

# Benefits of Gender and Diversity on Boards

Research shows that boards with greater diversity are more effective. Diversity, including gender balance, drives innovation because board members have different ways of approaching challenges and finding solutions.

Decision-making bodies that reflect the diversity of the Island population will get better results than boards whose members are all similar in gender, background, or ability.

Women make up more than half the Island population but are under-represented in leadership positions, including participation on agencies, boards and commissions. Studies show that boards need a “critical mass” of at least 30% women members to begin to improve results.<sup>1</sup> Many talented and capable women in the Island community are ready to make a difference.

## 1. Strong Financial Performance

National and international research on corporate boards confirms it: increased gender balance and diversity on boards results in better financial performance. The Conference Board of Canada has found that companies with more women directors tend to outperform their competitors on a number of measures, including return on equity, return on sales and return on capital, share performance and stock price growth.<sup>2</sup>

**Catalyst Canada has found the companies with the most women directors outperformed those with the least.**

**16%** HIGHER RETURN ON SALES

**26%** HIGHER RETURN ON CAPITAL<sup>3</sup>

Credit Suisse Research examined data from over 3000 companies around the world. When they compared boards with some women to boards with no women members, they found companies with at least one woman on the board:

**16%** Showed a higher return on equity (16%) than companies without any women members (12%)<sup>4</sup>



Fared better during the economic recession than companies with no women board directors<sup>5</sup>



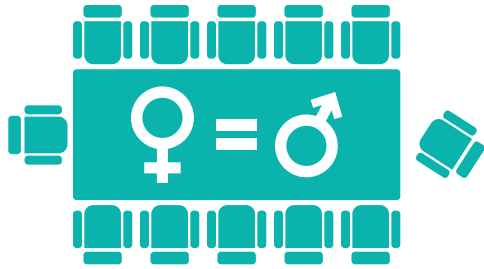
Had higher stock prices, stronger balance sheets, higher return on equity, and less volatility in the earnings cycle<sup>6</sup>

## 2. Leveraging Talent

Considering women for board positions expands the pool of talented candidates. In Prince Edward Island, women comprise more than half the Island population and have high rates of graduation from post-secondary education and participation in the labour force.<sup>7</sup> One quarter of women post-secondary graduates in PEI have a certification focused in business, management, or public administration. Island women are capable and qualified to participate on agencies, boards and commissions. Increasing opportunities for women’s board participation allows boards to leverage the talent and experience of half the population.

### 3. Better Decisions

Research shows that boards with greater diversity are more effective and innovative because members have different processes and strategies for problem-solving.



**When a board achieves gender parity, women and men tend to work more collaboratively, generate more creative ideas, draw from multiple perspectives, and devise robust solutions to problems.<sup>8</sup>**

Overwhelming evidence indicates that increased gender and diversity on boards reduces groupthink and results in better, more nuanced decisions that take into consideration a diverse range of possibilities.<sup>9</sup>

### 4. Improved Board Culture

Board culture sets an important tone for organizations, particularly with regard to decision-making and strategic direction. Boards with a mix of genders report greater engagement in strategic visioning, reinforcing accountability, expanding recruitment, providing orientation, implementing policies, and managing risk.<sup>10</sup>

***“A diverse board makes smart business sense. Directors who bring divergent perspectives, experience, and knowledge are more capable of understanding an organization’s stakeholders and risk profile. Diversity brings creative solutions to strategic issues and ultimately impacts profitability. Diversity equates to good corporate governance.”***

*Dr. Marie Delorme, CEO of The Imagination Group of Companies*

### 5. Reflects the Population

Increasingly, members of the public expect decision-making bodies to reflect the diversity of the Island population including gender, age, region, language, race, ethnicity, sexual orientation, and ability. Boards that more closely mirror the diversity of society have a better sense of the realities of and needs of people’s lives. The Conference Board of Canada notes that diversity on boards leads to improved project development, more effective marketing, better customer service, and increased public profile.<sup>11</sup>

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