

Gender-Balanced Teams Linked to Better Business Performance: A Sodexo Study

INNOVATIONS 2.0

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QUALITY OF LIFE SERVICES

GENDER-BALANCED TEAMS LINKED TO BETTER BUSINESS PERFORMANCE: A SODEXO STUDY



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Today in the U.S., only 24 women lead Fortune 500 companies.¹ Women account for 45% of the S&P 500 labor force, yet still only represent about 25% of executive/senior-level officials and managers, 19% of board seats, and 4% of CEOs.² Furthermore, there has been minimal improvement in the gender wage gap, with men still earning 21% more than women in equivalent positions.³

These statistics are all the more surprising when juxtaposed with the plethora of research indicating that gender-balanced leadership has a positive impact on the bottom line. A recent McKinsey report compared the financial performance of companies in the upper quartile in terms of the number of women in top management with the performance of companies having no women in top management. The companies with the highest number of women in top management had the best performance, with a 41% higher return on equity than the average.⁴

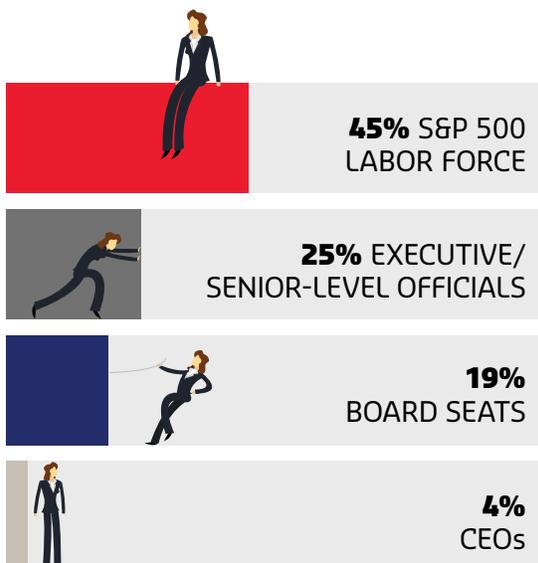
Fortunately, changes in automation and technology are creating new opportunities for women. Manufacturing and physical jobs are disappearing, making way for a service economy where healthcare and personal services are the fastest growing sectors of the economy — fields dominated by women.

The care industry values skills in which women often are seen as having an advantage. And, as work becomes more complex, interconnected and global, the ability to collaborate, build consensus and inspire virtual teams — skills many women excel in — are becoming increasingly valuable.

In addition to the shift to a service economy, globalization is driving massive changes in the business world. Corporate giants are falling to agile start-up companies from emerging economies like Brazil, Mexico and Turkey. By 2025, nearly half of all Fortune 500 companies will come from emerging markets, with 40% located in China and India.⁵ Organizations can only reach their full potential when their leadership team reflects the diversity of their customers, more than half of which are women.

To better understand and leverage this trend, Sodexo initiated an internal study to explore and understand the correlation between gender-balanced teams and performance.

WOMEN IN THE WORKPLACE



“Sodexo has long considered gender balance as a strategic issue. While it has always been our conviction that a clear link exists between gender balance and performance, our internal study gives us the numbers to provide an in-depth understanding of the range of this impact.”

– Michel Landel, Sodexo CEO

THE IMPORTANCE OF GENDER BALANCE

Gender balance is achieved when both men and women are able to access and enjoy the same rewards, resources and opportunities in the workplace. Achieving gender balance is important for workplaces not only because it is “fair” and “the right thing to do,” but also because it makes good business sense.

Consider that many of the best and brightest in every generation are women, and women hold more degrees than men in many fields. Sandrine Devillard, Global Leader of the McKinsey Women Initiative, Head of Paris Offices, says, *“By the year 2020, we will need nearly 40 million people with higher education in the global economy. If women were to work at the same level as men and stay in the labor force, this talent pool would close more than half of this gap.”*

Organizations that seek to promote the advancement of women are often confronted with attrition among women in leadership positions; the higher one goes up into the organization, the fewer women there are. Researchers call it the “leaky pipeline” and explain that the issue is not about getting women into top positions, but about creating an inclusive culture free of biases to allow everyone to reach their full potential. This includes providing the tools that allow women to thrive and enjoy equal access at every step of their advancement.

SODEXO'S GENDER BALANCE STUDY

Gender balance studies to date have looked extensively at the correlation between women in top-tier management positions and financial performance. Given the importance of the pipeline in ensuring representation at the top and the large numbers of women in management, Sodexo's study goes a step further by looking at how gender balance at all levels of its management impacts both financial and non-financial performance.

The Sodexo study analyzed key business performance indicators (KPIs) from 100 global entities and 50,000 managers in 80 countries — from C-suite to site management. The intent was to isolate whether gender-balanced entities, defined as entities having 40%–60% women in management, had higher KPI results than those entities without gender balance in management. For this initial work, the performance measures were focused on employee engagement, brand awareness, client retention and three indicators of financial performance. The preliminary results were powerful, indicating that entities with gender-balanced management performed better on all of the performance indicators.

The breadth of the data collected and the geographical diversity of the study sample confirm that the results are solid and shed new light on the strategic importance of gender diversity within organizations — not just at the top, but at all levels of management.

ACHIEVING THE RIGHT BALANCE

Sodexo's study is based on the premise that gender balance impacts performance only when the optimal balance is reached. The results clearly confirm that this balance corresponds to a male-female ratio between 40% and 60%, reinforcing that no one gender is better than the other; rather, diversity is key to enhanced performance.

The management teams that fit within this gender balance “zone” generate, on average, results that are more sustained and predictable than those of teams with less than 40% or more than 60% of either gender. The results indicate: gender-balanced teams achieved on average a four-point higher global engagement rate compared to other management groups; an increase of five points in brand image; a 12% increase in client retention; positive organic growth, growth profit and operating profit over three consecutive years.

FOCUSING ON FINANCIAL AND NON-FINANCIAL INDICATORS

While studies of this kind commonly link gender balance with performance on a purely financial level, Sodexo's study also reveals impacts on non-financial performance indicators, such as the employee engagement rate, that are key for all organizations, especially those where people are at the heart of their mission. Notably, however, studies have found that a 5% increase in employee engagement is linked to a 3% increase in revenue growth in the subsequent year.⁶

Teams at Sodexo within the optimum gender-balanced zone have experienced on average an increase of four points in the global engagement rate versus only one point for other teams between 2010 and 2012. Similar correlations are found with other business metrics, including:

- **Brand Awareness:**
5% higher for gender-balanced teams
- **Client Retention:**
12% higher for gender-balanced teams
- **Organic Growth:**
13% higher for gender-balanced teams
- **Gross Profit:**
23% higher for gender-balanced teams

This study reinforces the conviction that gender balance is a significant driver of performance and only delivers results if it is embedded in the global strategy and systematically addressed at all levels of the organization.

THE GENDER-BALANCED ZONE

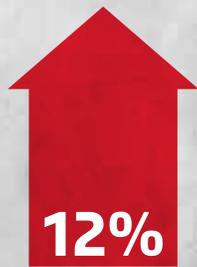


An increase of
4 points
in engagement rate

A **5%** increase in employee engagement is linked to a **3%** increase in revenue growth in the subsequent year.



BRAND AWARENESS



CLIENT RETENTION



ORGANIC GROWTH



GROSS PROFIT

TEAMS WITHIN THE GENDER-BALANCED ZONE EXPERIENCE...



“Our commitment to gender balance pushes us in the right direction, fortifies our pipeline of female managers and leads to more steady, predictable and sustainable growth and productivity. In this landmark year where we approach our goal of 25% of women in our top 300 leadership positions, this study reinforces our efforts to become an even more inclusive company.”

– Michel Landel, Sodexo CEO

*Sodexo’s Commitment to Gender Balance:
Key Statistics 2009-2015*

	2009	2015
Representation of women on the Board of Directors	31%	38%
Representation of women on the Executive Committee	25%	43%
Representation of women among senior leaders	17%	31%
» <i>In operations</i>	10%	17%
Women’s engagement rate (district managers)	51%	64%
Women involved in a mentoring program	260	2,000

KEY INSIGHTS & IMPLICATIONS

- Women remain underrepresented in leadership roles, in spite of research indicating that gender-balanced leadership has a positive impact on the bottom line.
- However, gender balance impacts performance only when the optimal balance is reached.
- The results of the Sodexo study confirm that this balance corresponds to a male-female ratio between 40% and 60%, reinforcing that diversity is key to enhanced performance.
- Entities with gender-balanced management performed better on all of the performance indicators measured, including employee engagement, brand awareness, client retention and three indicators of financial performance.
- Teams at Sodexo within the optimum gender-balanced zone have experienced on average an increase of four points in the global engagement rate versus only one point for other teams between 2010 and 2012.

LINKING TO SODEXO’S QUALITY OF LIFE DIMENSIONS

- **Social Connections:** As work becomes more complex, interconnected and global, the ability to collaborate, build consensus and inspire virtual teams — skills in which many women excel — are becoming increasingly valuable.
- **Personal Growth:** Creating an inclusive culture, free of biases, allows everyone to reach their full potential. This includes providing the tools that allow women to thrive and enjoy equal access at every step of their advancement.





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