

Campaign for Merit in Business
PO Box 2220
Bath

Tel: (07967) 026163
Email: mikebuchanan@hotmail.co.uk
Blog: <http://c4mb.wordpress.com>

Invitation to a presentation at the IEA

20 July 2012

I am writing to you about a growing threat to the business sector. Leading businesses are investing considerable resources in initiatives to increase the number of women on their boards. These initiatives might be justified if corporate performance could be expected to improve as a result, but what if it could be expected to *deteriorate*? Senior business people need to better understand the cases both for and against proactively 'improving' gender diversity in the boardroom, given the impact these initiatives could have on the business sector. Until now they've only heard the case *for* 'improved' gender diversity, but that's about to change.

The Institute of Economic Affairs recently posted my blog on the topic of 'improved' gender diversity in the boardroom ('GDITB'). Its content is attached. IEA blogs are sent to 5,000+ active subscribers. In the 12 weeks since the piece was posted, not a scrap of evidence has been offered in support of GDITB, an initiative which is actively promoted by the government and pursued by most leading British businesses. The clear evidence is that *forcing more women onto corporate boards damages corporate performance*. This reality is important for the business sector – unless we believe the viability of the sector is worth risking on the altar of gender diversity?

Last year my book *The Glass Ceiling Delusion: the real reasons more women don't reach senior positions* was published, and I've attached a few testimonials. The book explains why we should *expect* that forcing more women onto corporate boards will harm corporate performance. Leaders of major British businesses *know* that the current balance of men and women on their boards doesn't reflect historical gender discrimination. Equality of gender outcomes is an ideologically-driven objective.

The senior people at The Institute of Economic Affairs were pleased by the interest shown in my article, and they've asked me to give a presentation on the subject of gender diversity in the boardroom, and in senior executive roles generally, at their headquarters – 2 Lord North Street, London SW1P 3LB – at 1.00 p.m. on 29 August. Please feel free to extend this invitation to colleagues and acquaintances with a possible interest in this subject. Thank you.

Yours sincerely,

Mike Buchanan

IEA blog 24 April 2012: The gender diversity delusion

(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? 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 without¹ and that gender-diverse boards have a positive impact on performance.²

¹ 'Women Matter', McKinsey & Company, 2007

²

The report shows the superscript – ² – at the bottom 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 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.

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

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