



Women on Boards Research Study in Egypt

Synopsis of the research results

IN PARTNERSHIP WITH:



Creating Markets, Creating Opportunities

OVERVIEW

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 force¹, and very few reach the upper echelons of the corporate world.

This study sets out to:

- 1 quantify the relationship between gender diversity on corporate boards and a company's financial performance in Egypt;
- 2 examine the barriers to female participation on boards;
- 3 highlight opportunities to increase the number of women in boardrooms; and
- 4 propose recommendations on how to 1) achieve greater gender equality in the boardroom, 2) build a pipeline of female business leaders, and 3) promote gender-equality practices in the Egyptian labor market.



Improving
Gender parity by

25%

would increase
global GDP by

**US\$5.3
Trillion**²

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 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.

¹ World Bank. 2017. "Labor Force, Female (% of Total Labor Force)."

² World Economic Forum, *The Global Gender Gap Report*, 2017.

Research was conducted on the following breakdown and sample:

2,139

Sample size

817

Quantitative analysis

242

Listed companies

517

Private companies

83

Focus groups, interviews, online survey

25%

14%

5%

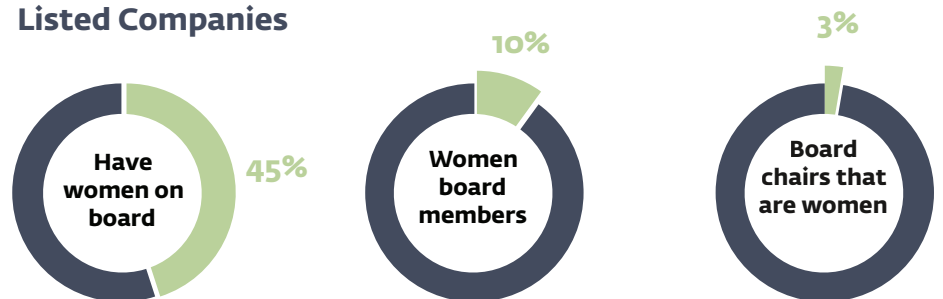
3%

Percentages of women on boards

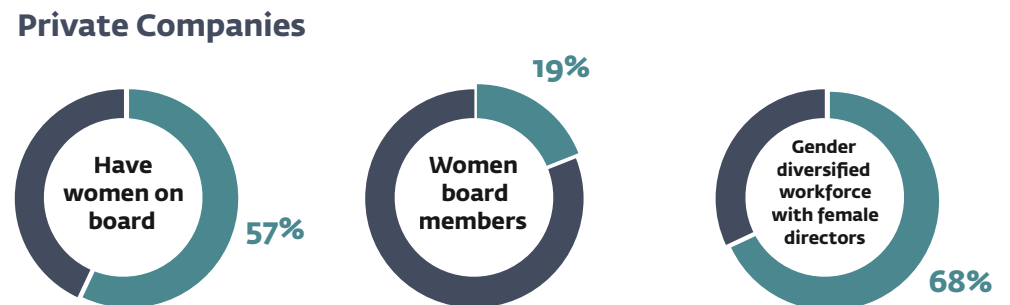
The analysis focused on two main groups of companies: privately held companies and publicly listed companies. The group of privately held companies was further divided to compare results between firms without gender-diverse workforces and those with an employee mix that is at least 25 percent female. 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 quantitative analysis concluded that 47 percent of companies have female board members and women represent 14 percent of all board members. Furthermore, 39 percent of firms have one or two female board members and 8 percent 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).

Listed Companies



Private Companies



POSITIVE RELATIONSHIP BETWEEN GENDER-DIVERSE BOARDS AND FINANCIAL PERFORMANCE



Privately Held Companies:

The study found that female board members appear to positively impact a company's financial performance. **The quantitative analysis of 517 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.**

Publicly Listed Companies:

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 financial institutions have

X2

returns on equity with women on their boards

Publicly listed companies with gender-diverse boards displayed a slight preference for equity financing and less dependency on debt. The analysis of 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. Meanwhile, publicly listed financial institutions without women on their boards have a 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.

Companies with women on their boards outperform their counterparts in spending on employee development, CSR, R&D and they have

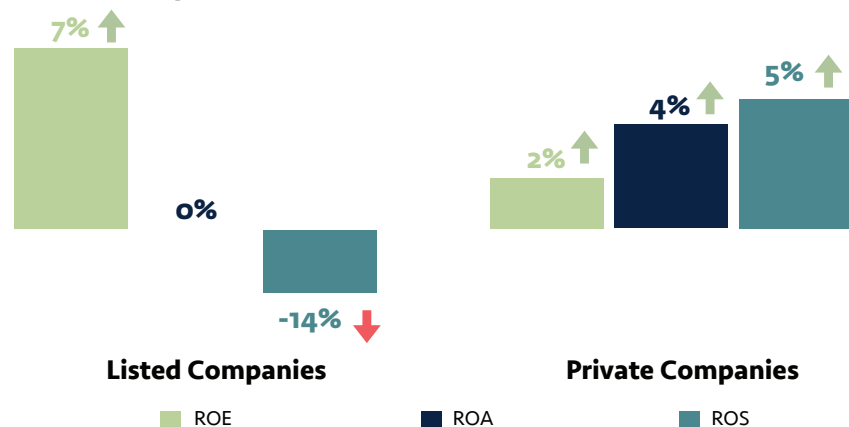
2%

lower FTE turnover.

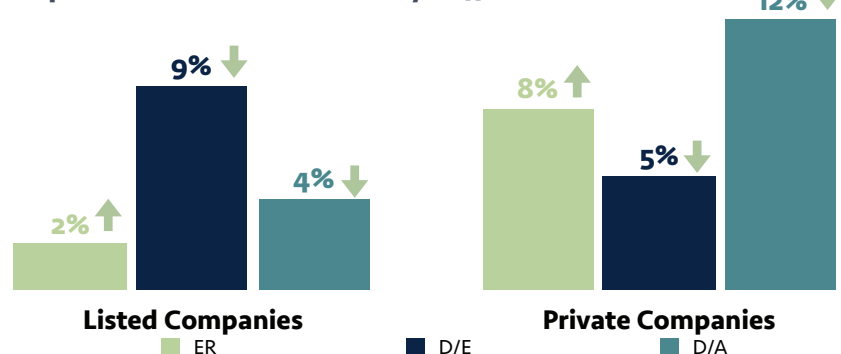
The qualitative analysis, which was based on interviews, focus groups, and responses to an online questionnaire, highlighted the characteristics of female board members. They included sound economic and strategic thinking, excellent problem-solving skills, and an exceptional ability to identify profitable 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. Such non-financial factors allow companies to make better financial decisions, operate more efficiently and cost-effectively, and broaden their customer base.

Profitability Differential



Capital Structure & Solvency Differential



ORGANIZATIONAL AND HUMAN CAPITAL BENEFITS OF GENDER-DIVERSE BOARDS



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 a company’s human capital base.

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.

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

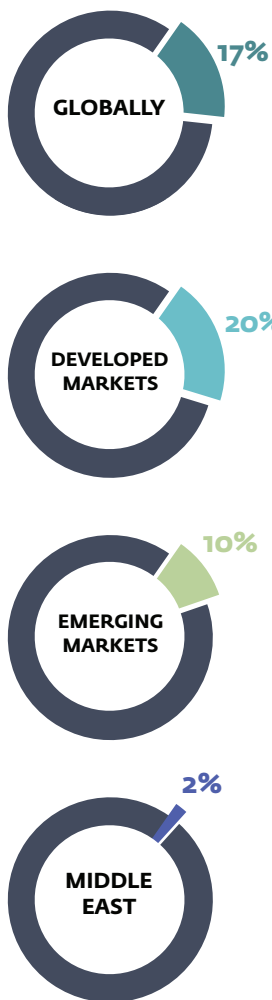


Study participants said that gender-diverse boards contribute to innovation and enhance corporate social responsibility efforts. The very nature of diversity—offering different perspectives, experiences, and points of view—stimulates robust dialogue and creative thinking. Respondents said that **female 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



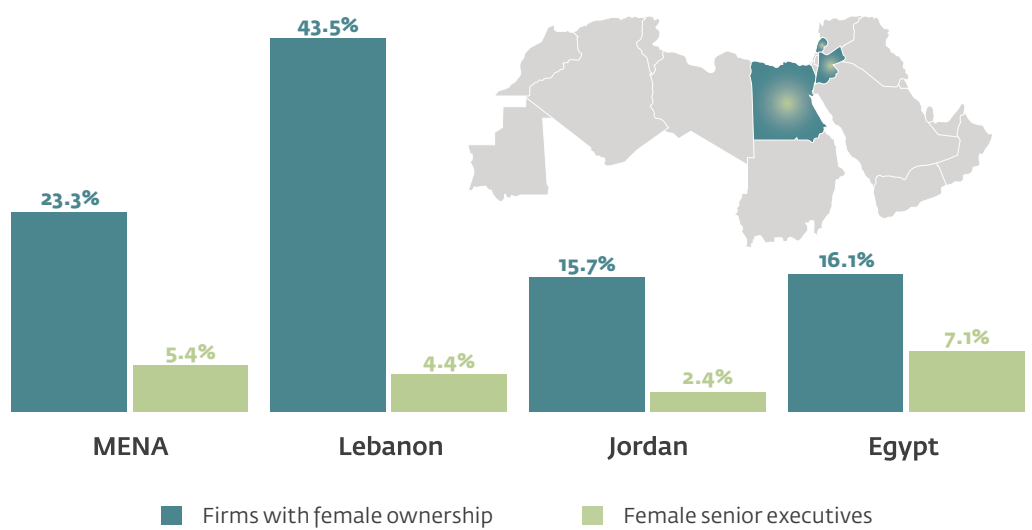
Percentage of **women** representation as a total % of board members:



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 highly demanding careers. As a result, the pipeline of qualified women for board positions is relatively small**, according to study participants.

Female Business Owners and Senior Executives Across MENA



Deloitte, *Women in the Boardroom: A Global Perspective*.

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:

Women constitute only

39.35%

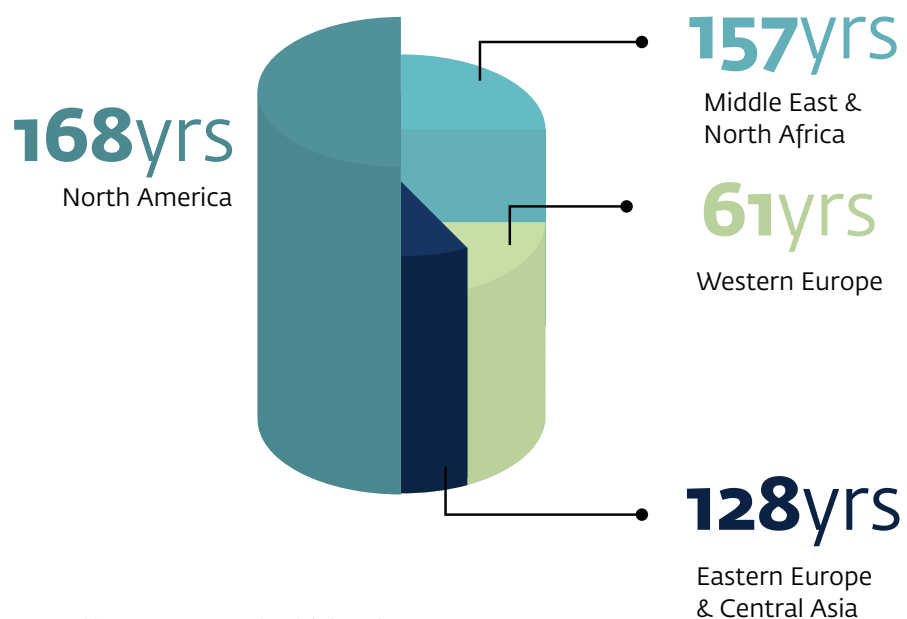
of the global labour force

World Bank, Gender Data Portal.

- 1 Improve overall corporate governance and transparency, with a particular focus on board dynamics and functioning, as well as more extensive public disclosure of non-financial information, such as gender composition of the workforce, in senior management and on boards in corporations.
- 2 Educate children equally and support efforts to reduce the high dropout rate among girls, particularly in poor communities.
- 3 Empower future female leaders through training, mentoring, sponsoring, and the company- and sector-wide implementation of gender diversity initiatives.

Closing the Gender Gap

Globally the gender gap can be closed in **100yrs**



World Economic Forum, *The Global Gender Gap Report*, 2017.

50%

of Egyptian university graduates are female; however, they make up only

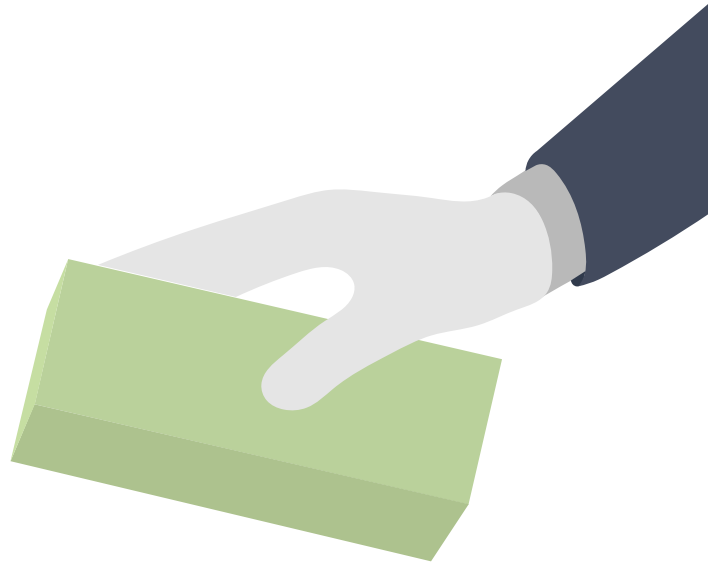
23%

of the workforce

World Bank. 2017. "Labor Force, Female (% of Total Labor Force)."

- 4 Raise overall public awareness about women's capabilities and the business case for gender-diverse boards. This requires a multi-pronged effort, including increasing the visibility of female leaders by highlighting their successes, building databases of qualified female board candidates, engaging in public advocacy and outreach campaigns that project women as professionals and capable decision-makers, and encouraging the development of new popular culture programming—for television, radio, and social media—featuring strong female leads and supporting characters who work outside the domestic realm.
- 5 Create and build networks of female leaders, connecting women in senior business leadership with less experienced women. This effort is essential for talent development as well as for developing the personal connections that factor into boardroom advancement.
- 6 Engage with male leaders to gain their support and public advocacy for better gender balance throughout the workforce, in management, and on boards.

IFC EFFORTS & PROGRESS IN MENA SO FAR



White papers, trailblazers, and success stories publications on gender diversity.

Collaborating with regional women's network to raise awareness about the business benefits of increasing diversity in management and boards.

Partnering with IODs to boost the capabilities of female directors to create a talent pool of women.

Published Women on Boards research studies, in Egypt, Jordan, Lebanon.

Working with stock exchanges to improve gender diversity and ensure access to capital markets for women entrepreneurs.

Launched a four-day Women on Boards Igniting Change Program.

Nomination of female board members in equity investments increased from 11% in 2011 to almost 30% with the goal of reaching 50%.

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