

Skema observatory of firms feminization

Femina Index

What performance for an investment strategy based on the feminization of the firm management?

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Socially responsible investment (SRI)

- **SRI definition:**

Socially Responsible Investment is an investment strategy which takes into account extra-financial criteria related to ethical management and sustainable activities to choose stocks.

- **SRI figure :**

In 2011, in France, Novethic estimated at 115.3 billion euros the current amount of SRI (+69% compared to 2010).

- **SRI criteria:**

- Environnemental
- Social
- Corporate Governance
 - Among the social criteria, one of them is the promotion of diversity and the respect of equality between women and men, especially in management /executive positions.

Are SRI profitable?

Beyond the dimension of responsible investment, question about the profitability of these SRI funds arises.

Many academic researchs explore this question

(Bauer, Gunster and Otten, 2005; Gunster, Derwall and al, 2005; Managi Okimoto Matsuda. 2012; Orlitzky, Schmidt and Rynes, 2003).

Purpose of answering this question:

. Does the implementation of ethical and responsible management practices by the firm management actually contribute to the economic and financial performance of the company?

. Convergence between social responsible criteria and stock performance would promote the collection by SRI funds because investors would not have to choose between responsibility and profitability.

Feminization and market performance

Respect of equality between women and men within the firm and diversity enhancement square with responsible management practices.

Studies exploring the link between feminization and financial performance of the firm are mainly analyzing the impact of:

- The feminization of boards of directors
- The feminization of executive committees

This study examines the relationship between feminization of the firm middle-management and its stock performance

- **Why:**
 - It is the **business executives** (middle-managers) of the firm who contribute to the operational implementation of the strategy chosen by the top management and ensure the functioning of the organization.
 - Feminization of the management is a durable feature and difficult to change in the short term by the top management of the firm (as opposed to the presence of women on boards of directors and executive committees).
 - It is a simple criterion for all firms regardless of the industry.

Femina Index : an investment strategy based on the feminization of the firm management

The investment criterion of **Femina Index** is the percentage of women in the firm management .

To be integrated in the Femina Index the minimum threshold of women in management is 35%. 35% is justified by the work of the American sociologist Rosabeth Kanter, a professor at Harvard University, which stipulates that a minority group has to represent 35% of an organization to influence its operation and therefore its performance.

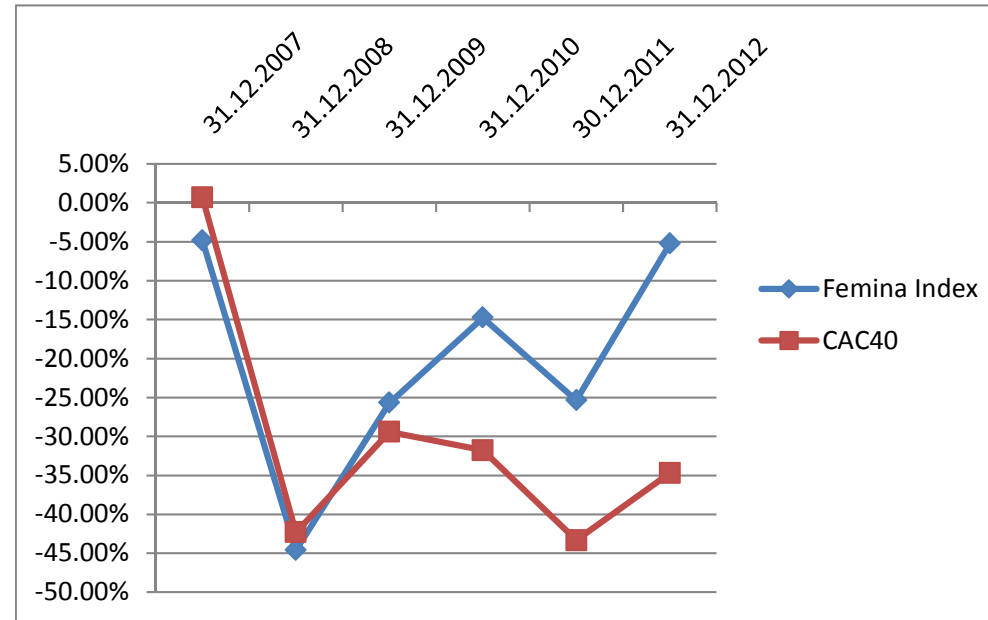
Among the CAC40 firms in 2007, **10** of them had their percentage of women in senior management higher to **35%** and were included in **Femina Index**. They are:

- Accor
- BNPParibas
- L'Oréal
- PPR
- Sanofi
- Axa
- Danone
- LVMH
- Publicis
- Société Générale

Femina Index is a **diversified portfolio**: 3 values in the luxury industry, 3 in the financial industry, 1 in the food industry , 1 in the tourism industry, 1 in the health industry and 1 value in the communication industry.

Femina Index performance is compared to its reference index: The **CAC40**

Inception of the fund **Femina Index** : 02.01.2007



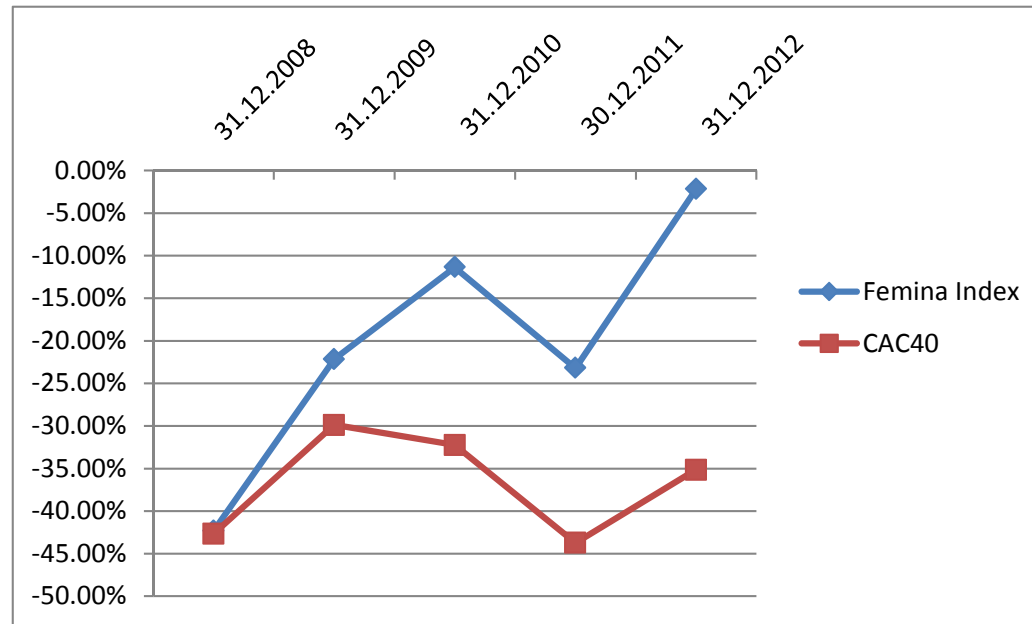
Investment 02/2007	31.12.2007	31.12.2008	31.12.2009	31.12.2010	30.12.2011	31.12.2012
Femina Index	-4.86%	-44.61%	-25.69%	-14.76%	-25.36%	-5.28%
CAC40	0.69%	-42.29%	-29.40%	-31.76%	-43.33%	-34.70%

Performance:

On the **31.12.2012**, 6 years later, the portfolio replicating the CAC 40 **lost 34.70%** of its value while the one consisting of 10 companies whose management is the most feminized **lost only 5.28%**.

In concrete terms, **100,000 euros** invested early January 2007 in the **CAC40** index would represent **65,300 euros** on the 31.12.2012 and **94,720 euros** if they had been invested in the **Femina Index**

Inception of the fund **Femina Index** : 02.01.2008



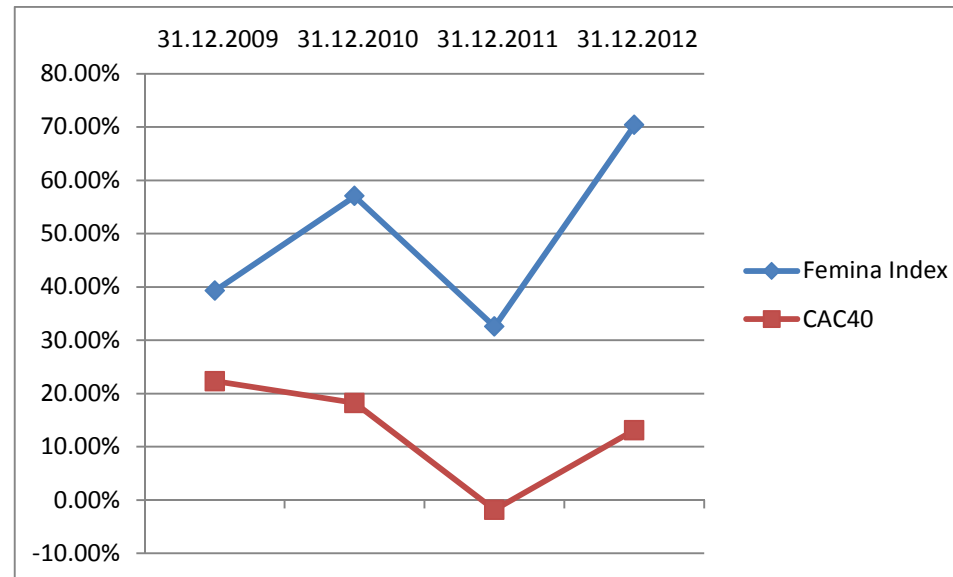
Investment 01/2008	31.12.2008	31.12.2009	31.12.2010	30.12.2011	31.12.2012
Femina Index	-42.35%	-22.18%	-11.36%	-23.21%	-2.20%
CAC40	-42.68%	-29.88%	-32.23%	-43.72%	-35.14%

Performance:

On the **31.12.2012**, 5 years later, the portfolio replicating the CAC 40 **lost 35,14%** of its value while the one consisting of 10 companies whose management is the most feminized **lost only 2,20%**.

In concrete terms, **100,000 euros** invested early January 2008 in the **CAC40** index would represent **64,860 euros** on the 31.12.2012 and **97,800 euros** if they had been invested in the **Femina Index**

Inception of the fund **Femina Index** : 02.01.2009



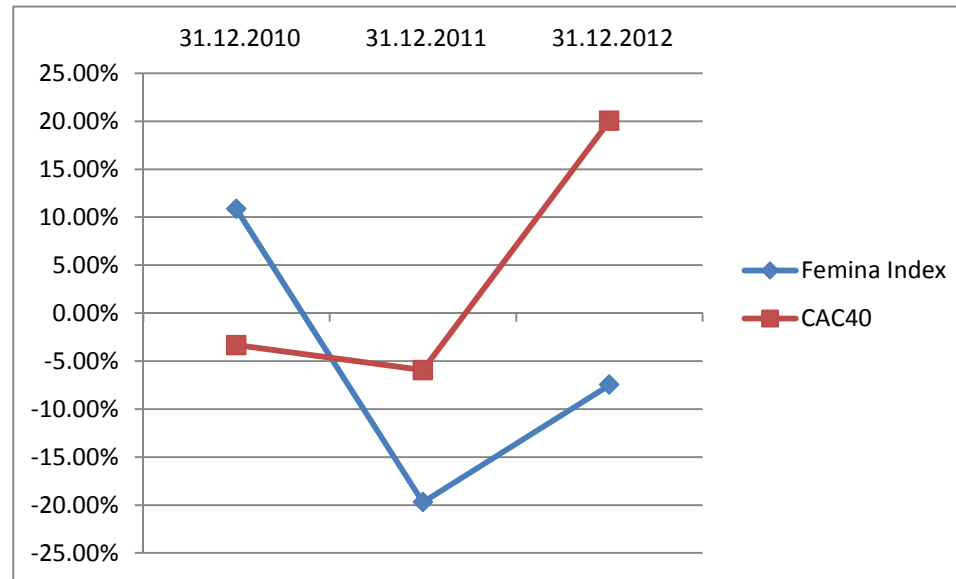
Investment 01/2009	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Femina Index	39.25%	56.99%	32.53%	70.34%
CAC40	22.32%	18.24%	-1.81%	13.15%

Performance:

On the **31.12.2012**, 4 years later, the portfolio replicating the CAC 40 **won 13.15%** of its value while the one consisting of 10 companies whose management is the most feminized **won 70,34%**.

In concrete terms, **100,000 euros** invested early January 2009 in the **CAC40** index would represent **113,150 euros** on the 31.12.2012 and **170,340 euros** if they had been invested in the **Femina Index**

Inception of the fund **Femina Index** : 02.01.2010



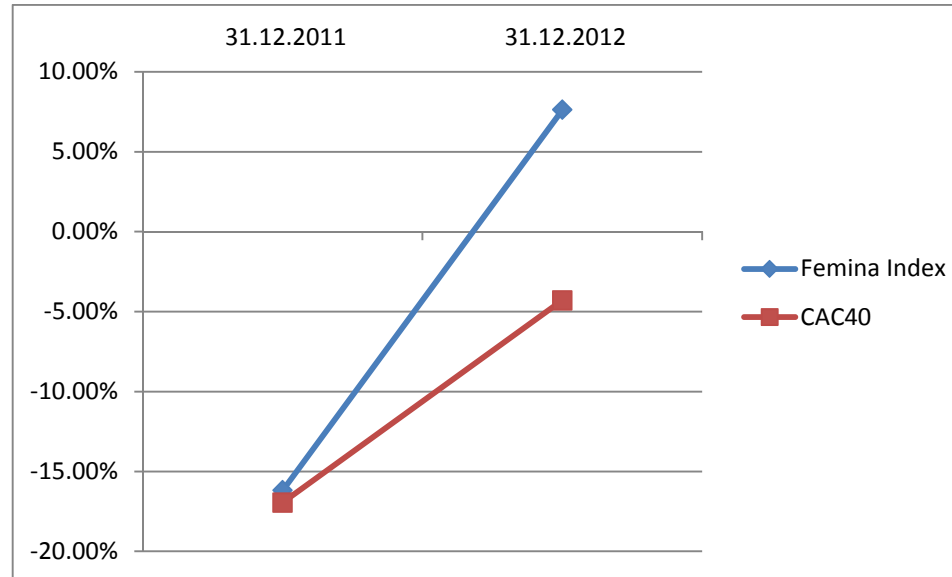
Investment 01/2010	31.12.2010	31.12.2011	31.12.2012
Femina Index	10.83%	-19.73%	-7.50%
CAC40	-3.34%	-5.95%	20.05%

Performance:

On the **31.12.2012**, 3 years later, the portfolio replicating the CAC 40 **won 20,05%** of its value while the one consisting of 10 companies whose management is the most feminized **lost 7,50%**.

In concrete terms, **100,000 euros** invested early January 2010 in the **CAC40** index would represent **120,050 euros** on the 31.12.2012 and **92,500 euros** if they had been invested in the **Femina Index**

Inception of the fund **Femina Index** : 02.01.2011



Investment 01/2011	31.12.2011	31.12.2012
Femina Index	-16.20%	7.60%
CAC40	-16.95%	-4.30%

Performance:

On the **31.12.2012**, 2 years later, the portfolio replicating the CAC 40 **lost 4,30%** of its value while the one consisting of 10 companies whose management is the most feminized **won 7,60%**.

In concrete terms, **100,000 euros** invested early January 2011 in the **CAC40** index would represent **95,700 euros** on the 31.12.2012 and **107,600 euros** if they had been invested in the **Femina Index**

Inception of the fund **Femina Index** : 02.01.2012

Investment 01/2012	31.12.2012
Femina Index	31.44%
CAC40	15.23%

Performance:

On the **31.12.2012**, 1 year later, the portfolio replicating the CAC 40 **won 15,23%** of its value while the one consisting of 10 companies whose management is the most feminized **won 31,44%**.

In concrete terms, **100,000 euros** invested early January 2012 in the **CAC40** index would represent **115,230 euros** on the 31.12.2012 and **131,440 euros** if they had been invested in the **Femina Index**

Conclusion : **Femina Index** outperforms the **CAC40**

The investment based on the criterion of feminization of the firms management proposed by the **Femina Index** outperformed the **CAC 40** 5 times over 6 during the past 6 years.

The **Femina Index** outperforms the **CAC40** in both medium term (2007-2012) and short term (2010-2012 and 2011-2012)

A strategy of asset allocation can be socially responsible and profitable when based on the criterion of feminization of the management.

Diversity as a performance driver



Promoting diversity and enhancing the advancement of women in management /executive positions can contribute to the financial performance of companies for three reasons:

- Recruiting women **enlarge the size of the labor market (the pool of talents)** and therefore increase the probability of recruiting human resources of higher quality.
- Half of consumers are **female consumers**. Employing women allow to better understand the expectations of clients.
- Diversity of **representation systems** improves the decision-making process within the firm.

The Skema observatory of firms feminization

<http://www.skema-bs.fr/faculte-recherche/observatoire-de-la-feminisation>

- **The observatory** was founded in 2008 by Professor Michel Ferrary. The goals of the observatory are to:
 - ❖ Analyze the feminization of both the workforce and the management of large French firms
 - ❖ Explore the factors explaining the feminization of large firms
 - ❖ Study the relationship between feminization and corporate performance
 - ❖ Provide elements of analysis for the socially responsible investment
- **Michel Ferrary** is a professor in human resources management at HEC, Geneva University and a researcher affiliated to Skema Business School. He published in 2010 in the journal of CNRS, *Travail, genre et sociétés*, the article « Les femmes influencent-elles la performance des entreprises ? » (n°23, pp. 181-191).
- His researchs about firms feminization are regularly picked up by the French newspapers (*Le Monde, L'Express, Les Echos,...*) and foreign ones (*Financial Times, Washington Post, Business Week,...*)