Egyptian women from ascending to company boards and senior leadership positions

Barriers facing female board members



Challenges for female board members

“

**In our society, there are distinctions between men and women, reinforced from the time we are small. Mothers tell their daughters to clean their brothers' rooms, saying that boys aren't supposed to clean rooms. These boys grow up to become men and they have this same mentality. They believe that the role of women is to cook and clean. We women marry these men, who become chair of companies and still hold on to this same mentality.**

Excerpt from focus group discussion with female managers

Although women are less confined to domestic roles than before, gender divisions in labor still exist. These divisions reinforce attitudes towards women in society and in the workplace, making it that much harder for women to ascend to demanding positions. Focus group participants noted that Egyptian women in leadership face many challenges, including doubts about their capabilities and dedication to the job. Such doubts can undermine women's authority, so it becomes more difficult to lead and manage. In addition, the pervasive lack of family-friendly human resources policies or flexible work environments in Egyptian companies means that women in demanding jobs have an even harder time juggling household

responsibilities, particularly in situations where spouses are not supportive of their career ambitions.

Egyptian men are not alone in holding on to such stereotypes, according to those interviewed. In fact, women themselves sometimes contribute to such gendered perceptions of societal roles, they said. During one women-only focus group discussion, participants admitted that they did not want a female doctor to treat them or a female lawyer to attend to their legal needs because they believed that male professionals were more qualified.

### CONSCIOUS AND UNCONSCIOUS GENDER BIAS IN THE WORKPLACE

Such societal perceptions can feed into the conscious and unconscious gender biases, posing significant obstacles for women on the rise through the career ranks, potentially limiting women's opportunities and ambitions. A recent report on gender parity from the World Economic Forum cites examples from math- and science-oriented fields, showing that even when women have equivalent technical skills and experience, they are not viewed as equals. “There is evidence that, when women do have the relevant mathematical and technology skills, unconscious biases can influence their peers' recognition of their capabilities,” the report notes.<sup>54</sup>

“

**Some companies refuse to employ women. They think they will want to get married and ask for a long vacation for that. And then they will get pregnant and ask for more time off and so on. The general director in my company does not appoint women to managerial positions for these same reasons.**

Female manager in focus group discussion

The findings indicate that Egyptian women often face negative perceptions of their capabilities—and of their capacity to dedicate sufficient time to perform effectively in their roles. Hiring decisions are informed by socio-cultural expectations and perceptions about responsibilities outside the workplace.

Consequently, employers often avoid hiring female staff and leaders due to fears of maternity leave absence and childcare responsibilities, opting for men

<sup>54</sup> World Economic Forum. Global Gender Gap Report 2017

or single and divorced women for senior-level positions.

Things are changing however. Today, it would not be accurate to draw sweeping conclusions about the existence of such barriers across all levels of all industry sectors. Still, the issues still exist—and continue to limit women's opportunities to climb the corporate ladder. The problems become evident when looking at the gender breakdown by business line and job function within a company. Typically, Egyptian businesswomen hold administrative positions in areas such as accounting and human resources, while men tend to dominate the executive ranks in units with key revenue-generating or other financial responsibilities, such as sales and operations.

Those interviewed suggested that such gender imbalances within company organization structures could be due to biases, such as the perception that women struggle with decision making and lack the strength to lead. Others put forth another explanation: Egyptian women might purposely seek careers in women-friendly fields—rather than in male-dominated sectors—because there are more opportunities for advancement.

### LACK OF EMPOWERMENT, EDUCATION, AND FEMALE ROLE MODELS

Female participation in higher education has increased steadily over the past decade in Egypt. Today, nearly half of Egypt's university graduates are women.<sup>55</sup> Yet, participants in this research study noted that young women often lack the encouragement or empowerment to pursue demanding careers. Many are limited from an early age, due to their upbringing and limited education. This results in future disadvantages, such as the inability to compete at the same level as men in the labor market, they said.

Despite clear educational gains, the progress is uneven. In many rural areas—and to a lesser extent in some urban areas—young girls leave school at an early age. Studies aimed at mapping illiteracy in rural communities, including a study by Plan Egypt, have found that early marriage of school-aged girls is a major barrier to achieving universal primary education and promoting gender equality in rural communities.<sup>56</sup>

<sup>55</sup> IFC. “Investing in Women: Creating Value and Accelerating Growth for Egypt's Businesses.” PowerPoint presentation for Cairo Roundtable, March 30, 2017.

<sup>56</sup> Plan Egypt. 2010. “Baseline Report of the Targeted Villages in the Early Marriage Grant-Funded Project,” as mentioned in Plan International, “Breaking Vows: Early and Forced Marriage and Girls' Education,” 2011, 1–40.

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**A high percentage of [Egyptian parents] don't let their daughters finish their education. Girls drop out when they finish the fourth year of primary school.**

Amr Beltagi, Regional Development Manager, Kazyon

“

**The men on our board make 90 percent of decisions. There are women on the board but they are selfish and think with their emotions, so they are not capable of reaching decisions. That is why the women in our company have limited responsibilities.**

Excerpt from focus group discussion with male managers

**What female board members say about work-life balance:**

"Having a husband who does not allow you to be late and who does not understand [your interest in a career] is a burden."

"When we deal with men at work they are nice and cooperative. At home they are not the same. They are more dominating."

**What male board members say about girls' education:**

"Education comes first!"

"Some mothers put limits on their daughters when it comes to their education level."

"Mothers kill their daughters' ambitions because they want their daughters to get married at a young age and tell them that the husband and the house should be the most important things in their lives."

Interview and focus group participants noted that such issues as girls dropping out of school and early marriage often are due to economic and cultural constraints, which further contribute to the underrepresentation of women in senior-level positions throughout the corporate sector.

Those interviewed for the study also noted that the lack of female leadership in politics and other areas of public life is a problem. Without prominent role models—women who have made it to the top—it can seem as if women do not belong in positions of power. As a result, those who might aspire to such positions may decide against pursuing careers in demanding fields because they do not see any other women doing so.

Finally, interview and focus group participants indicated that Egyptian men are not always supportive of their wives' career aspirations. Many Egyptian husbands believe that their wives cannot pursue a career and manage household responsibilities at the same time, so they discourage their wives from pursuing careers. The result, study participants said, is that Egyptian women in high-powered positions tend to be single or divorced.

### CHALLENGES TO WOMEN'S PERFORMANCE ON BOARDS

Even when Egyptian women have a seat at the board table, they might not be given the chance to demonstrate their capabilities or perform well. Study participants identified a number of challenges faced by female board members and senior managers that may impede effectiveness.

### LIMITED IMPACT ON DECISION-MAKING

Although Egyptian women are stepping into senior decision-making positions at an increasing rate, the study findings suggest that most female board members still encounter opposition by male and female colleagues who believe their participation in the boardroom should be limited. Consequently,

female board members often enjoy less authority and decision-making power than their male counterparts due to assumptions about their capabilities and culturally determined gender biases. Study participants noted that such misperceptions also mean that at the outset, female board members may not have the respect of their peers. To demonstrate their abilities and earn this respect, they have to work harder and perform better than their male counterparts.

Among the male board members who participated in the focus group discussions, some indicated a reluctance to engage female peers in decision making and opposition to appointing a woman as board chair. Participants also noted that female board members are often marginalized by their male peers—especially when they are the only woman in the room. These observations suggest that if female board members are to have a true voice in decision-making processes, they should not be alone at the table. Boards should consider appointing more than one woman to ensure that female voices are heard.

The global research bears this out. For instance, a 2007 report from McKinsey indicates that companies with three or more women in senior management score higher on average for each organizational criterion than companies with no women at the top.<sup>57</sup> Another study, by Bear, Rahman and Post, indicates that as the number of female directors increases, so does the firm's commitments to corporate social responsibility, suggesting that contributions women bring to the board in this area are more likely to take place when the board dynamics move away from tokenism to normality.<sup>58</sup> And a 2017 study by Ziv-Schwartz found that boards with at least three directors of each gender are at least 79 percent more active at board meetings than those without such representation. This phenomenon is driven by women directors in particular; they are more active when a critical mass of at least three women is in attendance. In addition, this study found that gender-balanced boards—those with an equal number of men and women—are also more likely to replace underperforming chief executive officers and are particularly active during periods when CEOs are being replaced.<sup>59</sup>

**What female board directors in Egypt say about women's voice in board meetings:**

"Male peers dominate. The woman will be there as physical presence but she won't have a role."

**What male board directors in Egypt say about women's voice in board meetings:**

"The woman won't be able to share her opinion and discuss it."

"When there is a discussion and the woman does suggest a particular position, during the vote, the majority of the men will not vote for her position."

<sup>57</sup> McKinsey & Company. 2007. "Women Matter: Women's Positive Impact on Organizational Excellence."

<sup>58</sup> Bear, S., N. Rahman, and C. Post. 2010. The Impact of Board Diversity and Gender Composition on Corporate Social Responsibility and Firm Reputation. *Journal of Business Ethics*, 97, 207–221.

<sup>59</sup> Schwartz-Ziv, M. 2017. Gender and Board Activeness: The Role of a Critical Mass. *Journal of Financial and Quantitative Analysis*, 52(2), 751-780.



“

The men on our board make 90 percent of decisions. There are women on the board but they are selfish and think with their emotions, so they are not capable of reaching decisions. That is why the women in our company have limited responsibilities.

Excerpt from focus group discussion with male managers

The constraints identified by our study participants appear to limit female board members' effectiveness. In turn, this could minimize any of the positive impacts on decision making and company performance that might have come with a well-functioning gender-diverse board, in which all members have equal voice and say.

#### LACK OF RELEVANT SKILLS AND EXPERIENCE

To qualify for board directorships, candidates must have well-rounded experience and extensive credentials. Study participants reported that many Egyptian businesswomen simply do not have the necessary skills or experience to be selected for open board seats. This could be due in part to Egyptian women's comparatively late entry into the formal labor force and continued underrepresentation in the management ranks.

Meanwhile, female board members of family-owned companies also might not have the requisite skillsets, since such appointments tend to be based on family connections rather than on competence. As a result, these female board members often are relegated to non-participatory roles, rather than assuming decision-making responsibilities. This creates a self-perpetuating cycle in which women are prevented from growing in their positions and developing new skills and expertise. So, they will continue to lack the qualifications for appointment to boards of companies not owned by their family.

Still, those interviewed reported that they are seeing improvements. As more Egyptian women earn university degrees, gain better employment opportunities, and achieve more freedom, they are acquiring the necessary skills and expertise to compete for board directorships, participants said.

“

The only way for a woman to reach the board of directors is if her family owns the business. When her children are grown she might not have anything to do. She asks her husband if she can work with him... so, the husband appoints her to the board.

Excerpt from focus group discussion with male board members

“

Many Egyptian husbands see conflicts between career and household responsibilities, so they discourage their wives from pursuing careers. The result is that Egyptian women in high-powered jobs tend to be single or divorced.





## 6. ACTION: RECOMMENDATIONS TO INCREASE THE NUMBER OF WOMEN ON EGYPT'S BOARDS

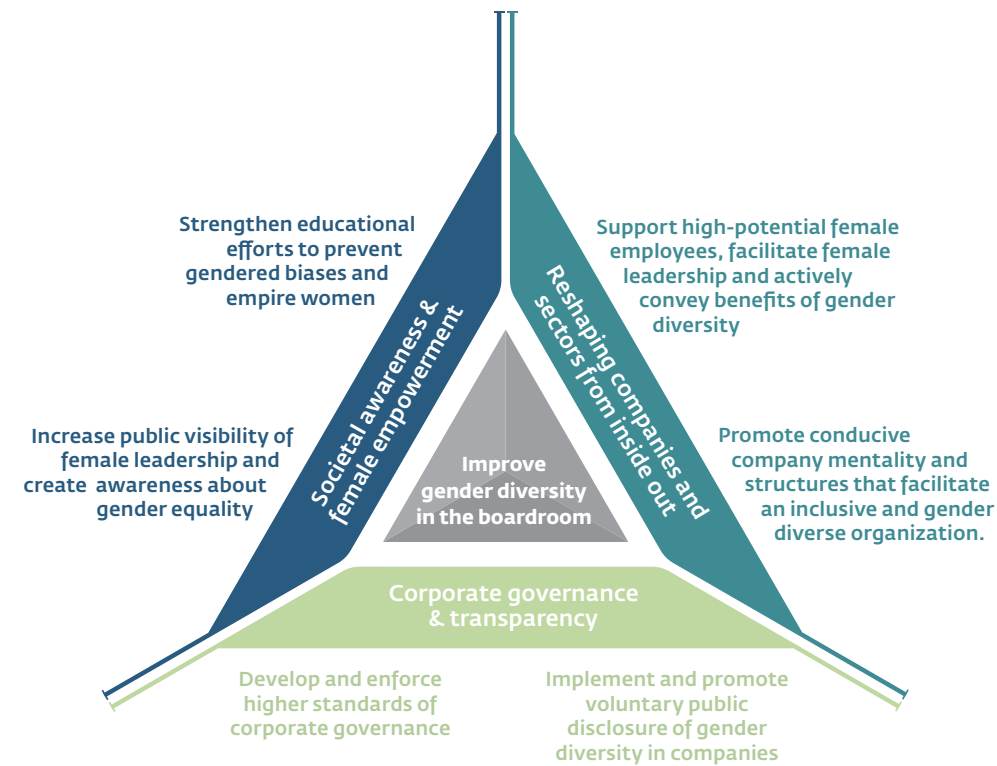
Women's roles in Egypt are evolving. Increasingly, working women are finding their place in the business world. On the home front, gendered expectations about traditional roles and responsibilities are gradually giving way to a more equalized view of capabilities—particularly as more families realize the importance of providing their daughters with the same educational opportunities as their sons, and as those educated daughters find their voice and push for more.

Still, it is unlikely that this evolution alone will close the broader gender gaps that still exist or bring about the massive changes in corporate culture needed to balance the gender scales in Egypt's boardrooms and C-suites. Such a tectonic shift will require comprehensive efforts at all levels of society.

In this section, we provide concrete recommendations to improve gender diversity on Egypt's boards and grow the pipeline of qualified women with leadership potential as a way to help close these broader gaps more quickly, while at the same time enabling improved company performance and enhancing the nation's overall economic growth. These recommendations are based on:

- Observations from Egyptian male and female board directors and managers interviewed one on one or in focus groups
- IFC's corporate governance insights and best practices from its experiences advising emerging market companies
- IFC's strategy to increase the number of women on the boards of emerging market companies

Overview of recommendations to improve gender diversity in Egypt's boardrooms



CORPORATE GOVERNANCE IMPROVEMENTS

In Egypt, the implementation of good corporate governance practices has been slow. The country's existing corporate governance code provides guidance but, as noted earlier, it is based on the comply-or-explain principle and adherence to the code is strictly voluntary. Our research reinforces other findings and best practices suggesting that initiatives to improve corporate governance—particularly those with a focus on enhanced board quality and functionality—can lead to increased board diversity, since corporate governance practitioners and researchers alike identify gender-diverse boards

as a driver of higher environmental, social, and governance standards.<sup>60</sup> Good corporate governance practices are key to leveling the playing field for male and female board members, helping to mitigate the impact of conscious and unconscious biases against women.

<sup>60</sup> See: Akin Gump, "Top 10 Topics for Directors in 2018: Board Composition." AG Deal Diary, January 2018; and Cristina Banahan and Gabriel Hasson, "Across the Board Improvements: Gender Diversity and ESG Performance." Harvard Law School Forum on Corporate Governance and Financial Regulation, September 6, 2018.

Just because you impose a regulation stipulating that the company must employ a certain percentage of women does not necessarily mean that this will reach the board of directors. However, once women are employed at the company, grooming them by giving them opportunities to grow and develop their capabilities will help them show that they are effective enough to earn a board appointment.

Female manager in focus group discussion

1 Recommendation #1: Develop and enforce higher standards of corporate governance

Putting in place—and implementing—sound corporate governance practices can facilitate improved board gender diversity and improve opportunities for female board members, regardless of company ownership structure. With formalized governance structures, policies, and procedures in place, female directors who are otherwise challenged by gendered social stereotypes have increased potential to influence their companies' financial and organizational performance. Note that family-owned companies—a dominant ownership structure in Egypt—face unique governance challenges. Governance initiatives in family companies should address these issues, including conflicts of interest and minority shareholders, among others.<sup>61</sup>

2 Recommendation #2: Adopt and promote voluntary company-wide gender diversity targets

Over the course of the study, a divergence of opinion became apparent on the issue of gender quotas. Male participants—including survey respondents and those interviewed one-on-one and in focus groups—said that in general, the imposition of gender quotas as a regulatory measure was not effective. Female participants, however, said that quotas served to open doors for women so that they could demonstrate their skills and capabilities. All participants, male and female alike, agreed that voluntary targets for company-wide gender diversity would likely work better than an enforced quota. Setting targets would help to level the field, giving women equal access to the opportunities already available to their male peers. As the women work their way through the company ranks, they will gain skills and expertise, which will prepare them to ascend into board positions.

3 Recommendation #3: Encourage voluntary public disclosure on company gender diversity

According to both male and female study participants, company disclosure of diversity-related information would help raise awareness about workforce composition. It also could create an incentive for companies to push for better gender balance throughout the workplace, including at the top—in the form of positive public relations. Such information might include gender balance at the board, senior management, and general staff levels, along with details on the company's gender diversity targets, strategies, and initiatives. As part of this focus on transparency, companies also might consider reporting on board member requirements, qualifications of current board members, and approach to board member selection, study participants said. In one focus group with female managers, participants suggested that supervisory authorities could encourage such action by asking

<sup>61</sup> For more information on addressing the governance challenges of family businesses, please see "IFC Family Business Governance Handbook," published by IFC and available in English and Arabic among other languages: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+cg/resources/guidelines\\_reviews+and+case+studies/ifc+family+business+governance+handbook](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/guidelines_reviews+and+case+studies/ifc+family+business+governance+handbook)

Tips from IFC's Corporate Governance best practices toolbox

- Tailor corporate governance initiatives to the company, keeping in mind size, ownership structure and capacity to accommodate changes: Corporate governance is not a one-size-fits-all concept!
- Consider a phased approach to corporate governance upgrades: Good governance is a journey. As initiatives are adopted and as the company grows, the governance structure must evolve as well.
- Encourage the adoption and enforcement of market-wide governance regulations: Regulations should apply equally across all sectors.
- Develop gender diversity strategies and targets specifically aimed at boards
- Promote and create incentives to publicly disclose corporate gender diversity
- Publish information on compliant and non-compliant companies to incentivize greater gender diversity across companies

companies to evaluate and report on the role of women in their workplaces and women's progress through the ranks. Companies also should be asked to provide data on the number and percentage of men and women on their boards, they noted.



## Good corporate governance practices are key to leveling the playing field for male and female board members, helping to mitigate the impact of conscious and unconscious biases against women.

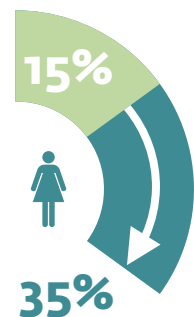
Disclosure on gender-related issues has proven an effective way to improve gender balance in companies in other markets. For example, in Canada, the Canadian Securities Administrators requires firms listed on the Toronto Stock Exchange to report annually on gender-related issues as part of its comply-or-explain rules. Companies must share information about their policies on women's representation on the board, gender considerations in board director and senior executive identification and selection processes, and gender targets for the board and senior management, among others. Since the regulation took effect in 2014, the gender gaps in the boardrooms of Canada's listed companies have narrowed: in 2015, women held 11 percent of board positions and by 2016, this had increased to 14 percent. Meanwhile, the percentage of companies with policies to promote women into board positions increased from 15 percent in 2015 to 35 percent, while the percentage of companies with board gender targets increased from 7 percent to 11 percent.<sup>62</sup>

### CHANGE SOCIETAL PERCEPTIONS ABOUT WOMEN

It is not a simple task to reverse long-held stereotypes about gender roles in Egypt, particularly when these stereotypes might be reinforced in homes, schools, public gatherings, and popular culture as a whole. The scope of this report is not broad enough to address the range of interventions needed to bring about a wholesale shift in societal attitudes about men and women. However, study participants have suggested several actions that could help to break down the stereotypes and bring change.

<sup>62</sup> Canadian Securities Administrators. 2014. "Amendments Instrument for National Instrument 58-101 Disclosure of Corporate Governance Practices;" Canadian Securities Administrators. 2017. "CSA Multilateral Staff Notice 58-309 Staff Review of Women on Boards and in Executive Officer Positions – Compliance with NI 58-101 Disclosure of Corporate Governance Practices."

The percentage of companies with **policies to promote women on boards** has increased from **2015 to 2016**



### 4 Recommendation #4: Educate children equally to reduce gender bias

Misconceptions about women's capabilities and ambitions begin at a very young age. But formal education—for boys and girls alike—can be a powerful agent of change. Schooling can be an equalizer, study participants said. Girls gain confidence in themselves and in their abilities. They can be encouraged to find their voice and speak their mind.

Given the nearly equal percentages of young Egyptian men and women who pursue university degrees, it is becoming normal for male and female classmates to participate equally in academics and other aspects of college life. The lessons of collaboration and equal opportunity learned in the classroom ultimately will translate into the working world, study participants said, where male and female colleagues will feel comfortable working alongside each other as equals. These normalized, day-to-day interactions can help create future generations of gender-blind leaders.

### 5 Recommendation #5: Empower female leaders through training and networking

Initiatives such as women-only board and leadership training give women with leadership potential—and women already in leadership positions—a safe space to share their experiences and develop their skills. Access to such opportunities also builds bonds and creates connections that can help advance women's careers—in the same ways that men's networks traditionally have done.

### 6 Recommendation #6: Increase visibility of women in leadership

Study participants noted that a lack of visibility for female leaders contributes to the misperception that Egypt does not have any women in business leadership positions and that women are not cut out for leadership. Shining the spotlight on successful female leaders—and how they have helped their companies achieve goals—can send a powerful and affirming public message about women's capabilities. Companies themselves can showcase their female leaders, which could give them a positive public relations boost. Participants also called for governmental actors to set an example by appointing women to positions of public leadership and actively promoting their support for female leaders.

Non-governmental organizations, international institutions, and non-profits can support these efforts in their outreach and advocacy campaigns. In addition to highlighting the accomplishments of individual women, these campaigns also can play an important role in normalizing gender equality.

Efforts should leverage television and social media to portray men and women equally in business leadership positions and to address inequalities at home. Those interviewed for the study noted that reversing stereotypes about domestic roles will be key to ensuring that women remain in the workplace even as they raise their families, so they can build the skills and expertise needed to climb the career ladder and eventually earn a place at the boardroom table.

#### Tips from IFC's women in business leadership strategy

- Encourage equal opportunities for all school-aged children, regardless of gender and share best diversity practices with students, parents, and teachers
- Educate teachers on creating supportive and non-discriminatory learning environments and empowering girls and boys alike in preparation for future leadership roles
- Advocate for female leaders in the public sector, in arenas such as politics and law enforcement
- Share information and communicate widely about the value of female leadership and the business case for gender diversity at the top—as well as the barriers faced by women with career ambitions
- Gain buy-in from male leaders to set the tone at the top by pushing for greater gender balance in boardrooms and executive suites

### 7 Recommendation #7: Partner with men as agents of change

Men make up half of the population and hold the majority of leadership positions in Egypt. Therefore, to ultimately drive gender diversity and equality in society and in the boardroom, male commitment is essential. Developing and building effective partnerships to promote greater gender diversity requires the involvement of powerful men who are prepared to challenge the status quo and fight ignorance and stereotypes surrounding gender. Australia's "Male Champions of Change" can serve as a model for such efforts in Egypt. This initiative engages prominent male leaders, who commit to promoting gender diversity in their organizations and actively increasing awareness of gender-related issues in the workplace.<sup>63</sup>

### RESHAPE COMPANIES AND SECTORS FROM THE INSIDE OUT

Increasing the number of women on Egypt's boards will require a massive culture change, within individual companies, across industry sectors, and throughout the market as a whole. Study participants noted that these stakeholders are on the front lines of ensuring that commitments to diversity come with tangible action and concrete initiatives—and not just words. Of critical importance, such commitments must come with endorsement from male leaders, they said. Leaders should promote success stories of female leadership and actively convey the benefits of gender diversity. In turn, a company-wide focus on improving gender balance and increasing opportunities for women will help attract and shape new talent for organizations and encourage companies across the range of sectors to appoint more women to senior management and board positions, according to those interviewed.

### 8 Recommendation #8: Encourage career development for high-potential businesswomen through mentorship and sponsorship

Career development initiatives such as mentoring and sponsoring can open doors for advancement, study participants said. The guidance, wisdom, support, and encouragement received through such programs can help build managerial skill sets, enabling a forward career trajectory for high-potential female staff (as with male staff). Mentorship programs often combine training and continuous development through conversations between mentors and mentees, such as on navigating the corporate leadership environment. In the absence of a large pool of female senior managers, mentors might be senior men who—in addition to the individual guidance—can play a more public advocacy role by supporting the decisions of their female colleagues. This can help solidify women's authority and earn them the respect of general staff. Mentors also can be influential in easing women's return to the workplace after a career break, for example after leaving to care for children.<sup>64</sup>

<sup>63</sup> For more on Male Champions of Change, please visit the organization's website: [malechampionsofchange.com](http://malechampionsofchange.com)

<sup>64</sup> See: Abba Bhattarai. "PricewaterhouseCoopers connects moms-to-be with moms-already." *The Washington Post*, May 20, 2012, accessed November 15, 2018, [www.washingtonpost.com/business/capitalbusiness/pricewaterhousecoopers-connects-moms-to-be-with-moms-already/2012/05/16/gIQAXZkVdU\\_story.html?utm\\_term=.894bbb8ceafc](http://www.washingtonpost.com/business/capitalbusiness/pricewaterhousecoopers-connects-moms-to-be-with-moms-already/2012/05/16/gIQAXZkVdU_story.html?utm_term=.894bbb8ceafc)

Such programs also show women what is possible, broadening their ambitions and empowering them to go for a reach assignment or challenging new position. In taking on such roles, they gain experience that will qualify them for the boardroom or other senior executive jobs.

Sponsorship is another powerful tool for increasing the number of women in leadership positions. This involves an influential person advocating on behalf of a talented individual and using his or her network to support that individual's development. For instance, current Egyptian executives and board members—most of whom are men—who assume a sponsorship role for talented women could actively lobby on behalf of these women when they hear of available board positions. Together, sponsorships and mentorships drive valuable insight and personal connections that can help elevate women to positions of power, complementing efforts to increase the pool of potential female leaders.

### 9 Recommendation #9: Invest in company-wide diversity training and leadership training for women

Company-wide training and sharing of good practices is instrumental in dispelling gender bias and promoting the benefits of gender diversity. These efforts are particularly important in creating broad-based understanding and acceptance of female leaders, those interviewed for this study said.

As part of this, women-only leadership training can be quite beneficial, creating a safe space for self-reflection and honest dialogue. Women can work on developing necessary skills while also engaging with one another on navigating and overcoming gender stereotypes. Male-only training can contribute to these efforts as well, by helping men improve self-awareness and develop the skills to handle gender-related issues. All such training should include perspectives on different leadership styles—including the ways in which women's leadership styles differ from those of men.

### 10 Recommendation #10: Create a more conducive work environment for parents

This study's findings point to the importance of supportive work cultures and flexible working conditions in driving female leadership. A conducive work environment makes it easier for men and women alike to balance professional and domestic responsibilities, enabling more women—for whom the conflict is especially relevant—to assume decision-making roles. To support employees who are juggling home and career, Egyptian companies should implement family-friendly and gender equality policies, including parental leave, flexible working conditions, and equal pay. These policies should apply equally to male and female employees if they are to have a more extensive societal impact.

However, policies alone will not make a difference if no one makes use of them. Companies should ensure that such policies do not exist in name only by encouraging staff to take advantage of them. No one—male or female—should be penalized for accessing the benefits allowed by these rules. Here again, the tone at the top is key: male leaders in particular have an important role to play in pushing for and ensuring uptake of family-friendly policies.

#### Tips from IFC's women in business leadership strategy toolbox

- Invest in professional development and leadership training for employees, especially women, so they can acquire the needed skills and experiences to advance in their careers
- Foster awareness about different leadership styles and women's leadership capabilities to reduce gender bias
- Provide opportunities to build board skills for qualified women
- Encourage male and female executives and board members to sponsor and mentor high-potential women
- Share gender-diversity-in-leadership success stories internally throughout the company and with peers and business partners
- Implement family- and women-friendly workplace policies

## 7. CONCLUSIONS: A REGIONAL PICTURE EMERGES

Combined, the quantitative and qualitative data collected for this report reveal important findings on the positive connections between gender-diverse boards and better company performance. The results revealed that over the three-year study period, 2014–2016, privately-held companies with gender-diverse boards outperformed their peer companies with all-male boards. While the quantitative analysis of publicly-listed companies revealed mixed results, the analysis of publicly listed financial institutions showed that such firms with women on their boards exhibited nearly double the returns on equity compared to their peer firms with all-male boards.

Study participants offered insights into the challenges women continue to face in Egypt and the barriers preventing more Egyptian women from ascending into board directorships. They also provided ten concrete recommendations to begin to address the imbalances and build a stronger pipeline of female talent.

Of note, the Jordan study, conducted in 2015, and the Lebanon study, conducted in tandem with this research, show similar results. The Jordanian analysis revealed that the presence of women on boards improves corporate governance. It also showed that companies with gender-diverse boards exhibit higher returns on assets and equity compared with those with all-male boards—nearly three times greater returns on assets and nearly twice the returns on equity for companies with women on their boards compared with peer firms with no women on their boards.<sup>65</sup> In Lebanon, companies with gender-diverse boards also perform better—with returns on equity that are more than 10 percent higher and returns on assets that are more than 2 percent higher. As with the Egypt study, the quantitative analysis of Lebanese companies reveals that companies with women on their boards have more prudent capital structures.

While each of the markets studied has its own unique characteristics, a regional picture begins to emerge: that gender-diverse boards of MENA companies can improve corporate governance, positively influencing board dynamics and making companies more attractive to investors, and that the presence of women on boards enhances the workplace environment, reduces employee turnover, and contributes to a stronger focus on innovation—all of which strengthen companies over the long term.


The challenges faced by women in the three countries are similar as well. In recent years, women in all three nations have increased access to a wider range of opportunities. Yet gendered stereotypes persist. It will require concerted effort and a host of actions to bring about the changes needed so that MENA women can achieve positions of leadership in similar numbers to their male peers. There is a moral argument for equity and fairness in support of increasing the number of women on boards. Taken as a group, however, these three studies reveal a powerful business argument: companies with gender-diverse boards perform better and have increased potential for long-term sustainability. For a region faced with so many complex problems—including high youth unemployment and slow economic growth—an increased focus on encouraging women in leadership could help to strengthen the economic base, creating jobs, stimulating growth, and stabilizing markets.



<sup>65</sup> IFC. 2015. "Gender Diversity in Jordan: Research on the Impact of Gender Diversity on the Economic Performance of Companies in Jordan."





# KEY FACTS & FIGURES

 **17.8%**  
of companies are **owned**  
by women in Egypt

 **\$0.6 trillion** increase in **GDP** if gender parity is reached in MENA region by **2025**

**23%**    
of women participate in the Egyptian labour force

**0%**    
change in labour participation since 1990

**24%**  
unemployment for female labour market

**47%**  
of sampled companies have female board members

They represent

 **14%**  
of all board members

Companies with female board members exhibited

**2%**

higher growth in return on equity

**4%**

higher growth in return on assets

**5%**

higher growth in return on sales

**54%** of all female employment is in the **government sector**



**50%** of university graduates are female



 Female graduates are **5X** more likely to be unemployed than their male counterparts

**85%** of **unemployed** vocational or college educated women reported to have been looking for **a year or more**

**39%** have one or two female board members and  **8%** of companies have three or more 

# APPENDIX A. ADVISORY BOARD MEMBERS

An advisory board, comprised of senior-level executives and officials, guided the research and provided feedback on findings. Members of this group are listed here.

Name	Title	Organization
Aliaa Soliman	Owner	AIT Consulting
Amal Enan	Executive Director	Egyptian-American Enterprise Fund
Badra Alawa	Chief Technical Officer	International Labor Organization (ILO)
Basmah Osman	Senior Advisor	The Federation of Egyptian Industries (FEI)
Blerta Aliko	Country Representative	United Nations Women
Dalia Tadros	Executive Director	Egyptian Private Equity Association (EPEA)
Dina El Mofty	Founder and CEO	Injaz Egypt
Dina El Shenoufy	Chief Investment Officer	Flat6Labs
Fatemah Khafagy	Ombudsman for Gender Equality	Alliance for Arab Women
Gamal Khalifa	Former Executive Director	Egyptian Institute of Directors (EIOD)
Hanaa El Hilaly	Managing Director	Amwal Financial Investments, Pioneers Holding Group
Heba Hesham	Head of Women in Business	The Federation of Egyptian Industries (FEI)
Heba Serafié	Advisor to Chairman	The Egyptian Exchange (EGX)
Jorg Schimmel	Former Head of UN Women	UN Women
Karen Fanous	Associate	Ahead of the Curve
Khaled Bassiouny	General Manager	Central Bank of Egypt
Maher Asham	Chief Executive Officer	Egypt for Information Dissemination (EGID)
Mohamed Reyad Hussein	Assistant to the Executive Director	Egyptian Institute of Directors (EIOD)
Mona Zulficar	Founding Partner	Zulficar and Partners
Muhammad Al-Fouly	Executive Director	Global Compact Network Egypt
Nada Shousha	Senior Advisor	International Finance Corporation (IFC)
Naglaa El Adly	Director General of Department of International Cooperation and External Relations	The National Council for Women
Nermeen Shehata	Assistant Professor	Department of Accounting, American University in Cairo (AUC)
Nihal Sharara	Senior Manager	Ahead of the Curve
Noha El Mikawy	Regional Director for MENA	Ford Foundation
Shahinaz Rashad	Executive Director	Financial Services Institute (FSI)
Shereen Allam	Founder	Association for Women's Total Advancement & Development
Suzan Hamdy	Senior General Manager	Banque Misr
Yomna El Sheridy	CEO and Managing Director	Business Women of Egypt

# APPENDIX B. ABOUT THE INTERVIEW AND FOCUS GROUP PROCESS

As noted in the report, the purpose of the interviews and focus groups was to supplement the quantitative data gathered. This qualitative research added significant value, by incorporating the perspectives of men and women who have first-hand experience with the value of gender-diverse boards as well as the barriers that prevent more women from achieving senior leadership roles in Egyptian companies.



## AMONG THE QUESTIONS ASKED TO FEMALE BOARD MEMBERS IN ONE-ON-ONE INTERVIEWS:

- Tell us about your career path? How did you reach the point where you are today?
- What are the reasons you became a board member? What are the reasons you were elected?
- How would you generally describe your experience as a woman on a company board?
- Have you experienced any obstacles in achieving your board position? If so, what were the obstacles and what did you do to overcome them?
- How can the obstacles be limited or removed? Who can accomplish this?
- Have you experienced any challenges while serving as a board member? If so, what have been the challenges and what have you done to overcome them?
- How can the challenges be limited or removed? Who can accomplish this?
- What are some of the key factors in lowering barriers for women to advance to board seats?
- How would you describe the general attitude and behavior towards you from fellow board members and executive management?
- What are the benefits of having women on boards?
- Can you provide examples of the benefits experienced by your company as a result of having a gender-diverse board?
- How does the presence of female directors change the board's dynamics?
- In your opinion, does gender diversity lead to better corporate governance practices, or does good corporate governance lead to improved gender diversity? Why?
- Looking ahead, what is the outlook for increasing the number of women on corporate boards?
- What is the role of various stakeholders in promoting the cause of board gender diversity: policy makers, companies themselves, non-governmental organizations, business membership organizations?
- What do you think are the best measures for improving gender diversity on corporate boards and why:
  - ▷ Quotas
  - ▷ Transparency in recruitment process
  - ▷ Mentoring and development
  - ▷ Networking programs
  - ▷ Other





### AMONG THE QUESTIONS ASKED IN FOCUS GROUP DISCUSSIONS:

- How would you characterize the situation for women on boards of Egyptian companies? Has it changed in recent years? Does this vary across different industries or types of companies (e.g. family companies, banks)?
- Do you consider it a challenge for women in executive and top management positions to become board directors and why?
- What are some examples of the barriers that prevent more women from serving on company boards—such as culture, religion, family, gender, societal roles, regulations, company environment, missing skills, lack of confidence—and how do these barriers manifest themselves?
- What factors enable women to be nominated and appointed to boards: social, personal, policies/quotas, company environment, succession planning, international quotas?
- If women are on board committees, which committee memberships do they typically hold? In which committees are women generally under-represented?
- What challenges do female board members face when dealing with male-dominant boards and executive management?
- Is there a difference in pay for male and female board members? If so, what is the discrepancy and how do you explain it?
- How do external pressures such as entry of private equity investors or other stakeholders impact corporate governance and board composition?
- Are women in senior management appointed as executive directors? Why/why not?
- How does gender diversity on the board affect:
  - ▷ Financial performance?
  - ▷ Capital structure?
  - ▷ Risk tolerance?
  - ▷ Innovation levels?
  - ▷ Staff meaningfulness/satisfaction levels?
  - ▷ Better communication and problem-solving on the board?
  - ▷ Other?
- Does the presence of just one female board member make a difference?
- What is the optimal number of women on company boards? Why?
- Do you think introducing gender quotas for Egyptian companies would be successful? If yes, how? If not, why?
- What other legal mechanisms (such as laws or regulations) or voluntary mechanisms could be introduced to encourage gender diversity on company boards—such as transparency in recruitment, mentoring and development, and networking?
- Does the expatriate Egyptian population have a role in improving the outlook for women on boards?
- In what ways do you see changes in the outlook for women on boards specifically and for corporate governance as a whole in the coming years?

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