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The impact of diversity management on the enterprise competitiveness: analysis on reports of financial institutions and consulting companies – selected aspects

Introduction

Globalization, as well as regionalization in the period of economic deceleration, and exhausting of „simple" reserves of economic growth cause the need to pay more attention to social, environmental and ethical issues. The strategy of sustainable development, which ensures equilibrium of three elements – economy, ethics and ecology, is becoming increasingly significant. Development of this tendency is particularly visible in Western Europe countries, with high GNP *per capita* values. One of the effects of a sustainable approach towards economy is that fact that enterprises take into wider consideration social aspects, in respect to both their own employees (taking care of the balance between work and private life, ensuring development opportunities, equal treatment), as well as other interested parties, e.g. clients, suppliers, universities, media, local authorities, and in case of network companies, e.g. transport-forwarding trade-logistics, also territorial units where the terminals are situated. Social responsibility also means taking care of natural environment and comply with legal standards obligatory in a particular country, as well as eventuating from international treaties ratified by a particular country. The issue of social responsibility was finally regulated. Its normative regulation was included in the ISO 26000 norm, published in November 2010. According to this norm, social responsibility means obliging organization (business, non-governmental or administrative) to implementation of social and environmental aspects into the decision making process and assuming responsibility for their effects on society and environment.

The presented paper indicates various aspects of diversity management, mainly the enterprise's financial indicators. The analysis used reports of financial institutions in order to prove the thesis that gender diversification on corporate boards allows obtaining higher proceeds and profit, particularly during economic stagnation and recession.

According to dynamically developing field of behavioral economics, people's decisions, i.e. decisions of people employed in an enterprise, are not the effect of rational behaviors, they are rather influenced by emotional behaviors [Kahnemann 2012; Sedlacek, Orrell 2012; Sedlacek 2012]. The studies on these behaviors are also increasingly significant in management sciences [Gołębiowska 2013]. The example here may be relationship marketing or emotion-based marketing, as well as devoting the entire Lean Management conference to the issues of leadership based on emotions management [Baumeister 2011]. This dynamically developing field of economics and management confirms the necessity to overstep the hitherto scope of narrow specializations, while the complexity of the environment enforces cooperation between philosophers, managers, sociologists, econometrists and economists in order to make the right diagnosis, which not only encourages diversity management, but also becomes a must.

The presented paper consists of a „mosaic" of various phenomena within the scope of diversity management, which are to inspire to reflect on their impact on the surrounding reality.

Diversity Charter as the element of building sustainable development strategy

One of significant factors taken under consideration in respect to social responsibility (Corporate Social Responsibility) is taking care of equal treatment of all entities, as well as employees, despite their sex, age, race, religion, sexual orientation, political or union affiliation, capability, and lifestyle. This area was in detail described in the Diversity Charter, the initiative promoted by the European Commission. The Charter is a written obligation signed by a company or institution which declares equal treatment policy and diversity management, prohibition on discrimination and mobbing at workplace [www.kartaroznorodnosci.pl]. The countries, where various organizations, enterprises and administration signed the Charter presents Figure 1.

Figure 1. European countries which implemented Diversity Charter

Source: www.kartaroznorodnosci.pl

The framework of the rules that the organizations pledged to observe includes promoting culture of respect for people regardless their social and demographic differences, as well as obligation to establish a team/section or appoint persons who are to be responsible for implementation of the Charter provisions. Organizations that ratified the Charter should carry our widely intended educational activity targeted at combating discrimination in such areas as: recruitment, access to training and promotion, earnings, combining work with private life, combating mobbing and harassment.

In Poland, Diversity Charter was initiated by the Responsible Business Forum in February 2012, when 14 organization signed it. At the end of 2013, the list of signatories already amounted 88; it comprised large companies, and small, medium and micro enterprises, as well as non-governmental organizations and administrative institutions.

Sustainable development vs. level of gender related inequality – analysis on the results of selected studies

The objective of numerous studies[1] is pointing out the gender gap in access to education, politics and business. The results of two rankings from the year 2012 are presented below: one prepared by the Social Watch [Gender Equity Index 2012], the other – Global Gender Gap Index signed by the World Economic Forum [Hausman, Tyson, Zahidi 2012]. Gender Equity Index measures the level of inequality between men and women in three categories: access to education, economic indicators, such as unemployment rate and earnings, and access to managerial positions in enterprises and public offices. The GEI ranges between 0 (total inequality) and 1 (perfect equality). The first and second position among 167 countries belonged to Norway and Finland, while the third – to Iceland. Gender Equity Index in these three countries comprised respectively: 0.89; 0.88; 0.87. In this ranking Poland had the 28th position with the score at the level of 0.76; the lowest score was obtained by the access to politics and business (0.52).

In the next ranking – Global Gender Gap Index – Poland was the 53rd among 135 countries with the score 0.70 . It is worth adding that four categories are measured in this case: economy, education, political power and health. The lowest score Poland obtained in the categories: politics (0.18) and economy (0.65). Results from particular years show that Poland dropped from the 40th position in 2011 to the 53rd in 2012.

There is also worth to cite the aggregate data from the analysis on the surveys carried over the six years. Definite improvement (reduction of gaps) was observed in the areas of health, education, economic situation and access to managerial positions. Slight changes were observed regarding women's access to politics. None of the analyzed countries reached 100-percent level. Four countries: Iceland, Finland, Norway and Sweden were close to this threshold, achieving between 80 and 86%. Over the last years, significant acceleration has been observed in the field of decreasing inequalities: among 111 countries, which participated in the ranking during six years, 88% improved their indices, while 12% observed a decline. Particularly significant improvement is observed in case of four countries: Iceland, Bolivia, Switzerland, Saudi Arabia, Lesotho and Yemen. It is also worth noting that despite the European Commission recommendations promoting the increase in women's participation on the corporate boards, no significant changes took place in Poland in the years 2012–2013.

Participation of women on the corporate boards as the factor of the company's increased competitiveness

In the survey Credit Suisse "Gender diversity and corporate performance" of August 2012, particular stress was put on finding a degree to which gender diversity between the board and supervisory board members influences enterprise's financial performance. In order to answer this question, 2360 companies were surveyed in the years 2005–2011. It turned out that a company has better financial indicators when there are both women and men on the boards, than in case of the board homogeneous in respect to gender. The interesting aspect presents the external impact on the survey results. In case of economic prosperity and a high rate of growth observed in the period until 2007, the differences concerning the key results between the enterprises with women on the boards and the ones without women were insignificant. While during the period of worsening economy, low rate of economic growth and turbulent markets in the period after 2008, participation of women on the boards definitely had an impact on improvement of companies financial performance.

The results of the Credit Suisse studies regarding the number of women on the boards in particular economic sectors at the end of 2011 are presented in Table 1.

There is evident differentiation in the number of women depending on economic sector and region (see Table 2). However, regional differentiation is more significant than sectorial one. The Researchers from the Credit Suisse indicate the following regularities:

- the closer to the final consumer the sector is, the higher is the proportion of women on the board; sectors closer to the beginning of the supply chain (production, technologies) characterize low number of women on the board;
- regions where equal rights constitute an important element of politics and culture tend to have higher participation of women on the boards (North America, Europe, particularly Norway) than regions where religion and culture imposes a particular attitude towards women (e.g. Asia, particularly Korea);
- large companies tend to include women into the boards to a greater extent than smaller ones;
- over the last six years the fastest increase in the share of women on the boards was observed in European countries.

The data presented in Table 2 indicate that most companies in North America have one or two women on the board, while in Western Europe the shares of companies with one, two or three women on the board are similar.

Over six years, the percentage share of companies with both men and women on the boards increased on average by almost 20 percentage points – from 41% in 2005 to 59% in 2011; the growth was significant in all economic sectors. As regards the situation in particular regions, it may be observed that the highest participation rate of companies with gender diversified boards characterized European and American enterprises (North America), while the lowest – Asian companies. Over the six surveyed years, the fastest growth was observed in European companies, which may be explained, *inter alia*, by the interest in gender issues of companies and administration, implementation of special research programs promoting sustainable development within the European Union, as well as publicizing this issue through the media.

Table 1. The number of women on the company boards by economic sectors, in % (at the end of 2011)

Sector	Number of women on the board				Total
	0	1	2	3 and more	
Healthcare	26.7	35.1	24.4	13.7	100.0
Financials	32.2	27.3	23.1	17.4	100.0
Utilities	33.1	19.5	29.3	18.0	100.0
Consumer Discretionary	37.7	27.2	20.2	14.9	100.0
Consumer Staples	38.5	15.5	23.5	22.5	100.0
Telecommunication Services	40.0	21.1	21.1	17.9	100.0
Energy	46.8	28.1	18.1	7.0	100.0
Industrials	48.4	24.3	17.2	10.1	100.0
Materials	52.5	22.1	16.7	8.7	100.0
Information Technology	52.5	26.3	13.8	7.4	100.0
Total	41.2	25.0	20.3	13.6	100.0

Source: based on the survey on 2360 global enterprises and over 14 thousand individual data; Credit Suisse Research, August 2012.

Table 2. The number of women on the company boards by economic regions, in % (at the end of 2011)

Region	Number of women on the board				
	0	1	2	3 and more	Total
North America	15.8	32.4	33.1	18.7	100.0
Europe	16.3	27.4	28.7	27.6	100.0
EMEA (Europe, the Middle East and Africa)	34.7	26.0	20.0	19.3	100.0
Latin America	60.8	28.0	8.8	2.4	100.0
Developed Asia	68.0	19.8	9.4	2.8	100.0
Emerging Asia	72.1	15.8	7.3	4.8	100.0

Source: see table 1.

Table 3. Average market capitalization (USD m) by economic sector and the number of women on the boards

Sector	Number of women on the board			
	0	1	2	3 and more
Consumer Discretionary	8,451	13,105	11,941	17,437
Consumer Staples	10,320	7,196	21,984	38,790
Energy	14,018	27,948	29,461	33,004
Financials	6,586	10,586	15,282	23,382
Healthcare	6,282	12,649	24,497	55,127
Industrials	5,649	9,363	13,537	18,512
Information Technology	7,893	23,859	24,949	47,985
Materials	7,205	9,987	13,798	15,186
Telecommunication Services	14,462	7,977	31,734	32,698
Utilities	7,561	8,507	12,743	12,954
Total	8,100	13,211	17,730	26,506

Source: see table 1.

The data in Table 3 show that companies with three or more women on the boards characterized over three times higher market capitalization as compared with the companies that had only men on the boards. The highest capitalization is observed in the health care and in the information technology sector.

The next table presents the percentage share of companies by the number of number women on the board and region EEMEA (Eastern Europe, Middle East, Africa). The highest percentage share of women on the boards characterize countries with liberal economic policy, preferring social market economy model: Finland and Sweden (in 2011, there was at least one woman on the board in all surveyed companies). In case of French (70 companies were surveyed) and Danish (12 companies were surveyed) companies, there was at least one woman on the board in over 90% companies. The greatest changes during the years 2005–2011 were observed in Spain, Belgium, Germany and Greece. Nevertheless, it obviously did not have a positive impact on financial condition of the two of the mentioned countries, as both Greece and Spain are struggling with economic problems. The reasons may be related to the low participation of women wielding political

Table 4. Percentage share of companies with one or more women on the board in Europe and EEMEA region in 2005 and 2011

Region	Country	% companies with 1 or more women on the board		% change 2011 vs. 2008	Number of companies in the sample
		2008	2011		
Europe	Austria	25.0	50.0	25.0	8
	Belgium	25.0	83.3	58.3	12
	Denmark	50.0	91.7	41.7	12
	Finland	80.0	100.0	20.0	15
	France	47.8	97.1	49.3	70
	Germany	34.0	86.0	52.0	50
	Greece	25.0	75.0	50.0	4
	Ireland	33.3	33.3	0.0	3
	Italy	10.7	57.1	46.4	28
	Luxembourg	33.3	66.7	33.3	3
	Netherlands	54.2	79.2	25.0	24
	Norway	80.0	90.0	10.0	10
	Portugal	0.0	50.0	50.0	6
	Spain	22.2	88.9	66.7	27
	Sweden	97.0	100.0	3.0	33
	Switzerland	39.5	65.8	26.3	38
	United Kingdom	62.3	84.9	22.6	106
EEMEA East Europe, Middle East and Africa	Czech Republic	33.3	33.3	0.0	3
	Egypt	10.0	50.0	40.0	10
	Hungary	25.0	0.0	-25.0	4
	Israel	100.0	100.0	0.0	11
	Morocco	0.0	0.0	0.0	3
	Poland	25.0	60.0	35.0	20
	Russia	3.8	38.5	34.6	26
	South Africa	86.0	95.9	9.9	49
	Turkey	30.0	50.0	20.0	24

Source: see table 1.

power. Among the countries of East Europe, Middle East and Africa, Israel and South Africa stand out (respectively at least one woman on the board in all surveyed enterprises and one or more women on the board in almost 96% surveyed companies). The greatest changes were observed in Egypt. Poland takes middle position, although it is worth to mention that the changes in the period between 2005 and 2011 were significant: a growth by 35 percentage points in the participation of women on the boards. However, in the Deloitte studies (CE Top 500, Deloitte 2012) based on the analysis of 500 Polish companies in 2011, the data appear different. Women are on the boards of 28% largest companies, but only in 4% of them they held positions at the top.

The presented data do not allow a definite assessment whether and how the number of women on the board influences financial indicators of a particular company, as there are numerous determinants. Some of them were presented above: company size (the impact is stronger in large companies), market condition (growth or stagnation), economic sector (a decreasing distance to final consumer demand is reflected by increasing influence), cultural determinants (there is stronger tendency towards accepting women on the company boards in Europe or North America than in Asian countries).

The attempt at detailed determination of the financial indicators value depending on participation of women on the board is presented below. It regards stock market companies surveyed by the Credit Suisse in 2005 and 2011.

In case of RoE indicator (Return on Equity), the difference in favor of companies with one or more women on the board compared to the board comprising only men was 4 percentage points over the six analyzed years (16% to 12%). RoE is often presented as a significant factor determining the company's financial liquidity. Interesting is the fact that in this case external market condition (growth or stagnation) did not have the impact on the company performance, such as it was observed in case of stocks values. The Net Debt to Equity indicator in case of companies without women on the boards reached 50%, whereas the companies with mixed gender boards – 48%. The difference in this case may not seem very significant, nevertheless it was observed that companies with gender diversified management reduce this debt at a faster pace in the period of financial crisis or economic deceleration. Significant differences (over three times higher indicator in case of companies with women on the board) are observed when analyzing the ratio of market price to book value of shares (price/book value: P/BV). Significant differences (by 4 percentage points) are also observed in case of the analysis on average net income of the surveyed companies over the six years. Companies with women on the board observed 16% growth rate, while the ones with no women – 12%.

The studies carried out by the Deutsche Bank [Report 2013] in Poland identified also a few interesting tendencies concerning women's attitudes towards financial institutions. The female awareness in respect to financial products is growing, although they still rarely participate in more complex offers (40% of women declared such intention in 2013 as compared to 50% of men). Similar situation is observed in other European Union countries.

Credit Suisse Researchers identified a few key factors explaining better financial outcomes of the companies with women on the boards. Gender diversity on the board (but also other demographic and social diversity) has a positive impact on possibilities to extend the search for solutions in more difficult market conditions. Knowledge and experience of the board members, as well as their personal attributes result in finding innovative solutions through a discussion about the directions of the company's development. Participation of women also results in greater attention paid to social factors, relations which may have a significant impact on employees' commitment in the period of economic stagnation or crisis. It is, *inter alia,* indicated by the surveys on employees' satisfaction, also referred to as „employees' engagement surveys". In companies where good human relationships do not comprise a significant factor of organizational culture, and the principles of employees' treatment by the boss are not clearly defined, employees very often develop demanding attitudes. In such cases, employees concentrate mainly on expecting a pay rise from the board. Whereas, in companies with attitudes of commitment to environment (responsible business), cooperation and team problem solving, the feeling of greater responsibility for own work is increasing, as well as satisfaction from performed work. The initiators of actions promoting sustainable development are mainly women, which confirm interviews carried out with women within the framework of the first and second Forum of Women in Logistics, held in 2012 and 2013. The studies of Wooley [2010] and Hoogendoom [2013] observed that collective intelligence is higher if social sensitivity of particular members of a group is high and thoughts exchange is carried out on equal basis, i.e. it is not dominated by one or two people and when there are more women in a group. Whereas, the NASA and McKinsey studies indicate the leadership style characterizing women: they are usually objective oriented, prefer mentoring as a way to support employees and concentrate on employees' needs. The surveys also conclude that women are better at reading „body language" than men, thus they are able to react faster to other people's expectations.

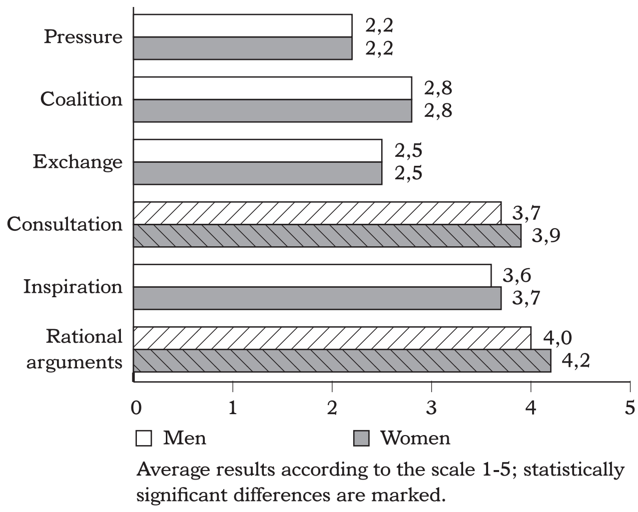
The studies of Barber & Odean [2001] indicate stronger aversion to risk characteristic for women as compared to men, which, *i.a.* manifests itself in assessment of the most profitable forms of investment. This is also confirmed by the above-mentioned Deutsche Bank studies, carried out in Poland in 2013. This characteristics may also explain why male boards work better during stable economy, when actions biased with higher risk may be attempted in order to increase the level of company competitiveness. Then, in the period of economic deceleration, when generally aversion to risk increases and companies strongly concentrate on a survival strategy, the gender diversified boards may play a more significant role. However, it is not enough to just recommend or pass the law which ensures quotas of women on the boards. The surveys show that a lot of women as compared to men do not trust in their qualification despite the high level of education. It is, e.g. reflected in the Report of the Institute of Leadership and Management [2011]. The survey conducted on the sample of over 3000 members shows that women's aspirations regarding management and leadership are lower than men's ones in all age groups. About a half of the surveyed women wanted to become a manager, while in case of men the respective share amounted to 2/3 of the surveyed sample. The results were different only for persons below 30 years of age – 30% women and 45% men anticipated the future managerial position.

Power and leadership – gender aspect

Wielding power, therefore the possibility of influencing other people, is inherent to holding a managerial position. When analyzing the relation between power and leadership one must agree with Deloitte [2012] interpretation, that a good leader is the one who uses power to ensure the company's high financial performance, influencing employees' involvement and work satisfaction. There are three main ways of influencing other people: persuasion, exchange and coercion tactics. The observation of women at the top executive positions leads to conclusion than most often they apply exchange tactics (consultation) and persuasion, although the manager efficiency depends on ability to use all tactics, depending on the internal and external situation of a company. Introduction of radical changes usually requires initial application of consultation and persuasion tactics. Then, at the next stage – extended use of coercion tactics, and moving to consultation and persuasion at the final stage are more advisable. Obviously the way of using particular tactics depends on various factors: the company's organizational culture, the stage of its development, market condition in the sector where the company operates, the stage of the market economic cycle (growth. stagnation. crisis), etc.

Figure 2 illustrates differences in applied influence tactics depending on the boss' sex. Differences were observed in case of consultation and rational arguments, which are the tactics most often applied by women. Thus, the question arises whether more emotional women decided that in the male dominated environment the application of „rational arguments" is more profitable? The answer to such formed question would be difficult without further studies, although a positive answer would confirm good adaptive mechanism of women.

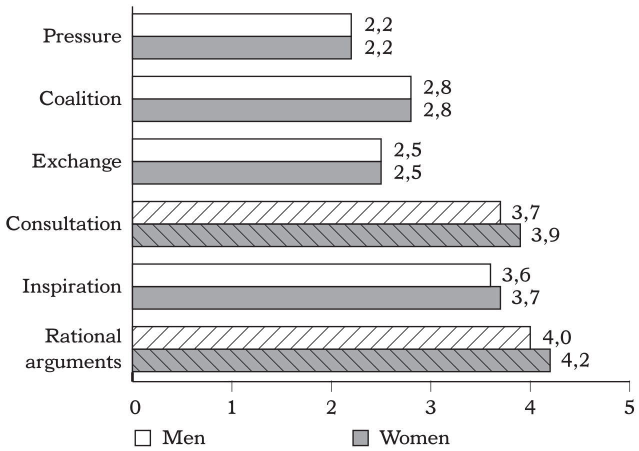
Figure 2. Influence tactics applied by women and men in a company



Source: Women and power in business. Does gender matter when building your position and influence in an organization? Deloitte 2012.

The following figures (3 and 4) show comparison of influence tactics applied by men and women depending on their relations with subordinates or co-workers.

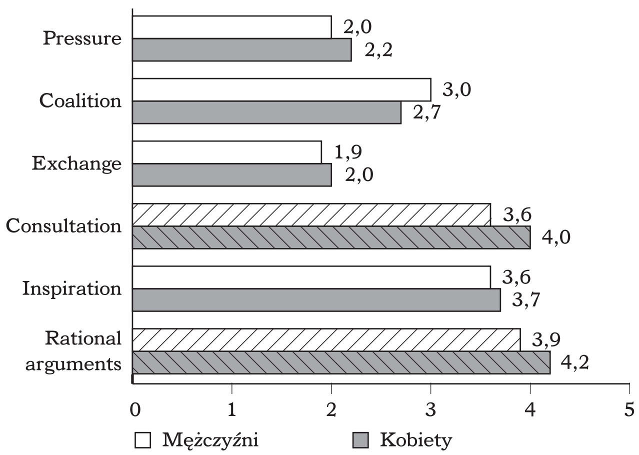
Figure 3. Influence tactics used towards subordinates



Average results according to the scale 1-5; statistically significant differences are marked.

Source: as in the Figure 1.

Figure 4. Influence tactics used towards co-workers



Average results according to the scale 1-5; statistically significant differences are marked.

Source: as in the Figure 1.

In relations to their subordinates, women to a higher degree apply inspiration, while men – pressure. It is worth to point out that the tactics most often applied by managers towards subordinates are consultation and rational arguments. In case of co-workers, both men and women most often apply traditional arguments and consultation tactics, although men rely on these tactics to a greater extent than women. Men relatively more often than women make use of coalition as the way of influencing their co-workers.

Recapitulation

The factors most often indicated in sustainable development comprise three areas: economy, ecology and environment, as well as aspects concerning management and compliance with all laws and regulations obligatory in a particular country in accordance with the guidelines of organization Global Reporting Initiative [www.globalreporting.org]. Sustainable development reports are to serve both: indication of changes occurring in the three abovementioned areas, and communicating positive and negative impacts of these changes on organization functioning. Reports are also supposed to facilitate better understanding and identification of risk and including it into long-term company activities. They may constitute a significant element allowing analysis on correlation between financial and non-financial factors. The framework of reporting principles covers the following issues: the set of indicators on economy, environment, human rights, practices regarding employment and decent work, responsibility for a product and society. The report presented by PwC, one of the companies auditing sustainable development, includes a division into: economic indicators – strategy and organizational profile, economic performance indicators, responsibility for a product indicators, the number of employees by type of employment, sex, health and safety at work, education and training, diversity and equal chances; social indicators – local community, participation in public life, compliance with regulations; environmental indicators – energy, water, emissions, sewage and waste; human rights indicators – preventing discrimination; specific indicators concerning a particular economic sector.

Implementation of changes into the hitherto approach towards management is not easy. Then, diversity management is such a change. The European Union, as well as organizations functioning in Poland, such as: Forum of Responsible Business and Confederation Lewiatan, promote a new approach to management, they introduce Diversity Index as the measure of managerial effectiveness. The approach to a new model is best explained by a quotation: „Diversity management is not a passing trend or whim – it is a challenge that every company or institution employing male and female workers struggles with. Diversity is a fact. Some organizations ignore it, forfeiting the profits for business derived from diversity."[Diversity Index 2013].

Seeking new possibilities of further development poses contemporary challenge to all – entrepreneurs, non-governmental organizations and administration. Opening towards „others" may be such a chance. However, according to the most recent surveys, there are currently two attitudes clashing in Europe: a conservative mainly focused on maintaining the hitherto management methods and the one accepting diversity. There is a new generation growing – the generation whose value is creativity, inspiration and balance between professional career and private life. Managing diversity will be the necessity in the future.

1 Studies on inequalities between men and women in various domains of social, business and political life are, *i.a.* carried out by the UNDP (Gender Inequality Index within the framework of Human Development Report), Economist Intelligence Unit (Woman's Economic Opportunity Index), World Economic Forum (Global Gender Gap Index), Social Watch (Gender Equity Index).

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