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Driving Diversity's Impact on Share Value

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Introduction

For all women have accomplished, public corporations and institutional investors place any agenda related to women in the social responsibility category. Pushing forward policies that are gender friendly has only been engaged via social responsibility agendas and movements. Yet we women know that women at multiple levels of participation make an equal contribution to that made by men to the value of corporate shares despite the fact that limited research funds to prove this fact have been allocated. Women remain locked in a struggle to achieve equal pay for their equal or sometimes superior contributions. This 'white paper' proposes that the value placed on women's productivity can only be recognized and be given equal value with male productivity - when the issues surrounding gender(1) friendly policies distinctly and directly demonstrate their impact on share value. With a business approach to these issues, success could be achieved. The main thrust of this paper is to make the point (through supporting research) that some women-friendly policies should not be seen through the lens of social responsibility, but instead should be seen as sound business practice because they lead to greater profitability and enhanced shareholder value.

The Mission

The mission is to drive the adoption of women friendly / gender supportive (1) corporate policies by demonstrating that related issues impact share value.

The Goals

The primary goals are twofold:

- To increase awareness of and the adoption of these guidelines and benchmarks by corporations in order to achieve an equal wage for women (compared to that paid to men in the same job), whether working in a manufacturing, executive or leadership role in corporations (MNC (2), international, or domestic) that have shares held by the public.
- To drive institutional investors to invest in corporations that have adopted gender friendly policies because of the proven impact on share value.

In order to accomplish this mission, the following are 'called for':

1. Agreement

Unilateral agreement among international and domestic women's organizations on a set of guidelines and benchmarks for the work place in corporations is 'called for' so as to encourage the adoption of female friendly policies. The preparation of the set of guidelines and benchmarks could be fast tracked by utilizing those already agreed on by many leading international and domestic women's organizations throughout the world. The point is not to reinvent the wheel, but to integrate the work already accomplished by UNIFEM, Catalyst and others. Even if the guidelines and benchmarks are narrowed to obtain agreement, so be it. Agreement is an end in its self. Despite years of discussion, no set of guidelines and benchmarks for corporations have been agreed upon unilaterally and set forth by women's business groups and nongovernment organizations (NGO).

2. Research

The starting point is for research to be conducted in the following areas:

- Identify those issues related to women friendly policies that do drive share value as opposed to those that singularly affect social responsibility and are not directly linked to share value. Based on this research, the guidelines and benchmarks will be divided into the two distinct categories:
1) those affecting social responsibility and
2) those driving share value

- The impact of women that have held leadership roles on the 'outputs' from their tenures compared to their counterparts and which 'outputs' drive share value. In other words, are companies run by women producing more sustainable value added 'outputs' than companies run by men?

3. Presentation of Research

The research on and the issues that have been identified as impacting share value should be presented to one or more of the NRSRO agencies (3) and proposed for utilization by them in their risk & investor value mapping, rating evaluations and or reports.(4) The adoption of policies that are proven to have related issues that drive share value can thereby be driven through one or more of the lead rating & research companies. Thus 'monetizing' the value of female friendly policies in corporations can be achieved by directly tying issues on specific guidelines to share value - creating the birth of a new mental model from which the subject is addressed.(5)

4. Implementation

A leading International Women's organization with a mission to coordinate action across other women's organizations (both U.S. and internationally), to support women working in the OECD as well as in Emerging Markets, takes the helm:

- to drive unilateral agreement on the guidelines and benchmarks,
- to raise (or orchestrate the raising of) funds for research that has not already been executed,

- to raise the consciousness among institutional investors and the public at large of the impact of gender friendly guidelines on the share value of corporations; thereby developing a new mental model.
- to address 'monetizing' the value of women's work and supportive policies in corporations to support "women's leadership and participation in decision-making"(6), "strengthening women's economic security and rights" (6) and "make a positive difference in the lives of women and the world". (7)

Background

An analogy can be seen in the history of the progress of implementing environmental guidelines. These guidelines have also been aggregated under social responsibility and placed in the socially responsible investment category. Despite the enormous lobbying efforts by environmentalists and the importance for mankind of environmental responsibility, little progress has been made on this basis to improve the environment or to influence the institutional investors to direct investment into environmentally compliant corporations. In fact only approximately 3% of all funds invested are today invested in Socially Responsible Investments! (8) Progress has been made in furthering the adoption of environmental guidelines when the issues related to those policies (or the lack thereof) have directly impacted Investor's perception of risk, which in turn affected the corporations share value and cost of capital.(9)

The following are exemplary queries that rating companies ask that are related to the environment and that drive share value.

- If a water company's waste is polluting the environment, has the risk of investment in that company materially changed?
- Will a major incident develop which may also in turn create a change in the regulatory environment?
- Will customers begin to lose confidence in the quality of the water?

It is only in this way, through impact on the perception of risk, that results have been achieved to encourage the adoption of environmental policies and greater investment by the institutional investor community. (9)

Perhaps women friendly policies in corporations can have similar success by using similar techniques. It is time for all women's organizations to aggregate their support and to follow a similar business approach to achieve the targeted impact.

The Need

There is a growing need for women to take their rightful place in leadership and be compensated equally for their work. To note how urgent this has become one may look at the result that the criminal behavior of some male leaders, without the balance of influence from women, appears to have wrought on the world. From Enron and Anderson to Global Crossing, the greed of those in power has sacrificed the collective: the retirements of hundreds of millions of ethical working people with a possible spill down effect to billions and the opportunity for a broader sharing of abundance from a robust share market. For the time being, the greed has possibly "killed the goose that laid the golden egg." Of course, this market cycle will pass, but will all those families that were working for their retirements or lost their retirements be compensated in their lifetimes? Can the entire trickle down effects on emerging markets be accurately compensated?

As a relevant aside with reference to current corporate misconduct, it is noteworthy that CNN's Lou Dobbs' CEO of the week for May 3, 2003 was a co-chief executive 'officer-ship' held by Herbert M Sandler and Marion O. Sandler, the Co-CEOs of Golden West Financial Corporation (www.worldsavings.com). Golden West Financial Corporation ('Golden West') is one of only two Fortune 500 companies with a majority of women directors on their board. Golden West has produced continuous stellar financial performance throughout the last 5 years despite the market's chaos. Can the company's performance be separated from the underpinnings of its corporate governance and

conduct? This is an example of the kind of research that needs to be executed. It would be very powerful indeed if research could show that the stock performance of companies with higher concentrations of women board directors and or a balance of men & women board directors fared better during the last downturn. Hopefully, further research would indicate a positive correlation between stock out performance and the number of women directors in a company.

The Reality

Women are making progress in the corporate world with more senior executive positions and board memberships than ever before. More financial products and services are being developed to address these women and the overall buying power of women.⁽¹⁰⁾ At the same time, the wage gap between male and female managers actually widened between 1995 and 2000. For example, one set of statistics indicates that in the communications industry in 2001, a woman earned 73 cents for every \$1 a man takes home.⁽¹⁰⁾ Five years earlier a woman made 86 cents for every \$1 a man took home. Only 4% of the top earners at Fortune 500 companies are women.⁽¹⁰⁾ In 2001, Women filled only 7.3% of the total line positions held by corporate officers. When women have held executive positions, they were more often in management jobs, which have lower power. ⁽¹⁰⁾

At the same time, many of the most qualified women in the younger generation have no patience for the compromises that the older generation of women executives have made to participate in the corporate world.⁽¹¹⁾ Many hold the attitude that if the 'IBMs' don't want to give them equal wage and opportunity then it is the 'IBMs' loss. They will make their own opportunities elsewhere.⁽¹⁰⁾ Thus as of 2002, there were an estimated 6.2 million majority-owned, privately-held women-owned firms in the US, accounting for 28% of all privately-held firms in the US.⁽¹⁰⁾ Between 1997-2002, women-owned businesses in the US increased by 14% and the sales from these businesses increased by 40%.⁽¹¹⁾ The younger generation of women seek work environments

- that value individuals - whether as customers or as employees,
- that are transparent and collaborative,
- that respect relationships as the bedrock of all good businesses,
- that value what's ethical above what's expedient. ⁽¹⁰⁾

It is important that not all of these young women completely leave the corporate world and that the wisdom of corporate "battle-mature" senior women executives are part of the corporate decision making process. This wisdom needs to be tapped as we rebuild from the current financial markets' disaster. The departure of these younger women from corporate life will leave society even more vulnerable to decisions by corporations unchecked by the balance of power of women in their leadership ranks. The time is right for women NGO's to execute the research that can prove the impact of women's work directly on share value.

The Research

Research companies that research socially responsible investing (SRI) such as KLD, www.kld.com, which has developed several important indexes on SRI, aggregate all social responsible agendas together. There is no separate category for companies that are dedicated to, or track female friendly policies separately. Although not the main thrust of this paper, unilateral agreement on guidelines and benchmarks that research proves do not have impact on share value could nevertheless raise the profile of these initiatives within SRI, with researchers such as KLD and in their indexes.

Although this paper describes two channels of development, each, although related, could be engaged simultaneously or sequentially. One is a furthering of social responsibility agendas, the other is the implementation of commercial drivers to achieve the results. While it is true that the latter point could be made without any agreement on guidelines, more funds could be raised for the research, if there were to be agreement. To that end and other 'ends', women across the globe would be served by agreeing unilaterally on a set of guidelines. Those guidelines that do not impact share value will still be more effectively addressed under social responsibility terms if there is at least agreement as to what they are.

Turning back to the main point, to move beyond the impasse, we need to use fiscal issues that impact share value to drive support for female friendly policies.

Core Ratings (www.coreratings.com), a company affiliated with FITCH does research on and tracks Corporate Responsibility Ratings. While they track the impact of environmental and other guidelines on share value, work has yet to be been done by them-or any other leading rating company-on women supportive policies. The leading international women's organization, which does take the helm of the mission described in this white paper, to coordinate action across other women's organizations needs to coordinate work with Core Ratings. This will encourage Core Ratings to undertake the work. In fact, this leading NGO could directly begin to work with Core to identify those issues that impact on share value even before unilateral agreement is reached.

A Proposed approach:

1. A global organization that will provide the umbrella and initial leadership adopts the mission and undertakes the initial phase. This organization may find it appropriate to pass on the leadership mantle of the core leaders group to a second NGO after the initial phase. The point intended in this statement is that this is a large undertaking and different NGOs may be suited to drive different aspects of the agenda at different stages. Ultimately cooperation across individual NGO agendas is essential. It is only through unification on the major issues that the entire mission is likely to be achieved.

2. In the interim, identify all the various benchmarks and guidelines already utilized by various women's NGOs.

3. Identify 5-10 organizations to approach for their 'core leadership' ('core leaders') in this initiative. Achieve leadership 'buy in' by 2-5. Approach the following NGOs among others for their 'buy in' to the Mission, their 'core leadership' and support including where applicable research and already defined guidelines and benchmarks.

- Catalyst (www.catalystwomen.org)

- UNIFEM (www.unifem.org)

- International Women's Forum (www.iwf.org)

The 'core leader' NGOs, upon agreement, 'brand' all benchmarks and guidelines.

4. Work with the 'core leader' women's organizations to develop strategic 'buy in' and critical talking points.

5. Simultaneously Identify 10+/- women leaders with whom to have 'sounding board' meetings and meet with them, perhaps including women such as:

Carleton S. (Carly) Fiorina, Chairman & CEO, Hewlett-Packard Company
<http://www.hp.com/hpinfo/execteam/bios/fiorina.html>

Maria Elena Lagomasino, Chairman of JPMorgan Private Bank www.jpmorgan.com

Sallie L. Krawcheck, Chairman & CEO Smith Barney, former CEO of Sanford C. Bernstein and Co. <http://www.citigroup.com/citigroup/corporategovernance/bio/krawcheck.htm>

Barbara Balser, co-Chairman & CEO, Balser Companies www.balser.com

6. Achieve agreement on a set of guidelines and benchmarks among the core leader NGOs on which to subsequently seek in order of priority endorsement from the other Women NGO's identified around the globe.

7. 'Core leader' NGOs lead and support initiatives among different geographic constituencies for endorsement.

8. A fund raising campaign is engaged (if necessary) to underwrite the research required to ascertain which guidelines and benchmarks have issues that drive share value.

9. A public communications campaign positions for a 'sea change' in consciousness and develops a 'stickiness to'(12) and 'contiguousness about'(12) the women supportive guidelines and Benchmarks (both sets) which would in turn drive awareness by corporations and 'buy in' to align their policies.

10. Work with a research group to prioritize the benchmarks and guidelines and commence the research.

11. The results are presented to at least one of the NRSRO agencies. The rating company checks the policy implementation and sells this information to institutional investors. The foreign Corporations that have already issued American Depository Receipts (ADRS) will be encouraged to seek solicited ratings.

12. A public communications campaign is undertaken to encourage all foreign corporations to solicit ratings in order to attract foreign capital.

13. Fund raising campaigns underwrite 'specific-issue' communications campaigns so that as 'hot' situations arise around identified guidelines and specific corporation(s) policies opportunity can be maximized. (13) The process of realizing this mission is an iterative one. Various aspects above will overlap with each other.

Notes:

1. Some constituencies find the term 'gender friendly' polarizing and categorizing. The document is addressing a new mental model, which may be accompanied by some new terminology. Will it be 'female friendly' or 'women supportive' or remain 'gender friendly'? All the terms are purposefully used in this paper. What is of paramount importance is not to get bogged down in favorite, categorizing, polarizing terms and to obtain unilateral agreement on some basics, what ever the term, so as not to remain as many emerging market countries and continents, paralyzed in internal conflicts.
2. Multi national corporation (MNC)
3. Nationally Recognized Statistical Rating Organization (NRSRO) is the United States organization that approves rating agencies of which there are only three: Standard & Poors, Moodys and Fitch. The ratings that these companies ascribe to corporations along with the rating company reports drive share prices via the ratings influence on institutional investors, brokerage firms and investment advisors.
4. These are some of the processes used by the rating agencies to evaluate the corporation and nominate a rating.
5. The old mental model addresses equal wage for women based on social responsibility.
6. United Nations Development Fund for Women (UNIFEM) Power Point outline, www.unifem.org
7. The International Alliance for Women (TIAW) Fact Sheet, Vision statement, www.tiaw.org
8. Core Ratings, Corporate Responsibility Ratings, www.coreratings.com
9. Discussion on April 30, 2003 between Tara Kimbrell Cole and Alan Banks, CEO, Core Ratings, www.coreratings.com
10. Fast Company Magazine, article "Here are the five naked truths about women in business. Together they add up to one big message: The future of business depends on women." From: Issue 61 | August 2002, Page 58 Authored by: Margaret Heffernan, current Chairman & COO, iCast and former CEO of CMGI. Reference article link: http://www.fastcompany.com/magazine/61/female_ceo.html
11. Center for women's Business Research," Women Owned Businesses in the United States, 2002: A Fact Sheet", www.nfwbo.org.
12. "The Tipping Point" by Malcolm Gladwell
13. An analogic example from the environment sector is the Exxon Valdez situation.