

Statement by Mr. Ziad Badr
At the Opening Session of

**Directorship, Development and Diversity:
Challenges for Women in Governance**

Amman, Jordan, October 19, 2009

Excellencies, Ladies and Gentlemen,

I am delighted to participate and represent the World Bank in today's Seminar on the important topic of "***Directorship, Development and Diversity, Challenges for Women in Governance.***" I do this with great pleasure and on behalf of my colleague and friend, Mrs. Nadereh Chamlou, Senior Advisor to the Chief Economist of the MENA region, who could unfortunately not take part in person and who sends her regards and best wishes to this conference. I want to commend the Arab International Women's Forum and its Chair Mrs. Haifa Al-Kaylani for spearheading this topic. I am also very pleased to see the strong support of the many partners, such as Hawkamah, Mudarra, DLA Piper. I am particularly happy to see our sister organization the IFC.

Ladies and Gentlemen,

One of the biggest questions coming out of the financial crisis that started on Wall Street in 2008 has been, of course, how could this happen? How could these institutions run themselves into such huge problems since these were supposed to be places that employ some of the smartest, most educated beings around? And, the boards of these institutions were populated by business leaders and luminaries.

With the benefit of hind-sight, some of the underlying causes point to the fact that *Wall Street has been one of the most male-dominated like-minded domains* in the business world while *there is a growing consensus that diverse groups perform better at problem solving than homogeneous groups and that the latter results in second-rate decision-making.*

There have also been ample studies that about the differences in risk tolerance as between men and women. For instance, a study in the *Journal Evolution and Human Behavior* found that men are more likely to make high-risk bets when under financial pressure and surrounded by other males of similar status. As for women, their risk-taking was unaffected by this kind of peer pressure. Hence we have heard

frequently these days that had Lehman Brothers been Lehman Brothers and Sisters, there may not have been the financial crisis of 2008.

Let me take the opportunity of sharing with you some other and interesting evidence.

For some years, we have read that companies with diverse boards perform better in terms of return on equity and growth. With global stock markets collapsing, there has naturally been an interest in looking at companies that resisted the crash better.

A recent study in 2009 [by *Michel Ferrary is professor of management at Ceram Business School*] of the French CAC 40 stock exchange index pointed out that the more women there were in a company's management, the less the share price fell in 2008 – and with a significant coefficient of correlation linking these two variables.

For instance, companies with a highly feminized management, such as Sanofi (44.8 per cent female managers and a 27.3 per cent share price decrease), Sodexo (43.39 per cent female managers and an 8.3 per cent decrease) or Danone (38 per cent female managers and a 29.6 per cent decrease), declined less than the CAC 40 (a fall of 42.7 per cent).¹

¹ Based on FT article of March 5, 2009

Conversely, stocks of companies with mainly male management have decreased more than the CAC 40. For example, Alcatel-Lucent (8.6 per cent female managers) saw a 69.3 per cent decrease, Renault (21.7 per cent female managers) an 81.3 per cent fall and Arcelor Mittal (12.3 per cent female managers) a 67.4 per cent decline.

Among French banks, too, BNP Paribas resisted best the crisis. From January to December 2008, its share price fell 39 per cent. It has 38.7 per cent of female managers. In comparison, Credit Agricole's share price decreased 62.2 per cent and only 16 per cent of its managers are women.

Feminization of management would seem to protect against financial crisis. Is the female managerial style different and could it positively influence companies' performances?

In general several reports point out that women behave and manage differently from men and that they tend to focus more on a long-term perspective in addition to balancing the risk-taking behavior of their male colleagues. Gender diversity supports managerial efficiency by creating a more diverse culture and favoring the exploration of different business opportunities. However, creating a diverse culture implies a critical mass of female managers. To reach this point, companies must recruit more women. They also have to promote and train women when the labor market does not supply enough. There is also ample literature

from various disciplinary fields that support the conclusion that with greater diversity there are better outcomes and decision not just in boardrooms of financial institutions and corporations, but political institutions as well.

For this reason, in conclusion, I believe that the theme and timing of this Seminar is not only so timely, but also of great importance for our region. I wish you a great success.

Thank you.