

I don't want to get to a position when we have women in senior roles because they're women, we want to have women because they're as able and as well equipped as men and sometimes better.

**Margaret Thatcher** 1925- Leader of the Conservative Party 1975-90, Prime Minister 1979-90

### **The gender diversity delusion (Article published online by the IEA, 24 April 2012)**

(For the blog and associated links: <http://www.iea.org.uk/blog/the-gender-diversity-delusion>)

It's frequently and confidently asserted (and inferred) by proponents of 'improved' gender diversity in the boardroom – henceforth 'GDITB' – that there exists a demonstrable and positive causal link between GDITB and improved corporate performance. What's the evidence for such a link? A 2007 McKinsey report, 'Women Matter', is frequently cited by proponents. It's available online and we find the following statement in it:

The statistically significant studies show that companies with a higher proportion of women on their management committees are also the companies that have the best performance. *While these studies do not demonstrate a causal link* [my emphasis] they do, however, give us a factual snapshot that can only argue in favour of greater gender diversity.

In 2010 David Cameron appointed the Labour peer Lord Davies of Abersoch to report on GDITB. The outcome was the Davies Report 'Women on Boards' published in February 2011. In the Executive Summary we find a confident reference to the McKinsey report, and then a clear inference of a causal relationship between GDITB and corporate performance:

Evidence suggests that companies with a strong female representation at board and top management level perform better than those without<sup>1</sup> and that gender-diverse boards have a positive impact on performance.<sup>2</sup>

<sup>1</sup> 'Women Matter', McKinsey & Company, 2007

<sup>2</sup>

The report shows the superscript – <sup>2</sup> – at the base of the page but no reference source for the assertion is provided.

Only two independent studies show a causal relationship between GDITB and corporate performance, and in both cases it's a *negative* one. The first study was carried out by two academics at the University of Michigan, Kenneth Ahern and Amy Dittmar, and the latest draft was published in May 2011. The report's full Abstract:

In 2003, a new law required that 40 percent of Norwegian firms' directors be women – at the time only nine percent of directors were women. We use the pre-quota cross-sectional variation in female board representation to instrument for exogenous changes to corporate boards following the quota. We find that the constraint imposed by the quota caused a significant drop in the stock price at the announcement of the law and a large decline in Tobin's Q over the following years, consistent with the idea that firms choose boards to maximize value. The quota led to younger and less experienced boards, increases in leverage and acquisitions, and deterioration in operating performance, consistent with less capable boards.

Proponents of GDITB have claimed that the negative effect of legislated quotas on Norwegian businesses reflects only the effect of inexperienced directors, rather than any gender effect. So what do we find when organisations *voluntarily* 'improve' GDITB, appointing more female directors on the grounds of perceived merit? We turn to a discussion paper prepared for Deutsche Bundesbank earlier this year, titled 'Executive board composition and bank risk taking'. The researchers studied German banks over 1994-2010. The report's full Abstract:

Little is known about how socio-economic characteristics of executive teams affect corporate governance in banking. Exploiting a unique dataset, we show how age, gender, and education composition of executive teams affect risk taking of financial institutions. First, we establish that age, gender, and education jointly affect the variability of bank performance. Second, we use difference-in-difference estimations that focus exclusively on mandatory executive retirements and find that younger executive teams increase risk taking, *as do board changes that result in a higher proportion of female executives* [my emphasis]. In contrast, if board changes increase the representation of executives holding Ph.D. degrees, risk taking declines.

The British business community is, I contend, suffering from a collective delusion about GDITB. The multiple explanations for this delusion merit another article in themselves.

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### **Campaign for Merit in Business**

Author and former business executive Mike Buchanan (54) launched Campaign for Merit in Business in April 2012. The organisation campaigns for merit being the sole basis for senior-level appointments in the business sector, and for an end to the government's threats of legislated quotas for more women in boardrooms. The campaign is a response to ideologically motivated and frequently taxpayer-funded initiatives to 'improve' gender diversity in the senior levels of companies. It is run by unpaid volunteers, donations and offers of support are warmly welcomed. Donations are used solely to fund campaign-related activities.

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*The Glass Ceiling Delusion: the real reasons more women don't reach senior positions*

Equality of opportunity is a fine thing but equality of outcome is another matter entirely. There is little doubt that men and women have, on average, different talents and interests that make gender quotas in the workplace unfair and impractical. *The Glass Ceiling Delusion* is a welcome, well-argued addition to the debate about whether women should be pushed up the social ladder just because they are women, and thus at a presumed disadvantage. This is rather an insult to women and Margaret Thatcher, for one, would not have agreed. Individuals should be treated as individuals, not as members of a particular race, class or gender. Whatever the historic injustices, this is the only way that social structures can evolve naturally.

**Glenn Wilson** Visiting Professor of Psychology, Gresham College, London

*The Glass Ceiling Delusion* attacks head-on the militant feminist myth that men and women have the same interests and capabilities. Reviewing a wide range of evidence, Mike Buchanan shows that the under-representation of women in senior positions in business has nothing to do with discrimination and 'glass ceilings', and that attempts to impose quotas are therefore fundamentally flawed. A polemical book with an important message.

**Peter Saunders** Emeritus Professor of Sociology, Sussex University

*The Glass Ceiling Delusion* makes a significant counter-argument to the debate about women in boardrooms, and for this reason alone it deserves to be read. Whilst I'm personally too old to enter the fray, I'd nonetheless like to add that every scholarly study I've read about women in management during the past fifteen years indicates that successful women have exactly the same characteristics as successful men. All my life I've admired successful women as much as successful men and have had the privilege of working for and with many of them. A typical example is the brilliant Diane Thompson of the Camelot Group. Another is Professor Lynette Ryals, Pro-Vice-Chancellor of my own University. Women like this get to the top on sheer talent; they have no need of a 'gender agenda'.

In this debate, however, we also need to be aware that we need pressure groups to ameliorate deep seated prejudices in society, but a point is inevitably reached beyond which we must let meritocracy in a free society take over, otherwise we enter the dangerous domain of social engineering. The irony is that Mike Buchanan's own movement, Campaign for Merit in Business, is also a pressure group. So, whilst I don't agree with everything he says and does, I believe his book at least deserves to be read and seriously considered, preferably dispassionately.

**Malcolm McDonald** Emeritus Professor, Cranfield School of Management

At long last, someone has taken on the myth of discrimination against women who aspire to senior positions in business, including the boardrooms of major corporations. *The Glass Ceiling Delusion* demythologizes each of thirty elements the author has identified of the now generally accepted claim that women are discriminated against in the world of white-collar work. Much has been accomplished recently in disclosing the half-truths about women and domestic violence, for example, but Buchanan illuminates an area that other critics of ideological feminism have not considered. Buchanan's analysis is based partly on his experience of working as an executive for major British and American multinational corporations for over 30 years until 2010. His book should inspire research on settings of corporate power everywhere. Always witty and sometimes even biting in style, Buchanan's text is grounded in important texts in psychobiology, sociology, history and politics. It is an impassioned yet not angry argument that deserves the careful attention of policy-makers and a general readership.

**Professor Miles Groth** PhD Editor, *New Male Studies: An International Journal*

*The Glass Ceiling Delusion* is an important and brave book, the best book on social economics and society in general published for decades. It's irresistibly compelling, cogently argued and superbly put together. It should be in all school and college libraries. It should be compulsory reading for social science, economics and politics students. It should be force-fed to male and female politicians. This is definitely a five-star book. **Brilliant. Brilliant. Brilliant. Brilliant. Brilliant.**

**Dr Vernon Coleman** bestselling English author

*This book, and eight others by Mike Buchanan, is available from the usual sources and from [www.lpspublishing.co.uk](http://www.lpspublishing.co.uk)*