



Women on Boards Research Study in Lebanon

Synopsis of the research results

IN PARTNERSHIP WITH:



Creating Markets, Creating Opportunities

OVERVIEW

Improving
Gender parity by

25%

would increase
global GDP by

**US\$5.3
Trillion**

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

A growing number of studies show board gender diversity can positively affect a company's financial and organizational performance. More specifically, studies have found that gender diversity in the boardroom is associated with effects on key performance indicators such as profitability, innovation, and growth, as well as employee retention and engagement levels. Yet, women are still underrepresented on boards across the globe, holding only 17 percent of all seats.

The objective of this study in Lebanon is to contribute to a knowledge base that can be used as a foundation to raise awareness, to understand the current status of gender diversity within the corporate world, and to further develop recommendations for concrete initiatives to close the gender gap in business leadership. The report aims to:

- 1 quantify the relationship between gender diversity on corporate boards and a company's financial performance in Lebanon;
- 2 examine the barriers to female participation on boards and obstacles preventing optimal performance once in these positions;
- 3 highlight opportunities to increase the number of women in Lebanese boardrooms; and
- 4 propose recommendations on how to achieve greater gender equality in the boardroom, build the pipeline of female business leadership talent, and promote more gender-equitable practices in the Lebanese labor market.



The study covered a sample of 1,600 Lebanese companies. The data was collected through an analysis of publicly available information and using the MASRI enterprise database. Additional information was gathered through focus groups and interviews with male and female board directors and executives, and through an online survey of companies.

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 the presence of women on boards and in senior leadership strengthens companies' organizational structures. Companies with women on their boards tend to adopt more sophisticated structures and implement a higher standard of governance practice. **The presence of women on company boards can have a positive effect on the behavior of other board members. And greater gender diversity leads to improvements in the workplace environment and company culture,** which, in turn, positively affects employee satisfaction levels, ultimately reducing turnover and the costs associated with training new hires.

The study concluded that 50 percent of the sampled companies (see Research Methodology section) have female board members and women represent 14 percent of all board members. Furthermore, 47 percent have one to two female board members and 3 percent have three to four female board members. The average board size is five members (5.1 for companies with women on boards and 4.8 for companies without women on boards).

Research was conducted on the following breakdown and sample:

1,600

Sample size

393

Quantitative analysis

348

Private companies

45

Focus groups, interviews, online survey

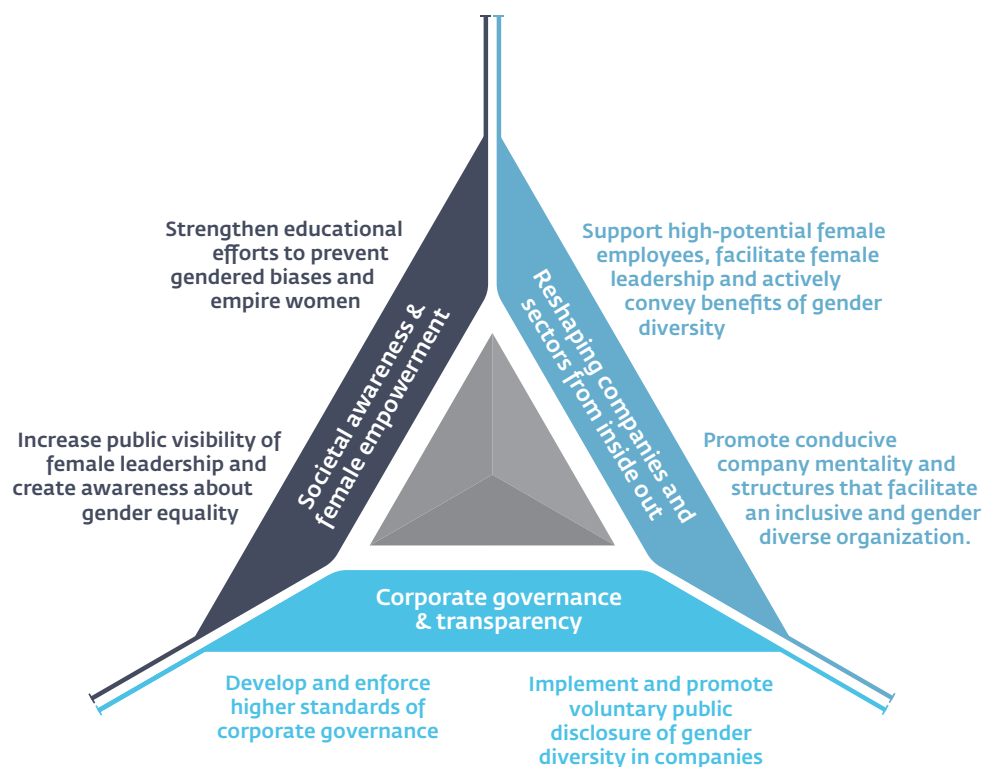
33%

14%

2%

1%

Percentages of women on boards



POSITIVE RELATIONSHIP BETWEEN GENDER-DIVERSE BOARDS AND FINANCIAL PERFORMANCE



The study findings found that female board members appear to positively impact a company's financial performance. **The quantitative analysis revealed that Lebanese companies with gender-diverse boards outperformed those with all-male boards.** 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 **double the return on equity** (20.7 percent compared to 10.3 percent for all-male boards), and 2.3 percent higher growth in return on assets.

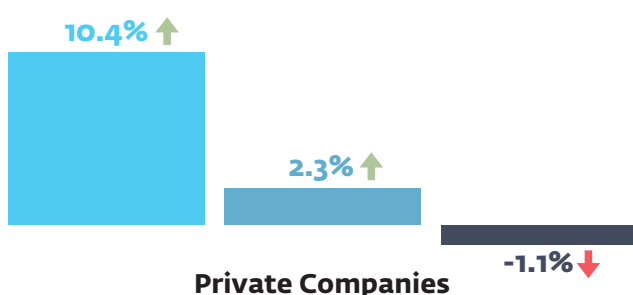
Privately-held companies have **X2** returns on equity with women on their boards

Furthermore, **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.** The average equity ratio for Lebanese companies with gender-diverse boards was 14.7 percent, compared to 2.8 percent for companies without women on their boards, across the three years of the study period. Additionally, companies with women on their boards had better solvency, reflected in lower debt-to-equity and debt-to-asset ratios.

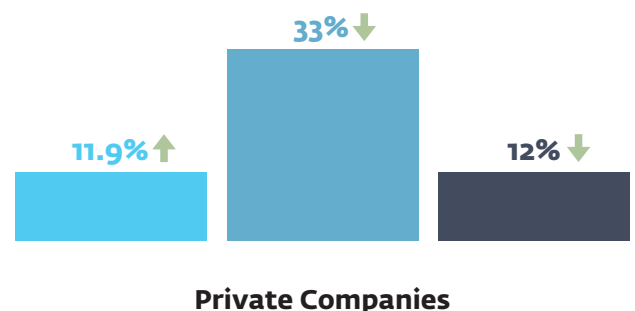
The assessment of the return on equity and return on assets was further broken down and analyzed by the number of women in the boardroom. **This showed that companies with two female board members had the highest return on equity, and those with one female on the board had the highest return on assets.**

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, in particular. Diverse boards also better reflect the marketplace—and, consequently, customer and investor needs. 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



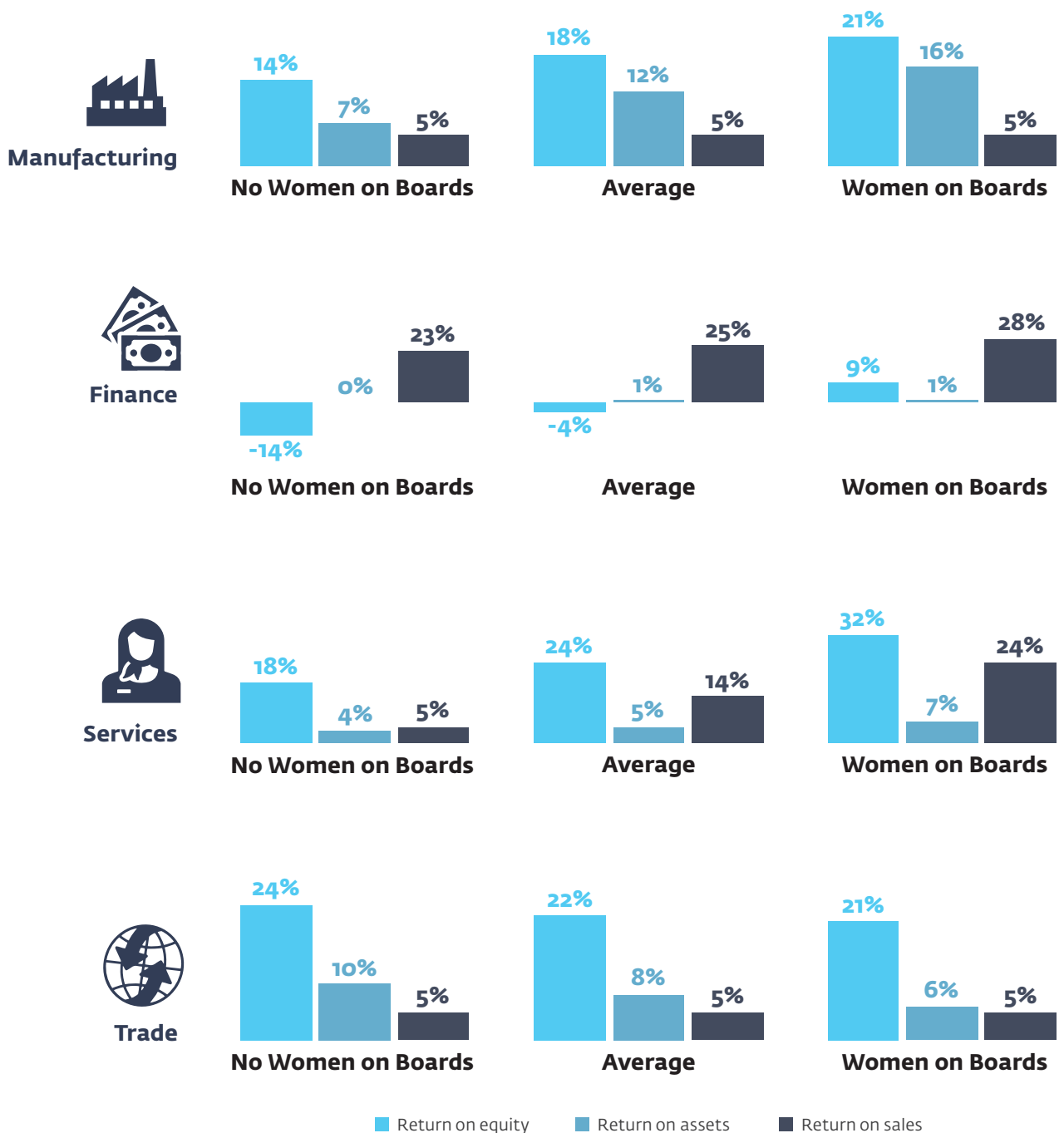
■ Return on equity ■ Return on assets ■ Return on sales

■ Equity ratio ■ Debt-to-equity ■ Debt-to-assets



Companies with women on their boards positively influences board dynamics, have increased employee satisfaction and retention, improved competitive advantage for attracting young female talent, and tend to be more risk-averse.

Cross Sector Analysis of the Financial Performance of Companies



ORGANIZATIONAL AND HUMAN CAPITAL BENEFITS OF GENDER-DIVERSE BOARDS



This study argues that maintaining gender-diverse boards can improve corporate governance and company credibility, due in part to a composition that better reflects the marketplace. Several connections were uncovered between the presence of women on Lebanese boards and strengthened organizations. Female participation on boards results in a greater focus on corporate governance structures and positively influences board dynamics, in turn improving company functioning and making them more attractive to investors.

The inclusion of women on boards also appears to yield improvements in the workplace environment and company culture, leading to increased employee satisfaction and retention as well as a competitive advantage for attracting young and female talent. Furthermore, board gender diversity may enhance market knowledge and innovation processes, driven by a richer variety of thought and perspective that helps promote creative thinking.



BARRIERS FOR WOMEN ON BOARDS



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

This leads to both conscious and unconscious gender biases that greatly inhibit women's opportunities and ambitions. **Most Lebanese women receive little encouragement or support in pursuing advanced academic degrees in demanding fields, due to social, educational, familial and religious constraints and expectations.** This is especially the case in male-dominated sectors, where challenges such as discrimination, marginalization and bias might be more prevalent.

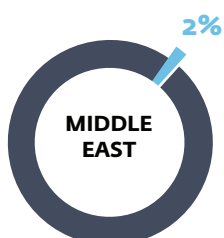
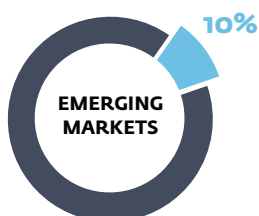
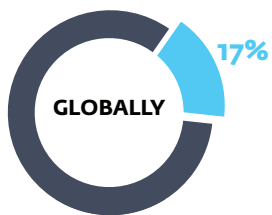
Even for women who make it onto corporate boards, there is still the question of actual influence wielded. In many cases, women end up performing perfunctory roles instead of decision-making ones. A large proportion of women on company boards in Lebanon inherited their share from a family member, which reinforces this dynamic.

However, study participants noted that **even highly qualified female board members experience marginalization and enjoy less authority and executive power.** They struggle against stereotypes and often receive limited respect from their peers. They said this challenge is even more difficult to overcome when a board has only one or two female members.

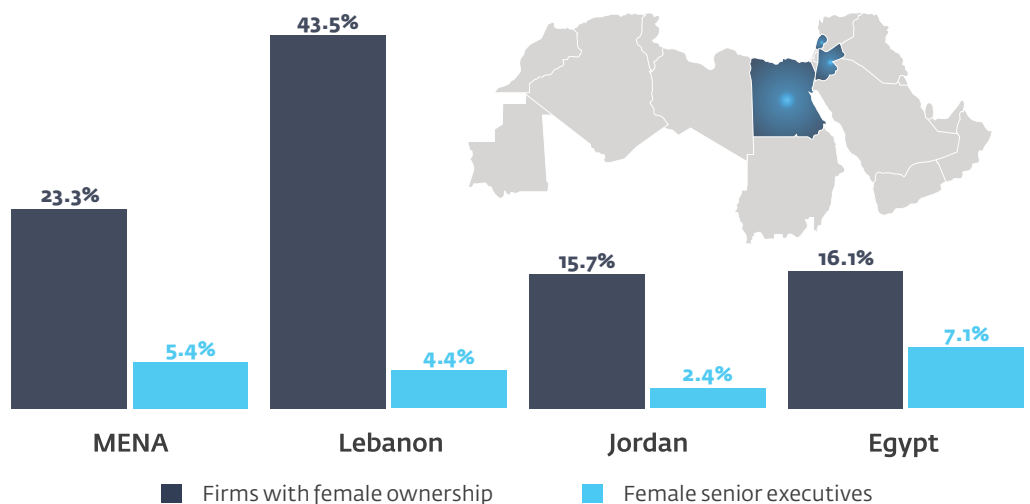
Another constraint identified in the study is an experience gap. Because women are comparatively late entrants into Lebanon's formal labor market, they remain underrepresented in some sectors. As a result, they may have less experience than their male peers.

Still, this gap is narrowing as more women participate in Lebanon's workplace. Over time—and if broader efforts to balance the gender scales are successful—study participants said the pipeline of female talent will deepen naturally and women's experience levels will reach parity with their male peers in many industry sectors.

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



Female Business Owners and Senior Executives Across MENA



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

HOW TO ACCELERATE THE PACE OF CHANGE



Young women are pursuing educational opportunities in greater numbers than ever before, with about 42 percent earning university degrees. Of note, more Lebanese women than men continue their education past secondary school. And many more are opting for corporate careers, although, as of 2017, only about 29 percent of Lebanese women are in the labor force.

The uptick in numbers of women entering the professional workforce has not yet positively impacted the ranks of senior management or boards, since such leadership positions typically are held by older and more experienced candidates. Over the long term, these generational shifts will naturally contribute to a more gender-diverse workforce.

While the generational shift is positive, taken alone, it is unlikely to fully close the gender gap—particularly with regard to senior leadership. Concrete action is needed to harness the untapped potential that comes with increasing the presence of women in Lebanon’s business leadership—improved corporate governance, enhanced firm performance and increased sustainability, leading to job creation and, ultimately, broader economic growth.

Women constitute only

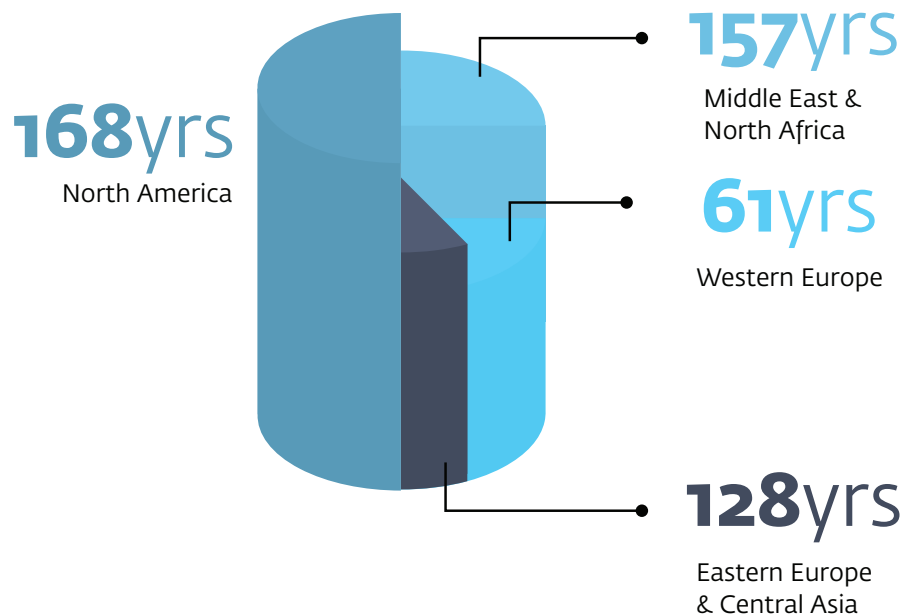
39.35%

of the global labour force

World Bank, Gender Data Portal.

Closing the Gender Gap

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



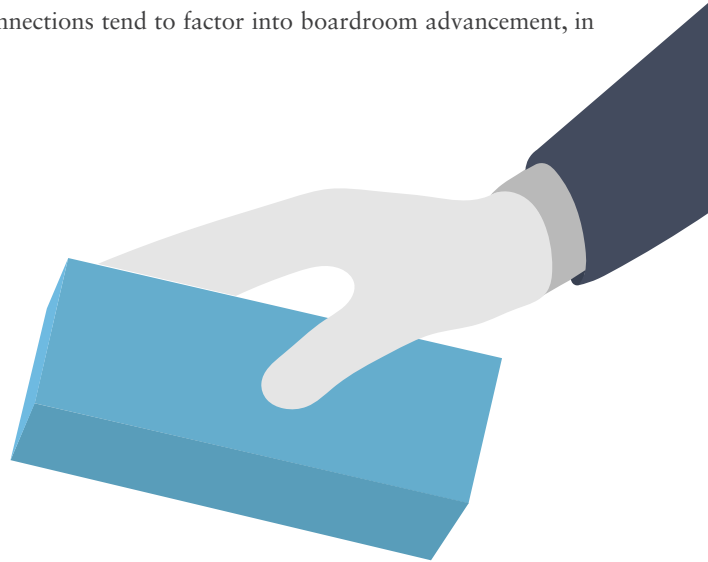
World Economic Forum, *The Global Gender Gap Report*, 2017.

Study participants identified actions in three key areas:

- 1** Corporate governance and transparency: Create incentives for better overall governance, with a particular focus on board dynamics and functioning, as well as on more extensive public disclosure of non-financial information, such as gender composition of the workforce, senior management corps, and board.
- 2** Public awareness and female empowerment: This starts early and includes educating children equally to reduce bias, using popular media to push back against ingrained and negative stereotypes about women's roles, raising public awareness about women's capabilities and the business case for gender-diverse boards, creating women's networks for support and encouragement, providing women-only training, and increasing the visibility of qualified female board candidates.
- 3** Reshaping companies from the inside out: This includes engaging with male leaders to gain their support and public advocacy, encouraging companies to commit to gender diversity initiatives internally and among their peer firms, providing mentoring and coaching to cultivate the female talent pool, and implementing formalized women-friendly policies and procedures that enable more women to remain in the workforce while they raise families.

To be sure, some of these recommendations are aimed at improving the gender balance of the Lebanese workforce as a whole. Still, a more balanced workforce will contribute to an expanded pool of talented and experienced women who could qualify for board positions. Study participants noted that connecting senior female leaders with high-potential businesswomen in networks is also essential in this effort, since personal connections tend to factor into boardroom advancement, in addition to skills and talent.

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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