Management Studies and Economic Systems (MSES), 3 (4), 245-252, Spring 2017
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Gender Diversity in Management Positions and Organizational Performance: A Review of Literature

Getnet Hunegnaw Kebede

Department of Management, College of Business and Economics, Bahir Dar University, Bahir Dar, Ethiopia

Received 17 October 2017, Accepted 8 January 2018

ABSTRACT:
In this term paper, diversity in management positions and organizational performance is analyzed using gender diversity as a mediating role. The analysis is done based on the review of related literature. An organization's success and competitiveness depends upon its ability to embrace diversity and realize the benefits. The success and failure of an organization is also linked with its leadership compositions. Diversity provides organizations with the ability to compete in global markets. Simply recognizing diversity in an organization helps link the variety of talents within the organization. Diversity is a reality created by individuals and groups from a broad spectrum of demographic and philosophical differences. Gender diversity and organizational performance are positively related. Gender diversity provides the organization strong financial performance, intellectual capital, reputation and corporate governance, smooth communication and wider customer base, creativity and innovation, and effective leadership. While women play a vital role for the performance of an organization, their representation in management positions are hindered by global challenges, personal challenges, perception gaps, culture, lack of network and mentors, and scrutiny. To enhance the representation of women in the management positions; ensuring leadership commitment and transparency, formulating formal management position policies, selection quota, recruitment from outside, designing talent development and promotion program, mentoring and networking, providing infrastructure support service, creating awareness, etc are some of the remedies.

Keywords: *Diversity, Gender diversity, Organizational performance*

INTRODUCTION

In a globalized and competitive market, diversity at the work place is imperative the success of an organization. The success and failure of a company is also linked with its leadership compositions. Because the management of an organization plays an important role in formulating strategic plans, creating linkage with different stakeholders, motivating employees, and designing a strategy to attract customers and to get a competitive advantage. Thus, to do this diversified management in an organization is the key. Diversity is a reality created by individuals and groups from a broad spectrum of demographic and philosophical differences. It is extremely important to support and protect diversity because by valuing individuals and groups free from prejudice, and by fostering a climate where equity and mutual respect are intrinsic

Diversity means more than just acknowledging and/or tolerating difference. Diversity is a set of conscious practices that involve: Understanding and appreciating interdependence of humanity, cultures, and the natural environment; recognizing that personal, cultural and institutionalized discrimination

***Corresponding Author, Email:** *mamye2010@gmail.com*

creates and sustains privileges for some while creating and sustaining disadvantages for others; and practicing mutual respect for qualities and experiences that are different from our own. The aim of this term paper is to analyze the mediating role of gender diversity in management compositions (diversity) and organizational performance based on the review of related literature.

Concepts of Gender Diversity and Organizational Performance

The concept of diversity encompasses acceptance and respect. It means understanding that each individual is unique, and recognizing the individual differences. These can be along the dimensions of race, ethnicity, gender, socio economic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies. It is the exploration of these differences in a safe, positive, and nurturing environment and it is about understanding each other and moving beyond simple tolerance to embracing and celebrating the rich dimensions of diversity contained within each individual.

Gender diversity within senior management teams has become an increasingly topical issue for three related reasons. First, although the proportion of women at board level generally remains very low, it is changing. Second, government intervention in this area has increased. Different countries in the globe have passed legislation mandating female board representation. Third – and most interesting – the debate around the topic has shifted from an issue of fairness and equality to a question of superior performance. If gender diversity on the board implies a greater probability of corporate success, then it would make sense to pursue such an objective, regardless of government directives (Curtis et al., 2012).

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives) expressed in terms of financial performance (profits, returns on assets, return on investment), product market (sales, market share), share holder return (total share holder return, economic value added) and non financial (strategic planning, operations, finance, legal, and organizational development, customer service, employee stewardship, corporate social responsibility: community outreach, corporate citizenship) aspects (Catalyst, 2004; Curtis et al., 2012; Mckinsey, 2015; Christiansen et al., 2016).

Discussion on the Roles of Gender Diversity

Achieving gender diversity within organizations is not easy and takes a lot of efforts and time, but brings multiple benefits to companies and leading to increased long term profits because diversity of talent is associated with diversity of thought. Some of the major benefits of women representation in the top management positions for organizational performance are the following.

Strong Financial Performance

When diversity within workforce in companies is reaching higher percentages, it brings higher returns. Indeed, diversity can now be seen as a sort of "competitive differentiator" that brings about a shift in the market share of a company towards more diverse ones as time passes by. Gender diversity and financial performance is strongly associated. Research has shown that companies with more women on their boards tend to outperform their competitors on a number of financial measures, such as return on: equity, sales, and return on capital; share performance, and stock price growth (Catalyst, 2011; Mckinsey, 2007).

Attraction and Retention of Diversity-Sensible Talents/Intellectual Capital

Recruiting qualified women and men ensures that boards draw from the biggest and brightest talent pool. Women make up a significant portion of key candidate pools. With a value proposition that promotes gender diversity, organizations are more likely to attract talented people that are sensible to the problem and take into consideration gender equality policies when considering different employees. Thus, gender diversity provides an organization with a wider access to a pool of talents in the market (Australian Institute of Management, 2012; Curtis et al., 2012).

Better Reputation and Corporate Governance

Gender diversity in the company leads to improved reputation both directly and indirectly. Directly, it's demonstrated that companies with a higher percentage of women board directors are

favorably viewed in sectors that operate close to the final customers and are more likely to be considered the world's most ethical companies.

Indirectly, first of all women managers seems to be tougher monitors than men managers and are less likely to commit fraud. Moreover, gender diversity policies seem also to be correlated with increased corporate social responsibility (Curtis et al., 2012; Catalyst, 2013). Corporate social responsibility (CSR) is a core element of a company's reputation in which stakeholders judge a company not simply on its profitability, but also on its contributions to local and global communities. Thus, a positive reputation increases a company's ability to retain its market value.

Better Communication with Customer

Since men and women have different viewpoints, ideas, and market insights, a gender-diverse workforce enables better problem solving. Organizations that reflect the composition of part of the community (women) can better understand the needs and preferences of their clients which mean organizations lead to: improved product development, more effective product marketing and better customer service. Indeed, management in an organization that includes women tends to communicate more actively with clients and shareholders. This helps companies improve their stakeholder insight and understanding, and build stronger relationships (Curtis, 2012; Badal, 2014; Conference Board of Canada, 2014).

Enhance Creativity and Innovation

According to Dhir (2015), gender diversity in boards equals diversity of thoughts: women bring different perspectives and approach issues differently, leading to improved decision making processes. Companies with women on their management positions foster creativity and innovation which introduce new concepts and practices, establish organizational structures that facilitate innovation, adopt progressive management practices, provide training and development for employees, and invest in research and development.

Effective Leadership

The composition of leadership with both women and men tend to be more active in overseeing the strategic direction of the company, make decisions more objectively, and in reinforcing accountability through audits and risk management. Women representation in an organization play the certain key practice such as identify clear criteria for measuring corporate strategy, monitor implementation of corporate strategy, conduct formal board director performance evaluation, and adopt written policies to limit the authority of the board director (Curtis et al., 2012; Medland, 2013; Conference Board of Canada, 2014; Ferrer, 2015).

Theoretical Framework

The relationship between board characteristics and corporate performance has been examined, mainly on the basis of agency theory and stakeholder theory, in various studies. Generally, agency theory looks management as a person of self-interest and conspirator whose actions and behavior should be kept in check and under control. Stakeholder theory argues that shareholders are not the only stakeholders in the firm, but there are other groups like suppliers, customers, government and society which require the attention of the management of an organization to protect their interests. It is the obligation of an organization to act as a socially responsible citizen (Maharaj, 2008). In both agency and stakeholder theories, the management of an organization focuses on value protection rather value creation. It means that the management of an organization tries to prevent any misappropriation of profit, which is already earned.

Resource based theory and stewardship theory are used for the theoretical framework of this study. The theory states that the top management of an organization is responsible for collecting valuable resources including physical, human, structural and relational capital from its environment which means it is thought to be networker or create a smooth relation with outside organizations to seek ways for the benefits of the organization. This viewpoint is generated through the concept of value creation to assist value increasing attitudes. In this view point, the management of an organization acts as a strategic resource and prime source of leadership (Voordeckers et al., 2007). Resource-based theory takes diversified human capital as a

strategic resource in the same way as that of physical and financial capital which is responsible for achieving competitive advantage. Indeed, gender diversity results diversified intellectual talents or human which is considered as the only strategic resource to create value addition for a company (Reed et al., 2006; Voordeckers et al., 2007).

Value creation is the key outcome from intellectual resources owned by the companies (Pulic 2004). It is the assumption of this paper that the human resources of an organization give their best when there is a representation of women in the management position in the organization. Value creation is achieved when resource based and stewardship theories are followed in the context of gender diversity and performance (Finkelstein et al., 2009). In fact, there are proponents of gender diversity in the management position based on social based theory but this is not the intention of this paper. Thus, based on the above discussion, the following conceptual model is developed by the researcher (figure 1).

Challenges of Gender Diversity

Some of the barriers that hinder women in senior management positions in an organization are the following (McKinsey, 2007; Piterman, 2008; Curtis, 2012; Gita, 2013).

Global Challenges

On a global scale, women face a few key challenges, thus, they are not advancing enough to leadership roles and contributing to influential decision-making roles. Women are not receiving an equal amount of education, and are not employed at equal rates as their male counterparts. Lack of sufficient preparation (i.e. secondary and tertiary education) and/or lack of support from families and communities, Low access to credit, lack of information and networking opportunities prohibit women to enhance their competency and participate in management positions. The low rates of women in decision-making roles combined with the trends in educational attainment and the low rates in employment show that on a global level, women are not adding the value that they could and economies are not able to capitalize from this untapped potential (Gita, 2013).

Personal Challenges

Globally, women experience specific challenges when aiming for leadership positions and undertaking leadership roles. These specific challenges are double burden, confidence, and a disadvantage from perceptions and stereotypes.

Double Burden: Women are improving their professional opportunities, yet are still responsible for the majority of the chores and care giving duties, also known as the double burden syndrome. This syndrome is particularly experienced in the African and Asian regions, which reflects the responsibility for both work and household. European women are responsible for twice as many household tasks than the men (McKinsey, 2007; Curtis et al., 2012).

Confidence: A major problem relates to women's confidence, in both the beliefs in their own abilities, as well as in the capability of communicating confidence. This will be discussed extensively in later sections. Women were only likely to apply for a particular position if they had already attained 100% of the selection criteria (such as required experience and qualifications), whereas most men were willing to apply if they had achieved 60% of the advertised job requirements (Mckninsey, 2007; Curtis, et al. 2012).

Figure 1: Conceptual Model of the Paper

Perception Gap: Gender Bias and Stereotyping

Unfortunately, women do experience a strong gender bias when being evaluated for promotions on both their level of performance as well as their potential impact. While empirical data continues to challenge the merits of person-centered strategies to facilitate diversity, organizations are proving slow to respond and senior management still favor person-centered strategies, appearing less inclined to associate gender inequity with organizational culture or work practices. Organizations perceive 'women's ineffective leadership style and their lack of skills to reach senior levels' as the source of many female managers' problems and, thus, intend to men (Wellington, et al. 2003 as cited in Piterman, 2008; Curtis, et al. 2012).

Organizational Culture

Interestingly, the gender differences do not seem to be completely linked to biological and neurological determinants. Gender diversity is strongly correlated with the corporate culture, besides affirmative policies and actions; managing gender diversity requires a shift in corporate culture in order to make the workplace more conducive to the needs of working women.

Lack of Networks, Mentors and Sponsors

Access to networks, mentors and sponsors are crucial for leadership success. McKinsey (2007) stated that the needs for senior management are intolerant to the career paths and needs of women. Therefore, women need training to communicate in a male dominated environment.

Scrutiny

The last, less obvious, challenge is that of women leaders' heightened visibility due to the scarcity of women leaders at more senior positions. When women become one of the few that have reached the top, they will be watched closer, and subjected to greater scrutiny resulting in risk aversion (Gita, 2013).

Remedies for the Low Representation of Women on the Management Positions

It is clear that increasing the number of women on the management positions makes good business sense. Thus, to utilize this untapped resource, these are some strategies that companies should use to increase the representation of women on their management positions. It is obvious that no single practice is the ultimate solution; they are all pieces of the puzzle (Conference Board of Canada, 2014; Piterman, 2008).

Ensure Leadership Commitment and Transparency

Chief executive officer and board chair commitment to increasing the representation of women on the management position is essential to sustainable and meaningful change. Values of transparency and accountability underpin selection and promotion criteria. These can include gender proofing assessment processes to avoid emphasis on mathematical and analytical 'male' competencies or a 'left brain biases. Group selection processes are also encouraged to ensure greater accountability.

Formulate Formal Management Position Policies

Diversity should be a criterion of board composition. This is a good way to embed women's representation in the boardroom into the structure and culture of the organization. Companies should set goals for the representation of women, and regularly evaluate their performance against these targets. Seek out qualified women—aim to have at least three women on the short list for every vacant position, and commit to interviewing female candidates.

Selection Quota, Recruit Outside and beyond Traditional Networks

Selection quotas and dedicated attempts to recruit female talent aim to create a critical mass of women employed in an organization. Companies should consider women from outside with skills that are essential to effective organizational performance. Many management positions require market expertise, industry knowledge, or functional capabilities such as audit and compensation. Consider executive directors of non-profit organizations, academics, or senior managers in the public sector.

To gain diversity of talent, seek board candidates from outside the business and social networks of existing board and company members. Engage a professional search firm and insist that it provide a diverse slate of candidates

who meet management position criteria. Ensure there are women on the nominating committee—this will help expand the company's networks.

Design Talent Development and Promotion Program

Talent promotion programs aim to demonstrate the business case for increased female participation at the senior level. They encourage the identification of potential female talent for specific management training and career development opportunities. Many programs are designed to address issues such as the low level of line management experience of female managers.

Mentoring and Networking

Dedicated mentoring and networking schemes encourage and train women in career development strategies within a supportive environment. They can provide mentoring opportunities to high performing women. A growing number of business leaders are publicly mentoring female candidates for executive and boardroom appointments. Women's networks are also a popular element of diversity strategies.

Providing Childcare Service: Infrastructure supports for Parents

It is revealed that work-based and subsidized childcare facilities not only acknowledge the parenting responsibilities of many employed women but directly address common problems in accessing childcare that is affordable, accountable and local. To make women competitive and enhance the representation of them in the management positions, providing infrastructure support initiatives for working mothers including mothers' groups, breastfeeding rooms and kids' days is important.

Raising Awareness

Practical initiatives are often complemented by awareness-raising programs that educate managers on the principles and benefits of achieving greater workforce diversity. Initiatives range from mandatory diversity courses for all levels of management to diversity councils that provide executives with an opportunity to oversee the implementation of strategies for cultural change.

Arrange Flexible Work Opportunities and Leave Entitlements

Flexible working opportunity is important to women's experience in the workplace and the provision of initiatives and policies designed to encourage and retain female talent. Common initiatives include part-time and job share arrangements, flexi-time and working from home afforded by technology such as telecommuting. Strategies incorporating a range of flexible work arrangements are designed to allow women and men to maintain and develop their working lives without neglecting key family and personal responsibilities. It is also important to arrange the range of paid and unpaid leave options in an organization. This is the offer schemes that provide leave purchasing, additional unpaid annual leave for caring and family purposes, and paid maternity/paternity leave. It is revealed that the leave entitlement option improved post-maternity retention rates in an organization.

CONCLUSION

Diversity in general and gender diversity in particular plays a vital role in an organization's performance. The success and failure of a company is linked with its leadership compositions. When the management of an organization is composed of different individuals, it will make a better decision, create broader relations with different stakeholders and understand the preference of the customer and the employees as well. Gender diversity in the management positions results strong financial performance, diversified talent/intellectual capital, creativity and innovation, effective leadership, corporate social responsibility and corporate governance, smooth communication and greater concern to customer. While women play a vital role in the performance of an organization, their representation in the management position is hindered by a number of factors such as global challenges, personal challenges, perception gaps, culture, lack of networks and mentors, scrutiny, etc. the representation of women in the management positions can be enhanced through the use of certain remedies such as ensuring leadership commitment and transparency, formulating formal management positions, designing talent

development and promotion program, creating awareness, providing infrastructure services, arranging flexible working opportunities and leave entitlements.

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