



More than One

Gender diversity and corporate performance in
West Australian business

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Executive summary

Western Australia has increasingly been discussing workplace diversity and the role of women at work and organisations. Part of this is following a global trend, but this has also been instigated locally.

Programs, reports and goodwill for the issue have been forthcoming. But for many in business a simple question remains unanswered: does gender diversity in organisational leadership improve performance?

Existing economic evidence has been focused at a global or the national level. The following provides the first assessment of corporate performance and gender diversity for Western Australia, also the first time this has been done for one specific Australian state economy.

This report assesses the performance of the 50 largest companies in WA, with a total market capitalisation of more than \$130 billion and employing thousands of people in across the state and nation. These businesses underpin much of day to day operation and prosperity of WA and Australia.

All data was sourced on the final day of the first quarter of the 2017/18 financial year (September 30). These are the 50 largest companies in WA based on their ASX market capitalisation.

You will read detailed and dissected performance information and the role and impact of women in leadership. This report is a key part of the business case for gender diversity in Western Australia.

It becomes clear that having more women around the decision making table in West Australian business is good for the community, good for women and good for the bottom line.

Key findings

- The average executive team size is 6.12 people
 - The average number of women on the executive is 0.72 people (11.7 per cent)
- Companies are more likely to not have women in executive management than those that do
 - 27 companies (54 per cent) have no women in executive roles
 - 22 companies have at least one woman in a management role
 - 12 having more than one woman in management (24 per cent)
- The average board size is 6.08 people
 - The average number of women on the board is 0.92 people (15.1 per cent)
 - 19 companies have no women on their board
 - 22 companies have at least one woman on their board
 - Nine companies have more than one woman on their board
- 14 companies have no women in executive or board roles
- One company has a female CEO (less than half the Australian standard)
- One company has a female Chair (60 per cent below the Australian standard)
- West Australian companies with women in management and on their board outperform the market
 - All-male management and board teams significantly underperform the market
- There is a correlation between having more women in senior roles and:
 - Higher dividend yields;
 - Better returns on equity and investment;
 - Positive yearly revenue changes;
 - More stable and sustainable yearly share price changes;
 - More positive operating margins; and,
 - Volatility that is more inline with the ASX and providing greater risk-returns than male-dominated companies.
- Having women on the board of a company improves the dividend yield and EPS (5yrs) and operating margin
- Companies with the best ROE and ROI are those with multiple women in management
- Companies with women on the board and in management are most inline with the ASX volatility
- All male leadership groups are less in line with ASX volatility, have the worst ROE, ROI and operating margins of the group, and underperform on yearly revenue changes when compared to companies with gender diversity

A 101 on the WA Economy

Western Australia's economy is underpinned by mining, resources and construction companies. While there effort to expand this, and there are some financial services and health companies within this top 50, the primary industries still dominate the listings.

WA has the larges number of listed companies, comprising almost half of the Australian Stock Exchange overall. Most of these are termed as having small market capitalisation.

Focusing on the 50 companies with the biggest market capitalisation highlights a breadth to the West Australian economy. Only 13 have a market capitalisation of over \$1 billion and four over \$10 billion, with the marker for entry to inclusion being \$200 million.

The list includes major employers and brand names as well as emerging entities.

Across the group the companies emphasise a range of values that drive their businesses. In general, these business seek ingenuity and ambition, but also recognise their commitment to the community and espouse diversity as a value.

In the aftermath of the mining boom there is an emphasis to support and build a range of businesses and to move away from a, comparative to other Australian states, homogenous economy.

The West Australian Government expects the economy "will grow at a slower rate in coming years".¹ Additionally, the Chamber of Commerce and Industry WA calls the economy "fragile" and forecasts that "the WA economy... will reach the bottom of its fall within the next two years".²

In a period of volatility and consolidation it is prudent to understand the role that diversity may be playing in business performance.

¹ Government of Western Australia, Department of Jobs, Tourism, Science and Innovation, 2017.

² "Outlook: the changing structure of the WA economy", Chamber of Commerce and Industry, July 2017.

Diversity, meet Performance

To assess the impact of diversity as it relates to corporate performance in WA I have broken the top 50 companies into different groups:

- Top 50 - all companies assessed, indicating the market standard;
- Companies with no women on their board or in management roles;
- Companies with a woman in management
- Companies with women in management
- Companies with a woman on their board
- Companies women on their board; and,
- Companies with multiple women on their board and management.

The companies are being assessed across a range of standard financial metrics:³

- Dividend yield
- Earnings Per Share (EPS) over five years
- Return on Equity
- Return on Investment
- 12 month change in revenue
- 12 month change in share price
- Operating margin
- Beta score (where the ASX sits at 1)

All data was sourced coinciding with the final day of the first quarter of the 2017/18 financial year.

The top 50 companies have an average executive and board size of 6 people, 6.12 and 6.08 respectively. The average number of women is less than one woman in both teams, 0.72 for executive management and 0.92 for boards.

The performance of all 50 companies is:

Grouping	Dividend yield	EPS (5yr)	ROE	ROI	Revenue +/- (yearly)	Share price +/- (yearly)	Operating margin	Beta
Top 50	3.64%	2.71	-989.69%	-75.9%	-196.78	51.79	-1101.483	0.88

27 companies have no women in executive roles and 19 have no women on their board. 14 companies have no women in executive or board roles. The performance for companies with all male executive and boards is:

Grouping	Dividend yield	EPS (5yr)	ROE	ROI	Revenue +/- (yearly)	Share price +/- (yearly)	Operating margin	Beta
All male	3.865%	-0.62	-3725.19%	-297.86%	-8.37%	119.01%	-2918.18	0.50

³ The assessment of business performance follows that undertaken by Credit Suisse, McKinsey and Co, Goldman Sachs and a range of other financial and analytical institution for Australia and globally.

22 companies have at least one woman in management roles, with 12 having more than one. The performance of these companies is:

Grouping	Dividend yield	EPS (5yr)	ROE	ROI	Revenue +/- (yearly)	Share price +/- (yearly)	Operating margin	Beta
One Woman management	3.12%	9.83	-7.52%	-13.68%	0.39%	33.56%	-1502.348%	0.912
Multiple Women management	3.57%	5.85	8.72%	9.70%	0.16%	34.01%	-73.15%	1.08

There are 22 companies with at least one woman on their board, and nine with more than one woman. The performance of these companies is:

Grouping	Dividend yield	EPS (5yr)	ROE	ROI	Revenue +/- (yearly)	Share price +/- (yearly)	Operating margin	Beta
One woman on board	3.37%	6.85	3.81%	3.10%	0.193%	25.07%	5.95%	0.92
Multiple Women on board	4.47%	-1.65	0.24%	0.15%	11.64%	39.69%	-95.16%	0.95

There are seven companies with multiple women on the board and in management. Their performance is:

Grouping	Dividend yield	EPS (5yr)	ROE	ROI	Revenue +/- (yearly)	Share price +/- (yearly)	Operating margin	Beta
Multiple women board and management	4.106%	-3.50	0.25%	0.19%	16.72%	46.58%	-135.34%	0.97

Overall, the companies with an all male board and management underperform their peers and market, while having women in these roles helps companies outperform the market.

There is a correlation between having more women in senior roles and:

- Higher dividend yields;
- Better returns on equity and investment;
- Positive yearly revenue changes;
- More stable and sustainable yearly share price changes;
- More positive operating margins; and,
- Volatility that is more inline with the ASX and providing greater risk-returns than male-dominated companies.

On these figures, West Australian companies with more women in senior roles perform better than the rest of the market and their peers. They are more stable and sustainable with more attractive risk.

West Australian companies with more women should be more attractive to investors and shareholders.

Merely having a woman sitting at the decision table is not an explanation in and of itself of better corporate performance. Women in leadership roles is a signal of a better company which are heeding corporate governance practices. Additionally, these companies are attracting a wider pool of talent and are willing to cultivate their staff into leadership. Having women in leadership roles is also helps companies understand their consumer base and make decisions with that in mind.

Importantly, contemporary literature and assessment of corporate performance and gender diversity shows that companies with more women in senior roles have greater risk aversion. While the 50 companies assessed here are show that those with women in leadership are more in line with ASX risk ratings, this may be because those with lower beta scores took bigger gambles during the mining boom which have not paid off making them less attractive for investment now.

This evidence presents a clear link between gender diversity and corporate performance for West Australian businesses. Having women at the table helps WA business make better decisions.

Concluding remarks

West Australian companies with gender diversity in leadership outperform their peers and are more attractive for investment than their more masculine peers.

Reflecting comparable national and international evidence, there is a clear correlation between having more women in senior roles and stable, successful performance of companies.

This report shows that gender diversity has a noticeable positive impact on organisational performance, specifically financially and volatility.

Investors should consider this evidence and make their own assessments of the companies they invest in, but recognise the growing weight of evidence linking diversity, particularly gender diversity, and corporate performance.

West Australian business is market by masculinity, business leaders should consider whether they are doing the best by their shareholders, investors and the organisation with the team around them. Homogenous decision making tables are a hindrance to the principles and outcomes of good business management.

It is clear that a key indicator of financial performance and success in West Australian business is how many women they have in the senior ranks.

One just doesn't cut it.

Appendix

1.0 Performance groupings:

Grouping	Dividend yield	EPS (5yr)	ROE	ROI	Revenue +/- (yearly)	Share price +/- (yearly)	Operating margin	Beta
Top 50	3.64%	2.71	-989.69%	-75.9%	-196.78	51.79	-1101.483	0.88
All male	3.865%	-0.62	-3725.19%	-297.86%	-8.37%	119.01%	-2918.18	0.50
Multiple women board and management	4.106%	-3.50	0.25%	0.19%	16.72%	46.58%	-135.34%	0.97
Multiple Women on board	4.47%	-1.65	0.24%	0.15%	11.64%	39.69%	-95.16%	0.95
One woman on board	3.37%	6.85	3.81%	3.10%	0.193%	25.07%	5.95%	0.92
Multiple Women management	3.57%	5.85	8.72%	9.70%	0.16%	34.01%	-73.15%	1.08
One Woman management	3.12%	9.83	-7.52%	-13.68%	0.39%	33.56%	-1502.348%	0.912

2.0 Companies:

1-10	11-20	21-30	31-40	41-50
Wesfarmers Limited	Navitas Limited	Resolute Mining Limited	MacMahon Holdings	Index Limited
Woodside Petroleum Ltd	Monadelphous Group Limited	Ausdrill Ltd	Cedar Woods Properties Ltd	Cardinal Resources Limited
South32 Limited	Automotive Holdings Group Ltd	Western Areas Limited	NRW Holdings Limited	Argosy Minerals Limited
Fortescue Metals Group Limited	Saracen Mineral Holdings Limited	Westgold Resources	Emeco Holdings Limited	Avanco Resources Limited
Iluka Resources Ltd	Galaxy Resources Limited	Gold Road Resources Limited	Mount Gibson Iron Limited	Beadell Resources Ltd
Mineral Resources Ltd	Lynas Corporation Limited	Peet Limited	Dacian Gold Limited	Eden Innovations Ltd
Northern Star Resources Limited	Seven West Media Limited	MACA Limited	Australian Finance Group Ltd	Decmil Group Limited
Independence Group NL	Pilbara Minerals Limited	Austral Ltd	Perseus Mining Limited	Pacific Energy Ltd
BWP Trust	Sandfire Resources NL	Metals X Limited	Tribune Resources Ltd	Base Resources Limited
Regis Resources Limited	Programmed Maintenance Services Ltd	Tox Free Solutions Ltd	New Century Resources Limited	Silver Lake Resources Limited

Disclosure:

To cite this document for future reports and academic work, please do as: Liveris, C, "More than one: gender diversity and corporate performance in West Australian business", October 2017.

This is part of a periodic analysis of various workplace and economic issues of contemporary national and industry interest. All efforts are made to present the evidence as impartial, independent, fair and not misleading. These contributions are verifiable and are reviewed by experts prior to release.

The author, Conrad Liveris, is a corporate adviser on workplaces and risk. Lauded as one of Australia's leading employment and workplace experts, he is actively sought by Australian business leaders on matters of restructuring, general management, human resources and stakeholder relations. He is US State Department alumni, an affiliate of Catalyst Inc, New York City, and is an Associate Fellow of the Royal Commonwealth Society, London. He completed his Bachelor of Arts at the University of Notre Dame Australia, a Master of Commerce at Curtin University and has received scholarships for management education at the Governance Institute of Australia and the University of California, Los Angeles.