



SmartLessons

real experiences, real development

ABOUT THE AUTHORS

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Sense and Sensibility:

Helping Companies See the Value of Women in the Boardroom

"It is hardly possible to overrate the value...of placing human beings in contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar...Such communication has always been, and is peculiarly in the present age, one of the primary sources of progress."

– John Stuart Mill

Common sense would suggest that broader diversity among staff could lead to more productive companies. Indeed, many studies have shown the positive correlation between diversity—both at the board and management levels—and firm performance. A broad variety of people bring a wider range of skills, experiences, and perspectives to the decision-making activities of a company. This leads to better overall stewardship and oversight of the organization, often translating to improved performance. A diverse board will better align with a company's diverse employees and customers and open up a wider pool of talent from which to select future directors. From all this, one can deduce that hiring women into the boardroom is important—not simply as a perfunctory act to meet gender or racial quotas—rather, because there is a sound business case for doing it (see *Box 1*).

It was on this foundation that the IFC Corporate Governance Program in the Middle East and North Africa (MENA) launched its "Boardroom Balance" initiative last year, under the general auspices of IFC's Women in Business Program. This SmartLesson describes the initiative in Jordan and Pakistan, which will be an adaptable model for other select countries in the region.

Background

The MENA Context

The lack of board diversity is especially acute in the MENA region. In the United States and Europe, approximately 10–15 percent¹ of

board directors are female (also unacceptably low), while in the MENA region the percentages are much lower. For example, in the Gulf countries only 1.5 percent of directors are female,² and across the region, about 90 percent of companies have either one or zero female directors.³ Further, this issue has

Box 1: What Others Say

Companies with a higher ratio of women in top management experienced better financial performance.¹

Companies with more than two women present on the board outperform others in their sector on their return on equity, stock price growth and operating results.²

Companies with the best record of promoting women to high positions are more profitable than their peers in terms of returns on assets and investment.³

Strong board diversity is shown to lead to more objective and active boards, greater participation in decision-making and stronger management oversight.⁴

¹ Women Matter, McKinsey & Company, 2007

² Ibid

³ Women on Boards: Not Just the Right Thing... But the Bright Thing. The Conference Board of Canada, May 2002

⁴ Women in the Boardroom and their Impact on Governance and Performance. Renee B. Adams & Daniel Ferreira, 2009

² The National Investor (TNI) Survey, 2008 (UAE).

³ IFC/Hawkamah CG Survey, March 2008.

¹ TNI Market Insight, May 2008.



been spotlighted because of the recent political changes in the region, since part of the social agenda for change is improving economic opportunities for women—and the issue certainly extends into the boardroom.

The CG Boardroom Balance Initiative

The “Boardroom Balance” initiative was piloted in Pakistan and Jordan. Designed to improve awareness on board diversity, the initiative has included:

- Conducting a baseline survey in Pakistan to gain insight into the current state of board diversity and key challenges/opportunities.
- Conducting seminars for male and female directors/executives to demonstrate the business case for board diversity.
- Training current and potential female directors/executives on corporate governance best practices to better position them for board directorships. So far, more than 170 people have attended the business case seminars in Jordan and Pakistan, and about 36 potential female directors have been trained.

Going forward, the initiative will be selectively delivered in other countries, tying in with the MENA Advisory Program’s overarching response to the political crises in the region. In doing so, the team will draw on several lessons learned from its activities to date.

Lessons Learned

1) Pitch to the right audience; men are the key to diversity.

The women get it—it’s the men who need to be targeted. In some of our early events, the seminars were dominated by female speakers, sharing their experiences and opinions with a predominantly female audience. However, we quickly learned that the case to be made is much stronger when the reverse occurs—male board directors and senior executives speaking to male (and female) audience members. Given that males overwhelmingly hold most key

decision-making positions in the region, they are the ones who need to be convinced to change. Testimony from other male decision-makers has proven to be the most compelling way to do it. Furthermore, having a healthy mix of men and women in the audience provides for much richer discussions, bringing to the surface varying points of view and presumptions.

2) Focus on the business case—and localize it.

As mentioned, the key is to convince companies of the importance of board diversity, not because it’s “politically correct” or “a nice thing to do”; rather, because there is a sound business case for it. And given that most board diversity research stems from the United States and Europe, the team quickly learned the importance of using local examples and company-specific data to make the case even more compelling (see Box 2). For example, the panel discussions as well as the training workshops in Pakistan were far more practical and effective since the audience could directly identify with the key issues brought to light in the Pakistan survey. Likewise in Jordan, the team invited board members from a local IFC client, Microfund for Women (MFW), to offer their testimony on the importance of diversity (MFW’s board is 42 percent female, and its workforce is 70 percent female, including 80 percent of its branch managers and its top three executives). As always, it is important to team with local partners to ensure the message is framed in the local context. For example, in Jordan the trainings were conducted in partnership with the Business & Professional Women of Amman and the Amman Chamber of Commerce, while in Pakistan they were conducted with ACCA Pakistan and the Pakistan Institute of Corporate Governance (PICG).

3) Be selective about where to engage.

When discussing a new topic like board diversity, it is crucial to initially target markets/segments where there is a chance for success, since certain cultural realities may be

Box 2: Making the Case to an IFC Client

Cairo Investment and Real Estate Development (CIRA) is a Cairo-based company that runs the largest private network of schools in Egypt (18 total, called “Futures Schools”). IFC conducted a corporate governance review of CIRA, which included assessing their board composition and effectiveness. At the time, their board consisted of all men, many of whom were approaching retirement. When discussing board composition, the IFC team made the case for CIRA to consider a better balance by noting that half of their roughly 13,000 students were female, most of their 2,000 plus employees (teachers) were female, and most of their “customer” interaction was with females (the mothers of students). Based on this, CIRA sought out and added two qualified female directors, adding crucial skill sets and a better balance. Following the changes, CIRA reported a significant improvement in overall board effectiveness, due in part to the composition changes.



number of women who “drop out” of the workforce after marriage remains very high. For example in Jordan, more than 60 percent of college students are female, while fewer than 30 percent enter the workforce.⁵ This means that the pipeline of women with the potential to become directors is still underdeveloped. Furthermore, there is ongoing debate about

deeply entrenched. For example, the board diversity challenge is likely to gain more traction in more developed markets like Pakistan and Jordan than in less developed markets such as Afghanistan or Yemen, where companies struggle with even very basic corporate governance issues (e.g., setting up proper boards). It may also be prudent to target particular market segments to gain momentum. For example, the team plans to target the Lebanese banking sector in the coming year where an astonishing 46 percent⁴ of the sector’s workforce is female, and yet very few women sit on Lebanese bank boards.

4) Devote some effort to help build an accessible pipeline of qualified, female executives/directors.

One common piece of feedback we’ve heard consistently in our events is: “OK! I am convinced about having women on my Board, but where do I find them?” It would be helpful to have a pipeline of potential female directors that companies could access to find qualified candidates. For example, perhaps local director institutes (e.g., PICG in the case of Pakistan) or other organizations could create a publicly available database of women who qualify for and are interested in taking up board positions. Right now, our activities focus on seminars focused on the business case for bringing women on boards and the training of potential female directors. The lesson here is the need to dedicate more effort exploring such pipeline possibilities with our partners.

5) Manage expectations about IFC’s impact, given the strength and entrenchment of cultural norms.

In most countries across MENA, a majority of women still adhere to their traditional role as homemaker. While the number of women with university degrees is increasing, the

introducing family-friendly policies into organizations (e.g., improving work-life balance). Realistically speaking, given high unemployment rates in the region, organizations are not inclined to introduce such policies. In the words of one woman CEO, “I am an average sized family business. Why should I hire a woman manager, who I know will demand flex-work and maternity leave, when I have ten equally qualified men begging me for this position who I know will have no problem putting in long hours.”

Based on such cultural norms and realities, it is important that we bear in mind the limitations of our work. IFC alone cannot expect to change many of these entrenched cultural beliefs; so we need to manage expectations. This includes the expectations of our clients, as well as our own internal expectations. Measuring impact the way we do—such as “# new female directors”—will be difficult. At the same time, we should keep in mind the highly positive response we’ve received from our initial activities and be confident in knowing that our efforts will raise awareness and help make a difference over time.

Conclusion

There are historic changes taking place across the MENA landscape. The region, it seems, is more open to change today than it was just six short months ago, and the level of dialogue regarding gender diversity and corporate responsibility has increased markedly. Sensibility—which is defined as the capacity to perceive, feel, and respond emotionally or aesthetically—is fast being recognized as a requirement for running businesses successfully in these changing times. Thus we look forward to applying these lessons and hope to make the boards in MENA a bit more balanced, a bit more sensible.

⁴ Figures are from the Association of Banks in Lebanon (ABL), 2011.



DISCLAIMER

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