Why women managers shine in a downturn

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Global stock markets have been collapsing since the beginning of 2008. Analysts and economists are now looking for companies that are resisting the crash.

My research project on companies from 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. A significant coefficient of correlation links the two variables.

Last year, Hermès was the only large company whose share price rose (16.8 per cent) and it has the second largest feminised management (55 per cent). Companies with a highly feminised 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).

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, BNP Paribas has best resisted 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.

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

In conditions of high uncertainty, financial markets value companies that take fewer risks and are more stable. Several gender studies have pointed out that women behave and manage differently from men. They tend to be more risk-averse and to focus more on a long-term perspective. A larger proportion of female managers appears to balance the risk-taking behaviour of their male colleagues.

Gender diversity supports managerial efficiency by creating a more diverse culture and favouring 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 labour market does not supply enough.

Increasing the number of female managers is bothan issue of corporate social responsibility and important for business performance. Usually, socially oriented managerial practices such as reducing discrimination are thought to be unprofitable for a company. It is a widely held belief that social issues contradict business goals. Thus, corporate leaders are reluctant to fight against inequality and shareholders have no incentive to support practices that could reduce profitability and dividends.

Corporate leaders could be encouraged to reduce gender inequality if management research proved that more women managers do not harm a company's business performance and that a diverse population contributes to its success. In this perspective, social issues support business goals.

The feminisation of management also depends on gender diversity in educational institutions where companies recruit managers. French business schools have an average 48.1 per cent of female students and contribute more to gender equality than engineering schools, where 25.7 per cent of students are women.

However, two questions remain. First, is it diversity or feminisation of management that supports a company's performance? Will a feminised company perform better than a diversified one? Second, if feminised companies are more resistant in bear markets, what about during bull markets? Do they beat the market?

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* *Gender diversity and stock market performance*

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