The Bottom Line:

Connecting Corporate Performance and Gender Diversity

catalyst

ABOUT CATALYST

Catalyst is the leading research and advisory organization working to advance women in business, with offices in New York, San Jose, and Toronto. As an independent, nonprofit membership organization, Catalyst uses a solutions-oriented approach that has earned the confidence of business leaders around the world. Catalyst conducts research on all aspects of women's career advancement and provides strategic and web-based consulting services on a global basis to help companies and firms advance women and build inclusive work environments. In addition, we honor exemplary business initiatives that promote women's leadership with our annual Catalyst Award. Catalyst is consistently ranked No. 1 among U.S. nonprofits focused on women's issues by The American Institute of Philanthropy.

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NEW YORK 120 Wall Street, 5th Floor, New York, NY 10005-3904; (212) 514-7600; (212) 514-8470 fax

SAN JOSE 2825 North First Street, Suite 200, San Jose, CA 95134-2047; (408) 435-1300; (408) 577-0425 fax

TORONTO 8 King Street East, Suite 505, Toronto, Ontario M5C 1B5; (416) 815-7600; (416) 815-7601 fax

email: info@catalystwomen.org; www.catalystwomen.org

Catalyst Publication Code D58; ISBN#0-89584-244-0

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The Connection Between Gender Diversity and Financial Performance

Previous studies suggest that diversity has a positive impact on the bottom line, so it is not surprising that increasing numbers of companies devote considerable financial and human resources to developing and leveraging diversity. At the same time, however, the link between gender diversity and corporate financial performance has not been firmly established. Despite an intensifying interest in establishing this link, limited availability of quality data, measurement issues (including what, when, and how to measure), and other study limitations have produced varied findings on the topic.[1] Because business leaders increasingly request such information from Catalyst, we have undertaken this critical and timely examination, which explores whether there is a demonstrable connection between gender diversity and organizational financial performance.

Using publicly available data, this groundbreaking study explores the link between gender diversity in top management teams[2] and U.S. corporate financial performance in the second half of the 1990s. This period was chosen because it represents a time of considerable economic growth and for which there exists consistent and reliable gender diversity information.[3]

Catalyst used two measures to examine financial performance: Return on Equity (ROE) and Total Return to Shareholders (TRS).[4] Upon examining 353 Fortune 500 companies,[5] Catalyst found that there is a connection between gender diversity and financial performance. In addition, we confirmed that this connection between gender diversity and financial performance is evident for the overall sample of 353 companies and for the majority of industries for which we have enough data to study. Our key findings are summarized in the box on the following page.

[1] See Bantel and Jackson; Alan I. Murray; Ronald J. Burke and Carol A. McKeen; Robert L. Lattimer; Thomas Kochan, Katerina Bezrukova, Robin Ely, Susan Jackson, Aparna Joshi, Karen Jehn, Jonathan Leonard, David Levine, and David Thomas for research on the impact of diversity on organizational performance measures, including individual performance, team performance and corporate financial performance. See David A. Carter, Betty J. Simkins and W. Gary Simpson, which found a connection between gender diversity on boards of directors and firm value. See Roy D. Adler, which explored the connection between representation of women executives and organizational earnings. See American Management Association, which found a connection between high representation of women on senior management teams and sales, market share, and net operation profits growth. See Charles B. Shrader, Virginia B. Blackburn, and Paul Iles, which explored the connection between representation of women in management and financial performance, as well as representation of women board directors and financial performance.

[2] For the purposes of this report, top management teams and corporate officers are synonymous. Corporate officers—as Catalyst defines them in our *Census of Corporate Officers and Top Earners*—have day-to-day responsibility for corporate operations, have the power to legally bind their companies, and represent their companies on major decisions.

[3] For more information on companies studied, see Appendix 2.

[4] For more information on financial performance and diversity measures used, see Appendix 2.

[5] See Appendix 1 for the complete list of companies in the study and Appendix 2 for an explanation of how Catalyst chose the 353 companies studied.

KEY FINDINGS

- The group of companies with the highest representation of women on their top management teams experienced better financial performance than the group of companies with the lowest women's representation. This finding holds for both financial measures analyzed: Return on Equity (ROE), which is 35.1 percent higher, and Total Return to Shareholders (TRS), which is 34.0 percent higher.
- Financial performance was also analyzed by industry, and in each of the five industries analyzed, the group of companies with the highest women's representation on their top management teams experienced a higher ROE than the group of companies with the lowest women's representation.
- In four out of the five industries analyzed, the group of companies with the highest women's representation on their top management teams experienced a higher TRS than the group of companies with the lowest women's representation.
- Catalyst Award-winning companies financially outperformed others in the sample.

It is important to note that we are exploring a link between gender diversity on top management teams and companies' financial performance, but we are not demonstrating *causation*. We make the argument that diversity and financial performance are related. We cannot say that diversity *causes* a certain type of financial performance or vice versa. This latter assertion would require ruling out all other possible causes of good and poor financial performance, which is beyond the scope of this study.

These findings re-affirm Catalyst's long-standing belief in the business impact of gender diversity. In companies that focus on diversity—developing and leveraging women's talent—the relationship to the bottom line is remarkable.

The Business Case for Gender Diversity

The business case for gender diversity asserts that companies that recruit, retain, and advance women will benefit for a number of reasons. First, employers that focus on diversity will be positioned better to tap into an increasingly educated and skilled segment of the talent pool. Women currently earn more than one-half of all bachelor's and master's degrees in the United States (57.3 percent and 58.5 percent, respectively) and nearly one-half of all doctorates and law degrees (44.9 percent and 47.3 percent, respectively).[6] In addition, women now comprise about one-half of the U.S. paid labor force (46.5 percent), and have steadily increased their presence in the management ranks, now at 45.9 percent.[7] According to Catalyst's censuses of women corporate officers and top earners, women's representation within the Fortune 500 senior ranks increased from 10.0 percent in 1996 to 15.7 percent in 2002.[8]

[6] National Center for Education Statistics, *Digest of Education Statistics* (2002).
[7] Bureau of Labor Statistics, Current Population Survey, Annual Averages (2003).
[8] *Catalyst Census of Women Corporate Officers and Top Earners*, Catalyst (1996-2000).

At the same time that their managerial representation is growing, women also make and influence purchasing decisions. In 2001, women earned almost $2 trillion of income in the United States, an indication of their growing economic power.[9] As a result, the company that leverages its female talent internally will be better able to develop products and services that could appeal to its external customers. Finally, research on group behavior demonstrates that diverse groups, when properly managed, make more innovative business decisions than non-diverse groups.[10]

Ultimately, the business case for recruiting, developing, and advancing women maintains that companies that have diversity and manage it properly make better decisions, produce better products, and retain several key business advantages over more homogenous companies. In short, the business case for women in management contends that companies that achieve diversity and manage it well attain better financial results than other companies.

How Is This Study Distinctive?

Catalyst uniquely contributes to the important discussion of women's representation and business success by carefully selecting the time period and companies examined, as well as the quality of gender diversity information. Specifically, we examined a longer time period than most studies in this area, making our findings less susceptible to transient economic circumstances. Gender diversity information was collected from a Catalyst-compiled database that contains publicly available information, the accuracy of which has been ensured by a rigorous verification process. A large sample of 353 Fortune 500 companies (constituting those for which we have at least four years of data during the time period studied) was examined, enabling us to control for consistency in organizational size and financial performance. Finally, the data were analyzed such that the findings were not skewed by any uniquely performing industries or companies.

[9] BLS, Annual Demographic Survey (Detailed Person Income), March 2002.
[10] Karen A. Bantel and Susan E. Jackson, "Top Management and Innovation in Banking: Does the Composition of the Top Make a Difference?" *Strategic Management Journal* Vol. 10 (1989): p. 107-124; and Anne S. Tsui and Barbara A. Gutek, *Demographic Differences in Organizations: Current Research and Future Directions* (Lanham, MD: Lexington Books, 1999).

CHAPTER 2: THE STUDY SAMPLE

Catalyst assessed the gender diversity and financial performance of a sample of 353 Fortune 500 corporations for the period 1996 to 2000. The companies examined have average revenues of $13.5 billion and an average market value of $21.3 billion. These companies are representative of all Fortune 500 companies between 1996 and 2000.[11]

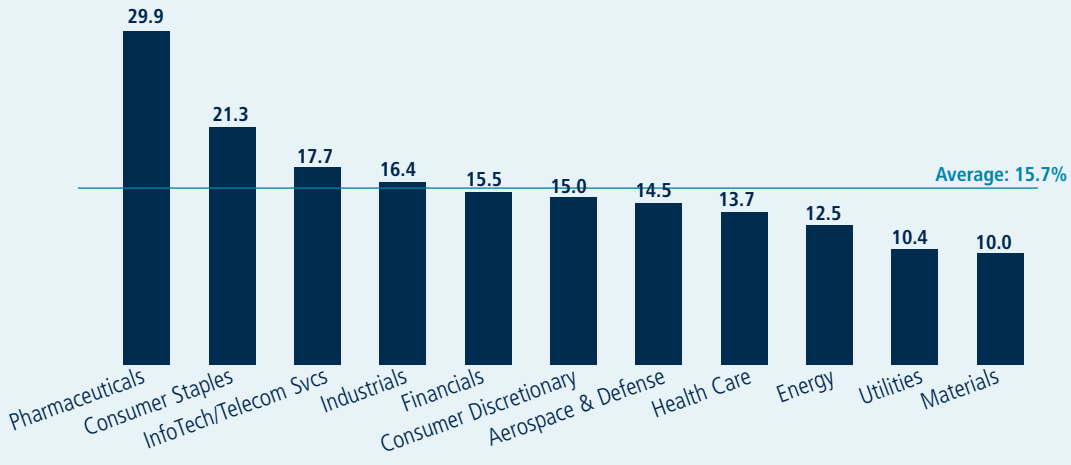
Our overall sample is divided into the following 11 industries: Aerospace & Defense, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology/Telecommunication Services, Materials, Pharmaceuticals, and Utilities. Definitions of industry sectors were obtained from Standard & Poor's Compustat database and modified as explained in Appendix 3.

We divided these companies into quartiles, based on the gender diversity of their top management teams. The 88 companies with the highest gender diversity in their top management teams are referred to as "top-quartile" companies, and the 89 companies with the lowest representation are referred to as "bottom-quartile" companies. In addition to conducting analyses on the overall sample, further analyses also were conducted for industries that had at least 35 companies.

Financial Performance of the Companies Studied

While the average ROE for the overall sample is 15.7 percent, there are considerable differences amongst industries, as demonstrated in the following figure.

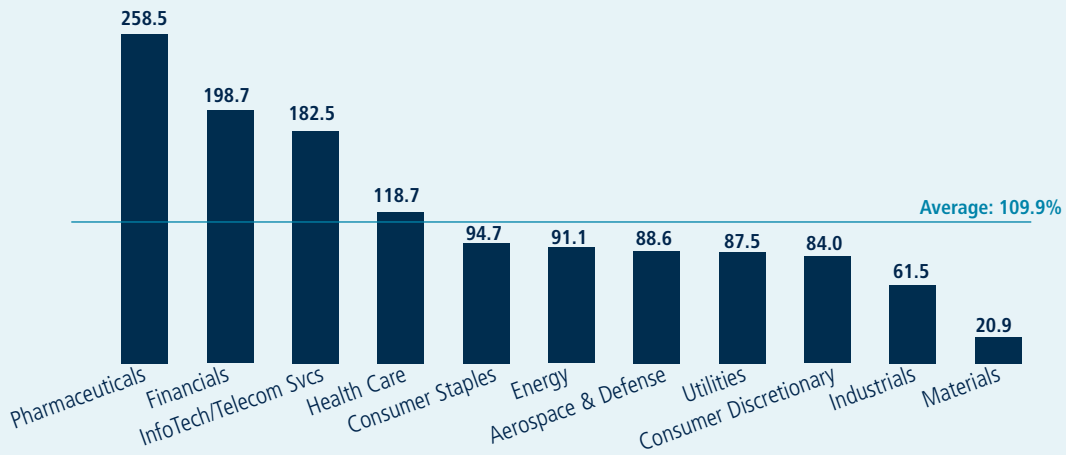
Figure 1: Industry Performance—Average ROE: 1996 to 2000



[11] Statistical testing revealed no significant differences between the industry composition of our sample and all of the Fortune 500 companies for the time period examined.

Similarly, while the TRS for the overall sample is 109.9 percent, the following figure demonstrates considerable variation across industries.

Figure 2: Industry Performance—TRS: 1996 to 2000



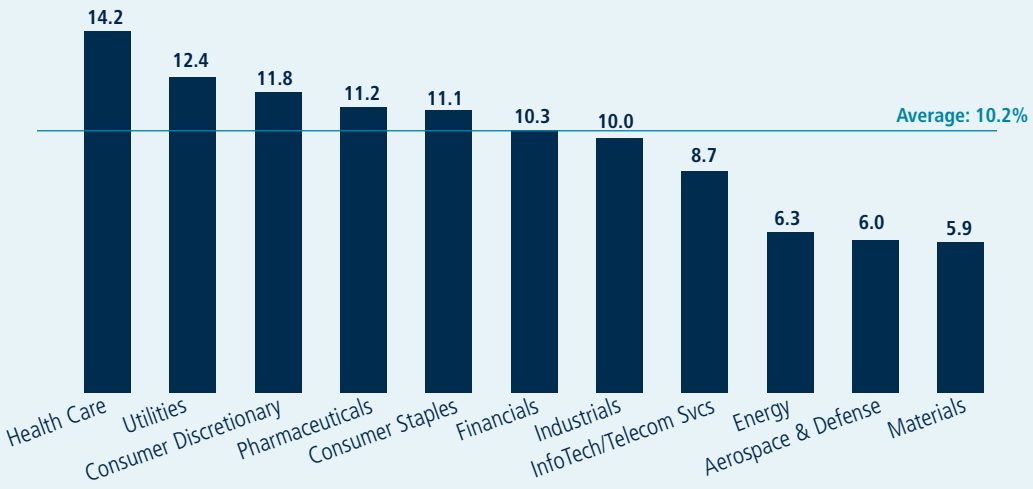
Gender Diversity in the Companies Studied

Representation of women on top management teams among all of the companies in our sample ranges from 0.0 to 38.3 percent, with an overall average of 10.2 percent. Figure 3 demonstrates gender diversity within the top-quartile and bottom-quartile companies. Representation of women on top management teams averages 20.3 percent in top-quartile companies and 1.9 percent in bottom-quartile companies.

Figure 3: Range and Average Level of Representation of Women by Gender Diversity Quartile

We also examined the representation of women on top management teams by industry sector. Six industries have higher than average women's representation on their top management teams: Health Care, Utilities, Consumer Discretionary, Pharmaceuticals, Consumer Staples, and Financials. Industries with lower than average representation of women on their top management teams include: Industrials, InfoTech/Telecom Services, Energy, Aerospace and Defense, and Materials.

Figure 4: Average Level of Women's Representation on Top Management Teams by Industry



CHAPTER 3: THE LINK BETWEEN GENDER DIVERSITY AND FINANCIAL PERFORMANCE

The group of companies with the highest representation of women on their top management teams experienced better financial performance than the group of companies with the lowest representation of women. We also examined the relationship between gender diversity and financial performance by industry.[12] Table 1 details the ROE and TRS for top- and bottom-quartile companies both in aggregate and within those five industries that had enough companies to allow us to conduct analyses.[13]

In all five industries analyzed, as well as for the overall sample, top-quartile companies, on average, experienced a higher ROE than bottom-quartile companies. In four out of five of those industries—as well as for the overall sample—top-quartile companies, on average, experienced a higher TRS than bottom-quartile companies.

Table 1: Comparison of Financial Performance Measures: 1996 to 2000

Industry Sector	Gender Diversity	ROE	TRS
Overall Sample	**Top Quartile**	**17.7%**	**127.7%**
	Bottom Quartile	**13.1%**	**95.3%**
	Percentage Point Difference	**4.6% *****	**32.4% ***
Consumer Discretionary	Top Quartile	19.3%	103.8%
	Bottom Quartile	11.5%	33.6%
	Percentage Point Difference	7.8% ***	70.2% *
Consumer Staples	Top Quartile	29.4%	125.9%
	Bottom Quartile	11.9%	38.2%
	Percentage Point Difference	17.5% ***	87.7% ***
Financials	Top Quartile	17.9%	236.1%
	Bottom Quartile	13.8%	152.1%
	Percentage Point Difference	4.1% **	84.0% *
Industrials	Top Quartile	15.5%	81.7%
	Bottom Quartile	15.1%	73.8%
	Percentage Point Difference	0.4%	7.9%
Information Technology/ Telecommunication Services	Top Quartile	16.4%	98.0%
	Bottom Quartile	14.4%	164.9%
	Percentage Point Difference	2.0%	(66.9%)

***, **, * denote significance at 99%, 95%, and 90% levels. For example, in the overall sample, there is less than one chance in 100 that a difference of 4.6 percentage points or greater would occur if no link really existed between gender diversity and financial performance in terms of ROE.

[12] See Appendix 4 for more details on the relationship between gender diversity and financial performance by industry.
[13] Five industries in our sample have at least 35 companies, permitting separate analyses. The five industries are Consumer Discretionary, Consumer Staples, Financials, Industrials, and Information Technology/Telecommunication Services.

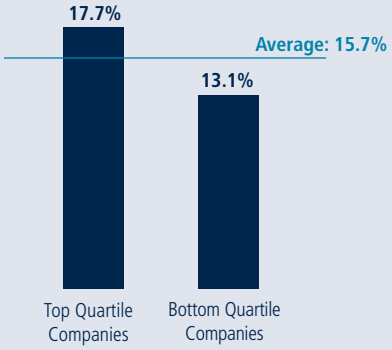
Overall Industry Sample

In terms of both ROE and TRS, on average, top-quartile companies financially outperformed bottom-quartile companies.

Specifically, the average ROE for top-quartile companies was 35.1 percent (or 4.6 percentage points) higher, and the TRS was 34.0 percent (or 32.4 percentage points) higher, compared to bottom-quartile companies. This finding takes into consideration industry differences,[14] meaning that the difference is not reflective of or skewed by either superior or poor financial performance of companies in any one industry. These findings are statistically significant. Individual industry comparisons, where possible, can be found in Appendix 4.

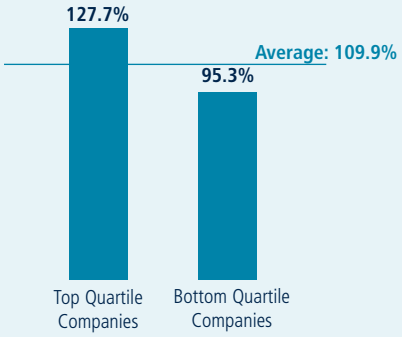
Figures 5A and 5B compare financial performance between top- and bottom-quartile companies drawn from the entire sample of 353 companies. There are 88 companies in the top quartile and 89 companies in the bottom quartile. Representation of women on the top management teams of the 353 companies ranges from 0.0 to 38.3 percent.

Figure 5A: Average ROE by Gender Diversity Top and Bottom Quartiles—All Industries



Note: Difference is significant at the 99% level

Figure 5B: TRS by Gender Diversity Top and Bottom Quartiles—All Industries



Note: Difference is significant at the 90% level

[14] Comparisons for the overall sample are conducted based on financial measures after applying a standardization procedure, which eliminates variations in financial performance among different industries. This standardization procedure, which removes covariance, levels the playing field across different industries by removing any inter-industry differences while maintaining any intra-industry differences. A description of the process can be found in Appendix 5.

Catalyst Award Winners

In terms of both ROE and TRS, on average, Catalyst Award-winning companies financially outperformed the rest of the companies in our sample.

This study also compared the financial performance of 14 companies that won the Catalyst Award between 1996 and 2003 and the other companies in our sample. Twenty-two companies won the Catalyst Award during this period, and we examined the financial performance of the 14 companies that were part of this overall study sample of 353 companies.[15]

The Catalyst Award honors innovative initiatives or efforts with proven results taken to address the recruitment, development, and advancement of managerial women; the effectiveness of these approaches is assessed by examining the representation of women at senior management levels, as well as critical accountability, leadership, and communication mechanisms. As a result, we believe that winning companies may experience a competitive advantage.

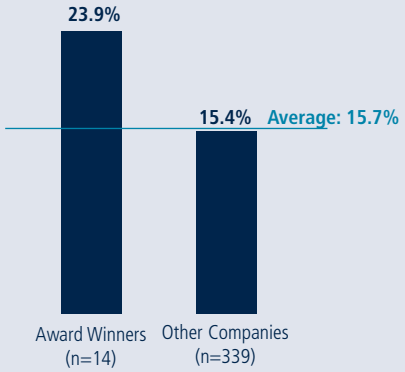
Table 2: Catalyst Award Winners Included in Sample: 1996-2003

Knight-Ridder, Inc.	1996	IBM Corporation	2000
Texas Instruments	1996	American Express Company	2001
The Allstate Corporation	1997	General Mills, Inc.	2001
The Procter & Gamble Company	1998	J.P. Morgan Chase & Co.	2001
Sara Lee Corporation	1998	Fannie Mae	2002
Baxter Healthcare International	1999	Marriott International, Inc.	2002
Corning Incorporated	1999	WellPoint Health Networks Inc.	2003

In the time span 1996 to 2000, the representation of women on the top management teams of Catalyst Award-winning companies ranged from 2.5 percent to 38.1 percent, with an average of 14.1 percent. The average level of women's representation on the top management teams of the other companies was 10.0 percent.

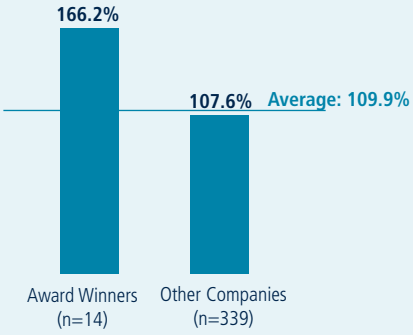
[15] The remaining eight companies were not included either because they were not part of the Fortune 500 or we did not have enough data.

Figure 6A: Average ROE—Catalyst Award Winners and Other Companies



Note: Difference is significant at the 99% level

Figure 6B: TRS—Catalyst Award Winners and Other Companies



Note: Difference is significant at the 95% level

Catalyst Award-winning companies financially outperformed the 339 other companies in the sample. This finding holds for both financial measures: ROE and TRS. On average, Catalyst Award-winning companies enjoyed an ROE 55.2 percent (or 8.5 percentage points) higher, and a TRS 54.5 percent (or 58.9 percentage points) higher than the rest of the companies in the sample.

The Connection Goes Both Ways: Financial Performance and the Link to Gender Diversity

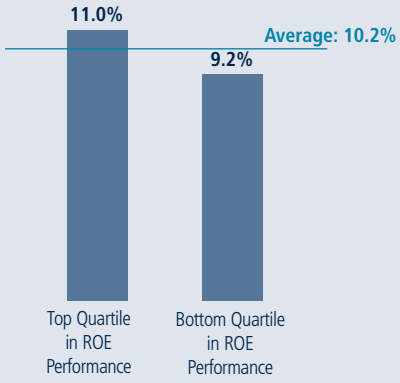
Having established that the group of companies with more gender-diverse top management teams financially outperformed the group with less diverse teams, we also confirmed that the connection holds in the other direction. We conducted this analysis because although we can say that gender diversity and financial performance are linked, we cannot say that gender diversity causes good financial performance. There are many well-performing companies with a high representation of women on their top management teams, and there also are many high-performing companies with only a modest representation of women on their top management teams. However, we hypothesized that the connection is a strong one, so we also examined whether top financial performers have more gender-diverse top management teams. Again dividing our sample into quartiles—this time by financial performance measures (both ROE and TRS)—we analyzed the top-quartile (88 companies) and bottom-quartile (89 companies) financial performers.

We found that, on average, the Fortune 500 companies with the best financial performance had more women on their top management teams than lower-performing companies.[16] This finding holds for both financial performance measures: ROE and TRS.

[16] These findings were determined after correcting for industry differences, as detailed in Appendix 5.

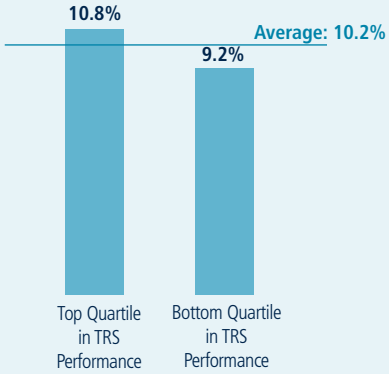
This finding demonstrates that the connection between gender diversity on top management teams and financial performance is robust. Corporate performance and gender diversity are integral to each other such that good corporate performance is linked to greater gender diversity on top management teams and vice versa.

Figure 7A: Average Women's Representation on Top Management Teams—Overall Sample



Note: Difference is significant at the 90% level

Figure 7B: Average Women's Representation on Top Management Teams—Overall Sample



Note: Difference is significant at the 90% level

With this study, Catalyst has explored the link between the representation of women in top management and a corporation's financial performance. We found that not only does such a link exist, but on average, companies that have higher women's representation on their top management teams financially outperformed those companies that have lower women's representation. We controlled for industry and company differences to ensure that our findings were not influenced by a few uniquely performing industries or companies. These conclusions are strengthened further by confirming that the connection goes both ways. On average, top-performing companies have a higher representation of women on their leadership teams.

It is important to realize that our research findings demonstrate a link—a connection—not causation. Clearly, a variety of factors contribute to outstanding financial performance. In addition to gender diversity, other possible determinants include innovation, efficiency, employee satisfaction, customer loyalty, an inclusive and supportive work environment, and financial factors such as underlying business risk and financial leverage. The leadership team that is knowledgeable enough to leverage diversity is likely to be creating effective policies, programs, and systems, as well as a work culture, that maximize a variety of its assets and create new ones.[17]

Whatever compels excellent corporate financial performance, we now know that it is linked to gender diversity. In an increasingly competitive and globalized marketplace, even the most resourceful and innovative companies are advised to capitalize on the advantages of gender-diverse management teams. In short, this study further confirms the business case that Catalyst has put forth for the past 40 years: Gender diversity is indeed a characteristic of companies with excellent financial performance, and developing women managers and leveraging that talent by giving them a seat at the decision-making table is smart business.

[17] Ed Michaels, Helene Handfield-Jones, and Beth Axelrod; Irene Goll, Rakesh B. Sambharya, and Louis A. Tucci; Deloitte and Touche.

APPENDIX 1: LIST OF COMPANIES INCLUDED IN STUDY

Name of Company	Industry Sector	Gender Diversity Quartile	Name of Company	Industry Sector	Gender Diversity Quartile
3M CO	Industrials	2	BERKSHIRE HATHAWAY	Financials	4
ABBOTT LABORATORIES	Pharmaceuticals	2	BEST BUY CO INC*	Consumer Discretionary	3
AETNA INC	Health Care	1	BETHLEHEM STEEL CORP	Materials	3
AFLAC INC	Financials	2	BIG LOTS INC	Consumer Discretionary	3
AIR PRODUCTS & CHEMICALS INC	Materials	3	BINDLEY WESTERN INDS*	Health Care	2
ALBERTSONS INC	Consumer Staples	3	BLACK & DECKER CORP	Consumer Discretionary	2
ALCOA INC*	Materials	2	BOEING CO	Aerospace & Defense	3
ALLEGHENY TECHNOLOGIES INC	Materials	4	BOISE CASCADE CORP	Materials	3
ALLMERICA FINANCIAL CORP	Financials	4	BRISTOL MYERS SQUIBB	Pharmaceuticals	2
ALLSTATE CORP***	Financials	1	BRUNSWICK CORP	Consumer Discretionary	1
ALLTEL CORP	Telecommunication Services	4	BURLINGTON NORTHERN SANTA FE	Industrials	3
AMERADA HESS CORP	Energy	4	CAMPBELL SOUP CO**	Consumer Staples	3
AMERICAN ELECTRIC POWER	Utilities	2	CARDINAL HEALTH INC	Health Care	1
AMERICAN EXPRESS***	Financials	1	CATERPILLAR INC	Industrials	2
AMERICAN FINL GROUP INC	Financials	3	CENTERPOINT ENERGY INC	Utilities	1
AMERICAN GENERAL CORP	Financials	1	CENTEX CORP	Consumer Discretionary	1
AMERICAN INTERNATIONAL GROUP	Financials	3	CENTRAL & SOUTH WEST CORP	Utilities	1
AMERICAN STANDARD COS INC**	Industrials	4	CHAMPION INTERNATIONAL CORP	Materials	4
AMERISOURCEBERGEN CORP**	Health Care	1	CHEVRONTEXACO CORP	Energy	3
AMR CORP/DE	Industrials	1	CHUBB CORP	Financials	2
ANHEUSER-BUSCH COS INC	Consumer Staples	2	CIGNA CORP	Health Care	1
AON CORP	Financials	2	CINERGY CORP	Utilities	2
APPLE COMPUTER INC**	Information Technology	2	CIRCUIT CITY STORES INC	Consumer Discretionary	2
APPLIED MATERIALS INC	Information Technology	3	CISCO SYSTEMS INC*	Information Technology	2
AQUILA INC	Utilities	3	CITIGROUP INC	Financials	1
ARCHER-DANIELS-MIDLAND CO	Consumer Staples	4	CMS ENERGY CORP	Utilities	2
ARROW ELECTRONICS INC	Information Technology	1	CNF INC	Industrials	4
ASHLAND INC	Energy	4	COASTAL CORP*	Energy	4
AT&T CORP	Telecommunication Services	1	COCA-COLA CO	Consumer Staples	1
ATLANTIC RICHFIELD CO	Energy	2	COCA-COLA ENTERPRISES	Consumer Staples	1
AUTOMATIC DATA PROCESSING	Industrials	4	COLGATE-PALMOLIVE CO	Consumer Staples	3
AVERY DENNISON CORP	Industrials	1	COLUMBIA ENERGY GROUP	Utilities	1
AVNET INC	Information Technology	4	COMCAST CORP	Consumer Discretionary	2
AVON PRODUCTS	Consumer Staples	1	COMERICA INC	Financials	4
BAKER-HUGHES INC	Energy	4	COMPAQ COMPUTER CORP	Information Technology	4
BANK OF AMERICA CORP	Financials	4	COMPUSA INC	Consumer Discretionary	3
BANK OF NEW YORK CO INC	Financials	2	COMPUTER ASSOCIATES INTL INC	Information Technology	3
BANK ONE CORP	Financials	3	COMPUTER SCIENCES CORP	Information Technology	4
BAXTER INTERNATIONAL INC***	Health Care	3	CONAGRA FOODS INC	Consumer Staples	1
BEAR STEARNS COMPANIES INC	Financials	4	CONOCOPHILLIPS	Energy	3
BECTON DICKINSON & CO	Health Care	3	CONSECO INC	Financials	4
BELLSOUTH CORP	Telecommunication Services	4	CONSOLIDATED EDISON INC	Utilities	2

Note: Quartiles are determined based on the overall sample. Quartile 1 denotes the top 25% and Quartile 4 denotes the bottom 25%.
* Denotes companies with modified Total Return to Shareholders
** Denotes companies with modified Return on Equity
*** Denotes Catalyst Award Winners, 1996-2003

Name of Company	Industry Sector	Gender Diversity Quartile	Name of Company	Industry Sector	Gender Diversity Quartile
CONSOLIDATED NATURAL GAS CO	Utilities	3	FLORIDA PROGRESS CORP	Utilities	2
CONSTELLATION ENERGY GRP INC	Utilities	3	FLUOR CORP	Industrials	2
CONTINENTAL AIRLS INC**	Industrials	2	FMC CORP	Materials	3
COOPER INDUSTRIES LTD	Industrials	2	FORD MOTOR CO**	Consumer Discretionary	3
CORNING INC***	Information Technology	2	FOSTER WHEELER LTD**	Industrials	2
COSTCO WHOLESALE CORP*	Consumer Discretionary	4	FPL GROUP INC	Utilities	2
CROWN CORK & SEAL CO INC	Materials	3	GANNETT CO	Consumer Discretionary	1
CSX CORP	Industrials	4	GAP INC**	Consumer Discretionary	1
CUMMINS INC	Industrials	3	GATEWAY INC	Information Technology	4
CVS CORP*	Consumer Staples	2	GENERAL DYNAMICS CORP	Aerospace & Defense	4
DANA CORP	Consumer Discretionary	4	GENERAL ELECTRIC CO*	Industrials	3
DARDEN RESTAURANTS INC	Consumer Discretionary	3	GENERAL MILLS INC**, ***	Consumer Staples	1
DEAN FOODS CO	Consumer Staples	3	GENERAL MOTORS CORP	Consumer Discretionary	3
DEERE & CO	Industrials	4	GENUINE PARTS CO	Consumer Discretionary	4
DELL COMPUTER CORP*, **	Information Technology	4	GEORGIA-PACIFIC CORP	Materials	3
DELTA AIR LINES INC	Industrials	2	GILLETTE CO	Consumer Staples	3
DILLARDS INC	Consumer Discretionary	2	GOLDEN WEST FINANCIAL CORP	Financials	2
DISNEY (WALT) CO	Consumer Discretionary	4	GOODYEAR TIRE & RUBBER CO	Consumer Discretionary	4
DOLE FOOD CO INC	Consumer Staples	2	GPU INC	Utilities	1
DOMINION RESOURCES INC	Utilities	2	GRAINGER (W W) INC	Industrials	3
DONNELLEY (R R) & SONS CO	Industrials	1	GTE CORP	Telecommunication Services	2
DOVER CORP	Industrials	4	HALLIBURTON CO	Energy	1
DOW CHEMICAL	Materials	3	HANNAFORD BROTHERS CO	Consumer Staples	1
DTE ENERGY CO	Utilities	2	HARCOURT GENERAL INC	Consumer Discretionary	4
DU PONT (E I) DE NEMOURS	Materials	3	HARRIS CORP	Information Technology	3
DUKE ENERGY CORP	Utilities	1	HASBRO INC	Consumer Discretionary	2
EASTMAN CHEMICAL CO	Materials	3	HCA INC	Health Care	2
EASTMAN KODAK CO	Consumer Discretionary	2	HEALTH NET INC	Health Care	2
EATON CORP	Industrials	2	HEINZ (H J) CO	Consumer Staples	3
EDISON INTERNATIONAL **	Utilities	1	HERSHEY FOODS CORP	Consumer Staples	3
EL PASO CORP*	Utilities	4	HEWLETT-PACKARD CO	Information Technology	1
EMERSON ELECTRIC CO	Industrials	4	HOME DEPOT INC	Consumer Discretionary	2
ENGELHARD CORP	Materials	4	HONEYWELL INTERNATIONAL INC	Aerospace & Defense	3
ENRON CORP*	Utilities	1	HORMEL FOODS CORP	Consumer Staples	4
ENTERGY CORP	Utilities	4	HOUSEHOLD INTERNATIONAL INC	Financials	4
EXELON CORP	Utilities	1	HUMANA INC**	Health Care	1
EXXON MOBIL CORP	Energy	4	IBP INC	Consumer Staples	4
FANNIE MAE***	Financials	1	IKON OFFICE SOLUTIONS	Information Technology	1
FEDERAL HOME LOAN MORTG CORP	Financials	1	ILLINOIS TOOL WORKS	Industrials	4
FEDERATED DEPT STORES	Consumer Discretionary	2	INGERSOLL-RAND CO LTD	Industrials	3
FEDEX CORP	Industrials	2	INGRAM MICRO INC	Information Technology	4
FIRST DATA CORP	Industrials	3	INTEL CORP	Information Technology	3
FLEETBOSTON FINANCIAL CORP	Financials	2	INTERSTATE BAKERIES CP	Consumer Staples	3
FLEETWOOD ENTERPRISES	Consumer Discretionary	4	INTL BUSINESS MACHINES CORP***	Information Technology	3
FLEMING COMPANIES INC**	Consumer Staples	3	INTL PAPER CO	Materials	3

Note: Quartiles are determined based on the overall sample. Quartile 1 denotes the top 25% and Quartile 4 denotes the bottom 25%.
* Denotes companies with modified Total Return to Shareholders
** Denotes companies with modified Return on Equity
*** Denotes Catalyst Award Winners, 1996-2003

Name of Company	Industry Sector	Gender Diversity Quartile
ITT INDUSTRIES INC	Industrials	2
J P MORGAN CHASE & CO***	Financials	1
JOHNSON & JOHNSON	Pharmaceuticals	3
JOHNSON CONTROLS INC	Consumer Discretionary	2
K MART CORP	Consumer Discretionary	4
KELLOGG CO	Consumer Staples	2
KELLY SERVICES INC	Industrials	1
KEYCORP	Financials	4
KIMBERLY-CLARK CORP	Consumer Staples	1
KNIGHT-RIDDER INC***	Consumer Discretionary	1
KROGER CO**	Consumer Staples	3
LAUDER ESTEE COS INC	Consumer Staples	1
LEAR CORP	Consumer Discretionary	4
LEHMAN BROTHERS HOLDINGS INC	Financials	4
LG&E ENERGY CORP	Utilities	3
LILLY (ELI) & CO	Pharmaceuticals	2
LIMITED BRANDS INC	Consumer Discretionary	2
LINCOLN NATIONAL CORP	Financials	1
LITTON INDUSTRIES INC	Industrials	1
LOCKHEED MARTIN CORP	Aerospace & Defense	3
LOEWS CORP	Financials	4
LONGS DRUG STORES INC	Consumer Staples	4
LOWES COS	Consumer Discretionary	4
LTV CORP*, **	Materials	4
LYONDELL CHEMICAL CO	Materials	3
MANPOWER INC	Industrials	4
MARRIOTT INTL INC***	Consumer Discretionary	2
MARSH & MCLENNAN COS	Financials	4
MASCO CORP	Industrials	3
MATTEL INC	Consumer Discretionary	1
MAY DEPARTMENT STORES CO	Consumer Discretionary	2
MAYTAG CORP**	Consumer Discretionary	4
MBNA CORP	Financials	1
MCDONALDS CORP	Consumer Discretionary	1
MCGRAW-HILL COMPANIES	Consumer Discretionary	1
MCI COMMUNICATIONS	Telecommunication Services	4
MCKESSON CORP	Health Care	2
MEAD CORP	Materials	1
MEADWESTVACO CORP	Materials	3
MELLON FINANCIAL CORP	Financials	4
MERCK & CO	Pharmaceuticals	1
MERISEL INC**	Consumer Discretionary	1
MERRILL LYNCH & CO	Financials	3
MICROAGE INC**	Consumer Discretionary	4
MICRON TECHNOLOGY INC	Information Technology	2
MICROSOFT CORP	Information Technology	3
MORGAN STANLEY	Financials	2
MOTOROLA INC	Information Technology	4
NABISCO GROUP HLDGS CORP	Consumer Staples	4
NASH FINCH CO	Consumer Staples	3
NATIONAL CITY CORP	Financials	3
NAVISTAR INTERNATIONAL	Industrials	4
NEW YORK TIMES CO	Consumer Discretionary	1
NEWELL RUBBERMAID INC	Consumer Discretionary	3
NIAGARA MOHAWK HOLDINGS INC**	Utilities	2
NIKE INC	Consumer Discretionary	2
NORDSTROM INC	Consumer Discretionary	1
NORFOLK SOUTHERN CORP	Industrials	2
NORTHEAST UTILITIES**	Utilities	2
NORTHROP GRUMMAN CORP	Aerospace & Defense	4
NORTHWEST AIRLINES CORP**	Industrials	4
NUCOR CORP	Materials	4
OCCIDENTAL PETROLEUM CORP	Energy	4
OFFICE DEPOT INC	Consumer Discretionary	4
OFFICEMAX INC	Consumer Discretionary	3
OMNICOM GROUP	Consumer Discretionary	3
ORACLE CORP*, **	Information Technology	3
OWENS & MINOR INC	Health Care	2
OWENS CORNING	Industrials	2
OWENS-ILLINOIS INC	Materials	4
OXFORD HEALTH PLANS INC**	Health Care	2
PACCAR INC	Industrials	1
PACIFICARE HEALTH SYS	Health Care	1
PAINE WEBBER GROUP	Financials	1
PARKER-HANNIFIN CORP	Industrials	4
PENNEY (J C) CO	Consumer Discretionary	2
PEPSICO INC	Consumer Staples	2
PFIZER INC	Pharmaceuticals	3
PG&E CORP**	Utilities	1
PHARMACIA CORP	Pharmaceuticals	1
PHELPS DODGE CORP	Materials	2
PHILIP MORRIS COS INC	Consumer Staples	1
PITNEY BOWES INC	Industrials	1
PITTSTON CO	Industrials	3
PNC FINANCIAL SVCS GROUP INC	Financials	1
PPG INDUSTRIES INC	Materials	4
PPL CORP**	Utilities	4
PRAXAIR INC	Materials	3
PROCTER & GAMBLE CO***	Consumer Staples	4
PROGRESS ENERGY INC	Utilities	1

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* Denotes companies with modified Total Return to Shareholders
** Denotes companies with modified Return on Equity
*** Denotes Catalyst Award Winners, 1996-2003

Name of Company	Industry Sector	Gender Diversity Quartile
PROGRESSIVE CORP	Financials	3
PUBLIC SERVICE ENTRP	Utilities	1
QUAKER OATS CO	Consumer Staples	1
QUANTUM CORP DSSG	Information Technology	2
RADIOSHACK CORP	Consumer Discretionary	1
RALSTON PURINA CO	Consumer Staples	1
RAYTHEON CO	Aerospace & Defense	3
REEBOK INTERNATIONAL LTD	Consumer Discretionary	1
RELIANCE GROUP HOLDINGS	Financials	4
REYNOLDS METALS CO	Materials	2
RITE AID CORP**	Consumer Staples	3
ROCKWELL AUTOMATION	Industrials	4
ROHM & HAAS CO	Materials	2
RYDER SYSTEM INC	Industrials	1
SAFECO CORP	Financials	2
SAFEWAY INC*	Consumer Staples	1
SARA LEE CORP***	Consumer Staples	1
SBC COMMUNICATIONS INC	Telecommunication Services	1
SCHERING-PLOUGH	Pharmaceuticals	3
SCI SYSTEMS INC	Information Technology	4
SEAGATE TECHNOLOGY	Information Technology	4
SEARS ROEBUCK & CO	Consumer Discretionary	2
SERVICEMASTER CO	Industrials	3
SHAW INDUSTRIES INC	Consumer Discretionary	4
SHERWIN-WILLIAMS CO	Consumer Discretionary	2
SMURFIT-STONE CONTAINER CORP	Materials	4
SOLECTRON CORP	Information Technology	1
SOUTHERN CO	Utilities	3
SOUTHWEST AIRLINES*	Industrials	1
SPRINT FON GROUP	Telecommunication Services	3
ST PAUL COS	Financials	3
STAPLES INC	Consumer Discretionary	1
STATE STREET CORP	Financials	2
SUN MICROSYSTEMS INC*	Information Technology	3
SUNTRUST BANKS INC	Financials	4
SUPERVALU INC	Consumer Staples	1
SYSCO CORP	Consumer Staples	2
TARGET CORP*	Consumer Discretionary	1
TECH DATA CORP	Information Technology	4
TEMPLE-INLAND INC	Materials	4
TENET HEALTHCARE CORP	Health Care	2
TENNECO AUTOMOTIVE INC	Consumer Discretionary	2
TEXACO INC	Energy	2
TEXAS INSTRUMENTS INC***	Information Technology	4
TEXTRON INC	Aerospace & Defense	1
THERMO ELECTRON CORP	Information Technology	2
TIME WARNER INC	Consumer Discretionary	3
TIMES MIRROR COMPANY	Consumer Discretionary	1
TJX COMPANIES INC*	Consumer Discretionary	3
TOSCO CORP	Energy	2
TOYS R US INC	Consumer Discretionary	1
TRANS WORLD AIRLINES**	Industrials	1
TRW INC	Consumer Discretionary	3
TXU CORP	Utilities	3
TYSON FOODS INC	Consumer Staples	3
U S BANCORP	Financials	2
UAL CORP	Industrials	2
ULTRAMAR DIAMOND SHAMROCK	Energy	3
UNICOM CORP	Utilities	2
UNION CARBIDE CORP	Materials	4
UNION PACIFIC CORP	Industrials	1
UNISYS CORP**	Information Technology	2
UNITED TECHNOLOGIES CORP	Aerospace & Defense	4
UNITEDHEALTH GROUP INC	Health Care	1
UNIVERSAL CORP/VA	Consumer Staples	3
UNOCAL CORP	Energy	3
UNUMPROVIDENT CORP	Financials	2
US AIRWAYS GROUP INC	Industrials	1
USG CORP	Industrials	4
VALERO ENERGY CORP	Energy	3
VERIZON COMMUNICATIONS	Telecommunication Services	1
VF CORP	Consumer Discretionary	1
VIACOM INC	Consumer Discretionary	2
WACHOVIA CORP	Financials	4
WALGREEN CO*	Consumer Staples	3
WAL-MART STORES	Consumer Discretionary	3
WARNER-LAMBERT CO	Pharmaceuticals	3
WASHINGTON MUTUAL INC	Financials	1
WELLPOINT HLTH NETWORKS***	Health Care	2
WELLS FARGO & CO	Financials	1
WEYERHAEUSER CO	Materials	2
WHIRLPOOL CORP	Consumer Discretionary	4
WILLAMETTE INDUSTRIES	Materials	4
WILLIAMS COS INC	Utilities	1
WINN-DIXIE STORES INC	Consumer Staples	4
WYETH**	Pharmaceuticals	3
XEROX CORP	Information Technology	2
YELLOW CORP	Industrials	4
YORK INTL	Industrials	2

Note: Quartiles are determined based on the overall sample. Quartile 1 denotes the top 25% and Quartile 4 denotes the bottom 25%.
* Denotes companies with modified Total Return to Shareholders
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*** Denotes Catalyst Award Winners, 1996-2003

APPENDIX 2: METHODOLOGY

Companies Studied

We began by compiling a list of all companies that appeared in the Fortune 500 rankings at least once during the five-year period between 1996 and 2000, and identified 687 companies. This period was chosen because it represents a time of considerable economic growth (particularly in comparison to the recession economy of the early 1990s and the early 2000s).[18] It also is a period for which there exists consistent and reliable gender diversity information.

Financial data for the companies examined were obtained from Standard & Poor's Compustat database. This is a longitudinal and comprehensive database of financial information for publicly held U.S. companies. The Compustat database, which is updated annually, is recognized as a leading resource for this type of information.

Diversity data for top management teams were obtained from Catalyst's annual censuses of women corporate officers and top earners. For every year from 1996 to 2000, Catalyst published the total number of corporate officers and the number of women corporate officers for each of the Fortune 500 companies.[19] The Catalyst censuses provide the most accurate accounting of women in these positions, as Catalyst requests that companies verify publicly available data on gender representation. Our methodology further allows for comparability over time and across industries and geographies.

After accounting for company name changes and merger and acquisition activities[20] during the five-year period being examined, 666 companies remained. Of these companies, we included only those for which we have at least four years of gender diversity and financial performance data between 1996 and 2000. We eliminated 261 companies from our analysis due to insufficient gender diversity data; we eliminated another 52 companies from our analysis due to insufficient financial performance data. Our final study sample included 353 companies, the names of which are listed in Appendix 1.

Financial Performance and Diversity Measures Used

In order to examine the association between gender diversity on top management teams and financial performance, we used two customary measures: Return on Equity (ROE) and Total Return to Shareholders (TRS). These financial measures reflect two critical elements of returns to shareholders: the first is an accounting-based measure that reflects corporate financial performance; the second a value-based measure that reflects changes in stock price.

[18] Average annual GDP growth was 5% in the early 1990s and 6% in the second half of the 1990s. The NYSE composite index increased 66% in the first half of the 1990s while it increased by 142% in the second half.
[19] Since 2000, the *Catalyst Census of Women Corporate Officers and Top Earners* is published every other year.
[20] To account for mergers and acquisitions in the time period under study, financial data were combined with the appropriate diversity data by matching Fortune 500 rankings of relevant companies for each year.

The gender diversity measure and financial performance measures are defined as follows:

Gender Diversity on Top Management Teams—Gender diversity of top management teams was determined by averaging the annual percentages of women corporate officers over the period between 1996 and 2000. Corporate officers—as Catalyst defines them in our census of corporate officers and top earners—have day-to-day responsibility for corporate operations, have the power to legally bind their companies, and represent their companies on major decisions. For the purposes of this study, corporate officers were analogous to top management teams.

Return on Equity (ROE)—ROE is calculated as a ratio of income (before extraordinary items) to average shareholder equity for the year. It is a composite measure that reflects the executive management team's ability to balance the three pillars of corporate management: profitability, asset management, and financial leverage. In this study, the ROE measures for each company represent the average of annual ROEs from 1996 to 2000. A simple average of the annual ROEs for the period shows the returns for the long-term, reducing the impact of any unusual year-to-year fluctuations. ROE explicitly measures company performance from the viewpoint of the shareholders. For example, a 20.0 percent ROE means $20 of net income was created for each $100 that was invested, measured at book value.

Total Return to Shareholders (TRS)—TRS is the total return for the company for each calendar year. It reflects the sum of stock price appreciation plus reinvestment of dividends declared over the same period. The TRS measure used in this study is the cumulative total return over the period 1996 to 2000 for which data are available. For example, a cumulative total shareholder return of 120.0 percent over the period means that $1,000 invested in 1996 would have become $1,000 + $1,200, or $2,200, at the end of 2000. This measure adjusts for both stock splits and stock dividends.

"Extraordinary" Performers

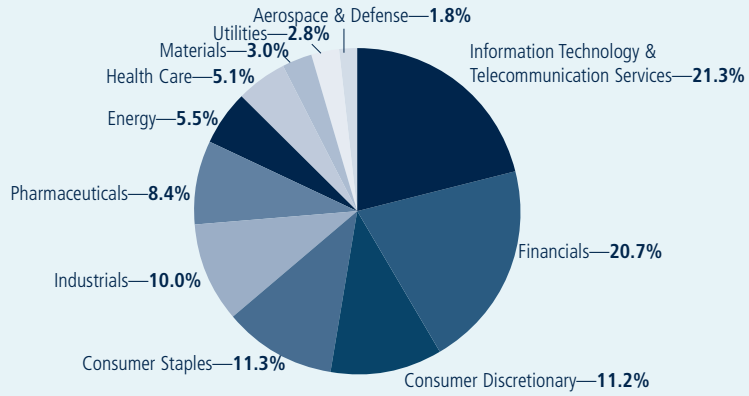
If left untreated, extreme values in financial performance measures for a few companies can have a significant impact on our analyses. To avoid the impact of a small number of extremely successful or less successful companies distorting the overall financial performance of their industries, extra steps were taken to ensure that these extreme values did not skew our general findings.[21]

[21] Using a general statistical rule, for each of the financial performance measures considered in this study, companies with financial measures that are 1.5 times the interquartile range below the 25th percentile or 1.5 times the interquartile range above the 75th percentile have been bottom- and top-coded respectively. In other words, we put a floor and a ceiling on the financial measures, so results are not skewed by a few uniquely performing companies. Those companies whose financial measures have been top- or bottom-coded are identified by "*" (for TRS) and "**" (for ROE) in Appendix 1.

APPENDIX 3: INDUSTRIES INCLUDED IN STUDY

The following figure illustrates the 11 industry sectors examined, as well as their proportional representation in the S&P 500 Index as of December 2003.

Figure 8: Industry Sectors Included in Study



* Percentages do not add up to 100% due to rounding.

For the purpose of our analyses, we modified Compustat's 10 industry sector definitions to reflect 11 industry sectors, as follows:

- The Health Care industry was separated into Health Care and Pharmaceuticals;
- The Industrials industry was separated into Industrials and Aerospace and Defense; and
- The Information Technology and Telecommunication Services industries were combined.

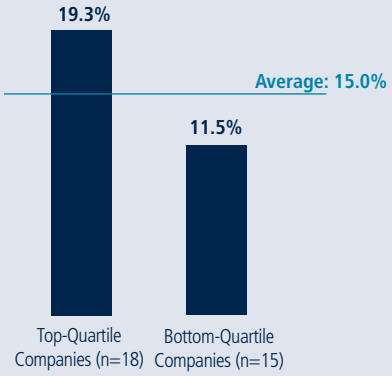
Modifications in the Health Care and Industrials sectors were made due to the distinct natures of their business cycles. Specifically, research and product development, as well as patent requirements, considerably lengthen the business cycle of pharmaceutical companies. Similarly, longer-termed contracts in the Aerospace and Defense sector led us to separate it from the general Industrials sector. In such environments, the impact of gender diversity may take longer to manifest. Information Technology and Telecommunication Services were combined as they share similar talent pools (e.g., both require engineering expertise), and some technology companies offer products in the telecommunication area.

Consumer Discretionary Industry

In terms of both ROE and TRS, on average, top-quartile companies financially outperformed bottom-quartile companies in the Consumer Discretionary industry.

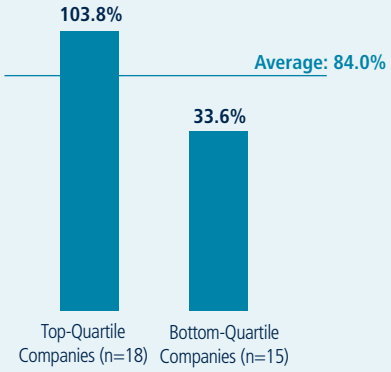
Specifically, the average ROE was 67.8 percent (or 7.8 percentage points) higher, and the TRS was 208.9 percent (or 70.2 percentage points) higher for the group of top-quartile companies than for the group of bottom-quartile companies. These findings are statistically significant.

Figure 9A: Average ROE by Gender Diversity Top and Bottom Quartiles—Consumer Discretionary



Note: Difference is significant at the 99% level

Figure 9B: TRS by Gender Diversity Top and Bottom Quartiles—Consumer Discretionary



Note: Difference is significant at the 90% level

The Companies Studied. The Consumer Discretionary industry includes advertising, apparel retail, apparel, auto parts and equipment, automobile manufacturers, broadcast and cable television, computer and electronics retail, department stores, footwear, general merchandise stores, home furnishings, home improvement retail, homebuilding, hotels, resorts and cruise lines, household appliances, Internet retail, leisure products, media companies, restaurants, specialty stores, and tires and rubber. For reference, this industry accounted for 11.2 percent of the S&P 500 in December 2003.

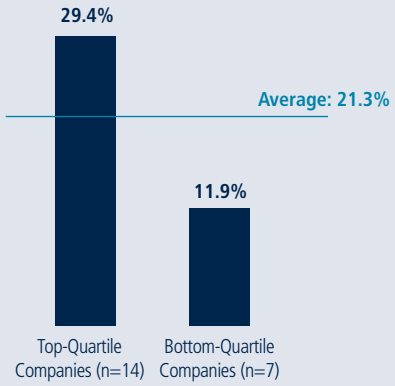
There were 64 Consumer Discretionary companies in our overall sample, and the representation of women on their top management teams ranged from 0.0 to 36.9 percent. We examined 18 top-quartile and 15 bottom-quartile companies.

Consumer Staples Industry

In terms of both ROE and TRS, on average, top-quartile companies financially outperformed bottom-quartile companies in the Consumer Staples industry.

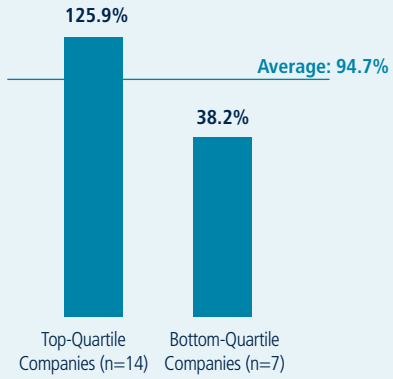
Specifically, the average ROE was 147.1 percent (or 17.5 percentage points) higher, and the TRS was 229.6 percent (or 87.7 percentage points) higher for the group of top-quartile companies than for the group of bottom-quartile companies. These findings are statistically significant.

Figure 10A: Average ROE by Gender Diversity Top and Bottom Quartiles—Consumer Staples



Note: Difference is significant at the 99% level

Figure 10B: TRS by Gender Diversity Top and Bottom Quartiles—Consumer Staples



Note: Difference is significant at the 99% level

The Companies Studied. The Consumer Staples industry includes agricultural products, brewers, distillers and vintners, drug retail, food distributors, food retail, household products, hypermarkets and supercenters, packaged foods and meats, personal products, soft drinks, and tobacco. For reference, this industry accounted for 11.3 percent of the S&P 500 in December 2003.

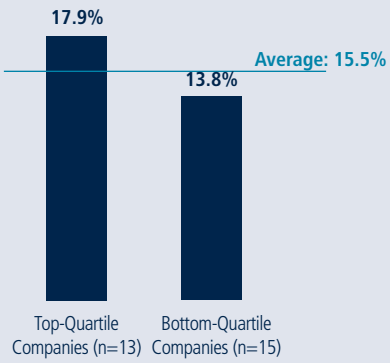
There were 42 Consumer Staples companies in our overall sample, and the representation of women on their top management teams ranged from 0.0 to 33.3 percent. We examined 14 top-quartile and 7 bottom-quartile companies.

Financials Industry

In terms of both ROE and TRS, on average, top-quartile companies financially outperformed bottom-quartile companies in the Financials industry.

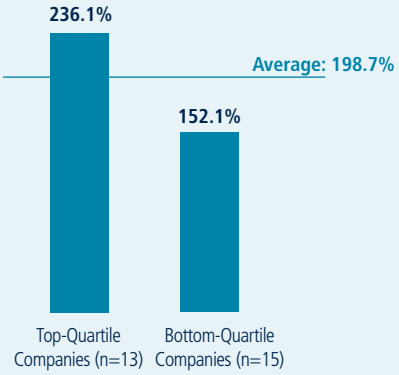
Specifically, the average ROE was 29.7 percent (or 4.1 percentage points) higher, and the TRS was 55.2 percent (or 84.0 percentage points) higher for the group of top-quartile companies than for the group of bottom-quartile companies. These findings are statistically significant.

Figure 11A: Average ROE by Gender Diversity Top and Bottom Quartiles—Financials



Note: Difference is significant at the 95% level

Figure 11B: TRS by Gender Diversity Top and Bottom Quartiles—Financials



Note: Difference is significant at the 90% level

The Companies Studied. The Financials industry includes banks, insurance brokers, investment banking and brokerage, life and health insurance companies, property and casualty insurance, real estate companies, and other financial services companies. For reference, this industry accounted for 20.7 percent of the S&P 500 in December 2003.

There were 46 Financials companies in our overall sample, and the representation of women on their top management teams ranged from 0.0 to 38.1 percent. We examined 13 top-quartile and 15 bottom-quartile companies.

Industrials Industry

In terms of both ROE and TRS, on average, top-quartile companies financially outperformed bottom-quartile companies in the Industrials industry.

Specifically, the average ROE was 2.6 percent (or 0.4 percentage points) higher, and the TRS was 10.7 percent (or 7.9 percentage points) higher for the group of top-quartile companies than for the group of bottom-quartile companies. These findings are not statistically significant.

Figure 12A: Average ROE by Gender Diversity Top and Bottom Quartiles—Industrials

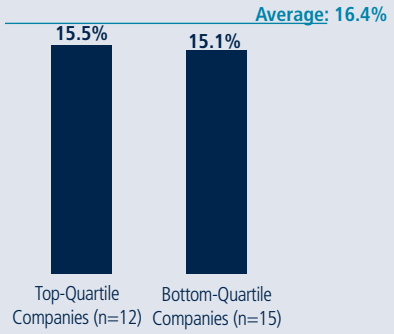
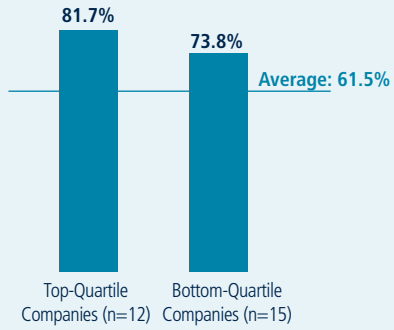


Figure 12B: TRS by Gender Diversity Top and Bottom Quartiles—Industrials



The Companies Studied. The Industrials industry includes air freight and logistics, airlines, building products, commercial printing, construction and engineering, construction and farm machinery, diversified commercial services, electrical components and equipment, employment services, environmental services, industrial conglomerates, industrial machinery, office services and supplies, railroads, trading companies, and distributors. For reference, the Industrials industry accounted for 10.8 percent of the S&P 500 in December 2003.

There were 50 Industrials companies in our overall sample, and the representation of women on their top management teams ranged from 0.0 to 36.5 percent. We examined 12 top-quartile and 15 bottom-quartile companies.

Information Technology and Telecommunication Services Industry

In terms of ROE, on average, top-quartile companies financially outperformed bottom-quartile companies in the Information Technology and Telecommunication Services industry. In terms of TRS, top-quartile companies did not financially outperform those in the bottom quartile on average.

Specifically, the average ROE was 13.8 percent (or 2.0 percentage points) higher, while the TRS was 40.6 percent (or 66.9 percentage points) lower for the group of top-quartile companies than for the group of bottom-quartile companies. These findings are not statistically significant.

Figure 13A: Average ROE by Gender Diversity Top and Bottom Quartiles—Information Technology and Telecommunication Services

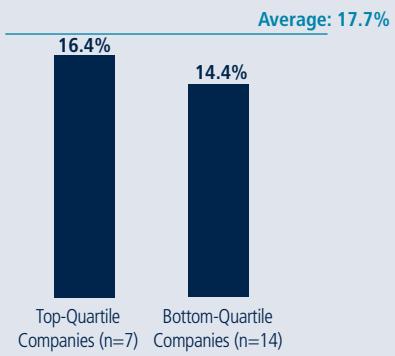
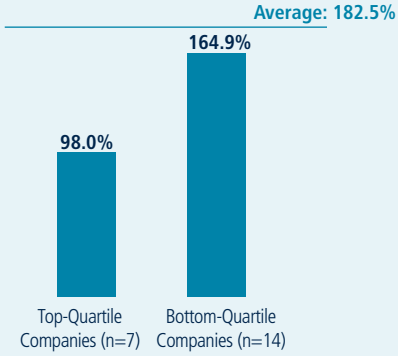


Figure 13B: TRS by Gender Diversity Top and Bottom Quartiles—Information Technology and Telecommunication Services



The Companies Studied. The Information Technology and Telecommunication Services industry includes Information Technology's application software, communications equipment, computer hardware, computer storage and peripherals, data processing and outsourced services, electronic equipment manufacturers, electronic manufacturing services, home entertainment software, Internet software and services, IT consulting and other services, office electronics, semiconductor equipment, semiconductors, systems software, and integrated and wireless telecommunications services. This sector accounted for 17.9 percent of the S&P 500 in December 2003.

There were 39 Information Technology and Telecommunication Services companies in our overall sample, and the representation of women on their top management teams ranged from 0.0 to 24.8 percent. We examined 7 top-quartile and 14 bottom-quartile companies.

APPENDIX 5: STANDARDIZATION PROCEDURE FOR FINANCIAL PERFORMANCE MEASURES

Why was the standardization procedure used?

When comparing groups of companies across industries, differences in financial performance could be attributed to industry differences rather than differences in gender diversity. For example, Pharmaceuticals experienced much better financial performance than the rest of the industries, *and* companies in that industry also tended to have a higher representation of women on their top management teams. To avoid this covariance effect, standardized financial performance measures were used to make comparisons within the overall sample, as well as among Catalyst Award winners and others.

In order to level the playing field across industries, we removed any inter-industry differences while maintaining any intra-industry differences. This allowed for a more accurate comparison of financial performance between groups of companies from a variety of industries.

How was the standardization procedure done?

Step 1 The means and standard deviations for each financial performance measure for each of the industries were calculated, using all financial performance measures of all of the companies in each industry sector.

Step 2 Financial performance measures for each of the companies were standardized within their own industries—by subtracting the industry mean from the observed value and dividing it by the standard deviation of the industry—such that they had a mean of 0 and a standard deviation of 1.

Step 3 The standardized values from Step 2 were then reverse-standardized to the mean and standard deviation of the overall sample. This was done by multiplying the standardized values from Step 2 by the standard deviation of the overall sample. We then added back the mean of the overall sample.

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ACKNOWLEDGMENTS

This report is the result of the hard work and commitment of many dedicated Catalyst staff and advisors. Former Catalyst President Sheila Wellington offered her leadership to the project. Current Catalyst President Ilene H. Lang provided her leadership in developing the report and its findings. Susan Black, Ph.D., Vice President, Canada and Research and Information Services, conceived of and oversaw this research, providing her insight and guidance.

Margaret Yap, Director, Canada, directed the research, devised the methodology, performed data analysis, and wrote the report. Adrienne Palmer, Associate, Canada, researched and identified the company sample, conducted data analysis, and participated in writing the report. Paulette R. Gerkovich, Ph.D., Director, Research, provided insight on communication of research findings and refined the report draft. We are also grateful to Jan Combopiano, Director, Information Center, for providing an extensive literature review and secondary research on the study's industry sample.

Kara Patterson and Andrea Juncos edited the report under the guidance of Nancy Guida, Vice President of Marketing and Public Affairs. Regina Chung completed the design and layout of the report. We also thank the Marketing and Public Affairs team for their work to publicize the report as well as Burson-Marsteller New York for its strategic advice on media dissemination.

We are indebted to the commitment and guidance of our advisory panel. We thank Professor Harvey Wagner, Kenan-Flagler Business School of the University of North Carolina at Chapel Hill, for his extensive work advising us on conceptual design, methodology, and interpretation of the data. We also are grateful for the comments and direction provided by: Dr. Barbara A. Gutek, Eller Professor of Women in Leadership, Eller College of Business and Public Administration, University of Arizona, particularly for her perspectives on organizational demography; and Dr. Paul J. Halpern, Toronto Stock Exchange Chair in Capital Markets and Professor of Finance, Rotman School of Management, University of Toronto, particularly for his advice on financial performance measures. We sincerely thank those at McKinsey & Company—Stephanie Coyles, Principal, Amee Chande, Associate, and Sophie Weirich, Business Analyst—who laid the groundwork for this study and assisted us in the early stages of research design. We further are indebted to J. Randall White, Vice President, Corporate Affairs, Sara Lee Corporation, and Lesya A.E. Balych-Cooper, Vice President, Equity and Employee Engagement, BMO Financial Group, for reviewing the report draft and providing critical insights.

Thank you to Catalyst's Board of Directors, Board of Advisors, Western Region Advisory Board, and Canadian Advisory Board for their support and guidance.

Finally, we owe tremendous thanks to our sponsor, BMO Financial Group, for making this study possible.

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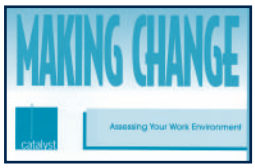

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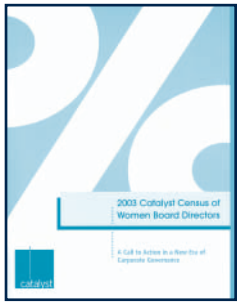

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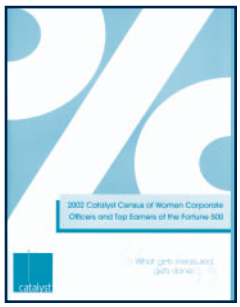

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