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Women CEOs in Russia

Financial performance indicators



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We are proud to present our new research on women leaders in Russia. In this study, we analyzed the association between the gender of CEOs and the financial performance at Russian companies of various sizes.

Introduction

Gender equality is one of the most important issues in corporate governance today. Women are only slightly less active on the Russian labor market than their male counterparts (making up **48.6%** of the total workforce¹), however, their representation in management positions significantly lags behind that of men. Average women's earnings are **30%** less than those of men in Russia. As of now, existing data and research do not yield conclusive evidence on how this gender imbalance affects financial performance and decision-making within companies.

This study examines the association between the gender of CEOs (or other similar roles) and the values of financial performance indicators in Russian companies. To describe the connection, we used exploratory analysis of gender, credit history and financial indicators for companies of various sizes over a five-year period.

Around **20%** of all CEOs in Russia are women. Although this figure has remained stable for the past several years, it is still approximately **4.5 times** higher than the global average. Notably, the share of women CEOs in our sample varies considerably depending on a company's size and sector. Thus, women account for over **35%** of CEOs in the social sector (education, health), while taking just **8%** of the top jobs in the mining and energy sectors, as well as in the upper echelons of government. We also saw that companies with higher revenues are less likely to have a female CEO.

Women CEOs demonstrated a high level of competence at managing capital and improving gross revenues at all companies studied. Female-led micro businesses consistently posted better financial indicators than their male-run counterparts, whereas larger companies led by male CEOs achieved higher net profits than those with female CEOs. This perhaps demonstrates the importance of creating well-balanced teams of managers.

We also examined companies' credit histories, including the share of defaults as a performance indicator. Having a female CEO significantly reduced the likelihood of default for companies with total revenues of RUB 800 mln or less. However, it was not possible to establish a clear correlation between a company's chance of default and its CEO's gender profile for larger companies.

Presumably, if the existing gender gap among the corporate executives was to close, the relationship between a company's financial and credit indicators and the gender profile of its management would also even out. Given the current dearth of female CEOs, women executives need to significantly outperform their competition to reach top positions, meaning that those who make it are generally well-equipped to secure strong results for their companies — clear differences in management styles notwithstanding.

Research methodology

Sampling and data collection methods

We collected our data from a database of Russian companies that discloses their financial information and credit history.

Our sampling method for company credit histories ensures continuity by year, sector and company size throughout the five-year review period (2012–2017: newer data was therefore not available, as it has not yet matured).

Our resulting sample consisted of **224,100** companies, spanning **19** sectors of the Russian economy.

Analysis

We analyzed the following factors: a company's performance, credit history and how they correlate with the gender profile of its CEO. The companies were categorized according to the revenue size.

The following indicators were included to assess companies' performance:




- Return on equity and assets (ROE, ROA);
- Gross, operating, and profit margins;
- Efficiency ratio;
- Debt ratio.

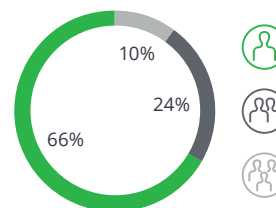
The formulas used to calculate these financial coefficients are included in the appendix.

Using credit history data, we also analyzed whether there is any correlation between loan default rates and the gender of a company's CEO. By "default", we mean companies with debt overdue for more than 90 days.

Company size by revenue

Companies were split into three groups based on the revenue size:

-  Micro businesses with revenues of less than RUB 120 mln (148,929 companies);
-  Small companies with revenues of RUB 120–800 mln (52,692 companies);
-  Medium and large companies with revenues of over RUB 800 mln (22,479 companies).





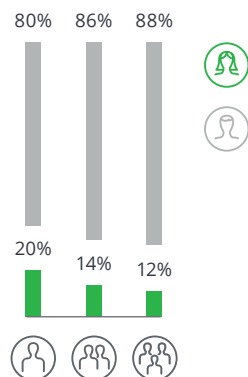
The share of women CEOs in Russian companies



20% Share of women CEOs in Russia

The percentage of female CEOs, despite stalling at around **20%** over the past several years, is nevertheless higher than the global average. According to a study conducted by Deloitte in 2019, women hold **4.4%** of CEO roles worldwide. Meanwhile, in Europe, the figure is **34.8%**.²

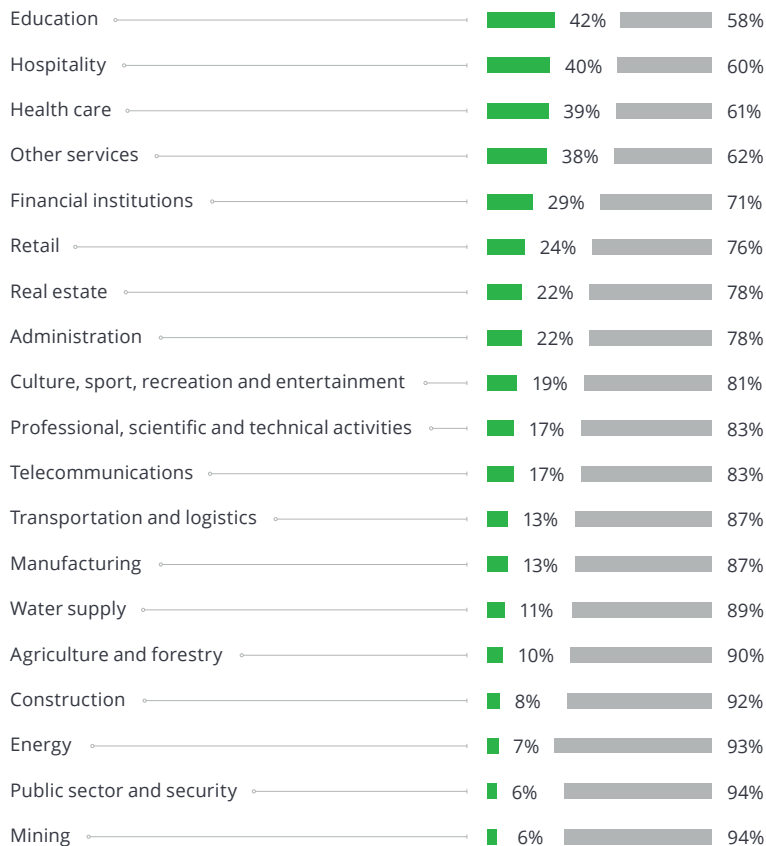
Share of women CEOs by company size



The vast majority of companies sampled (**90%**) were micro or small companies with revenues of less than RUB 800 mln. Notably, micro businesses have the largest share of women CEOs (**20%**). The larger the company's revenue, the less likely it is to have a female CEO: in companies with revenues of more than RUB 800 mln, this figure drops to **12%**.

Only **6.5%** of Russia's 200 largest companies have female CEOs.³

Share of women CEOs by sector



We sampled **19** sectors of the Russian economy, all of which have more male than female CEOs.

The industries with the largest share of women CEOs are:

- education (**42%**);
- hospitality (**40%**);
- health care and social services (**39%**).

The sectors with the smallest share of women CEOs are:

- energy (**7%**);
- public sector and security services (**6%**);
- mining (**6%**).

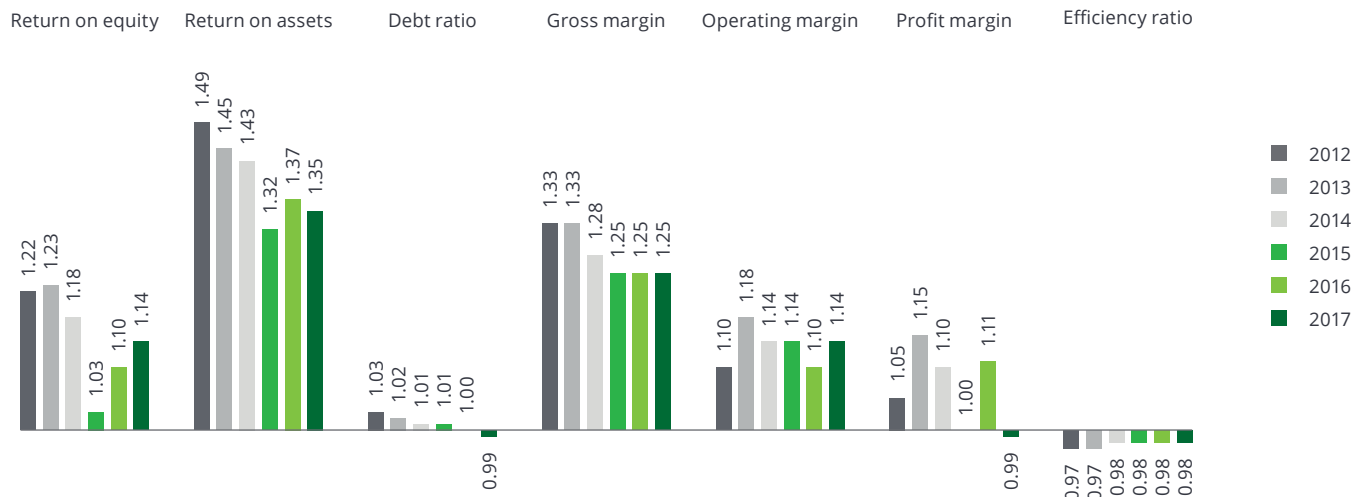
Notably, the sectors with the most female CEOs are generally socially-oriented or include some form of social care; they also tend to be less well-compensated. These are also traditionally female-dominated industries.

Company performance

Micro businesses

Below is our analysis of companies' performance based on the selected financial indicators. The graph reflects the performance of woman-led companies relative to that of male-led companies. A result of more than 1 indicates that female-led companies have outperformed male-led companies for that indicator.

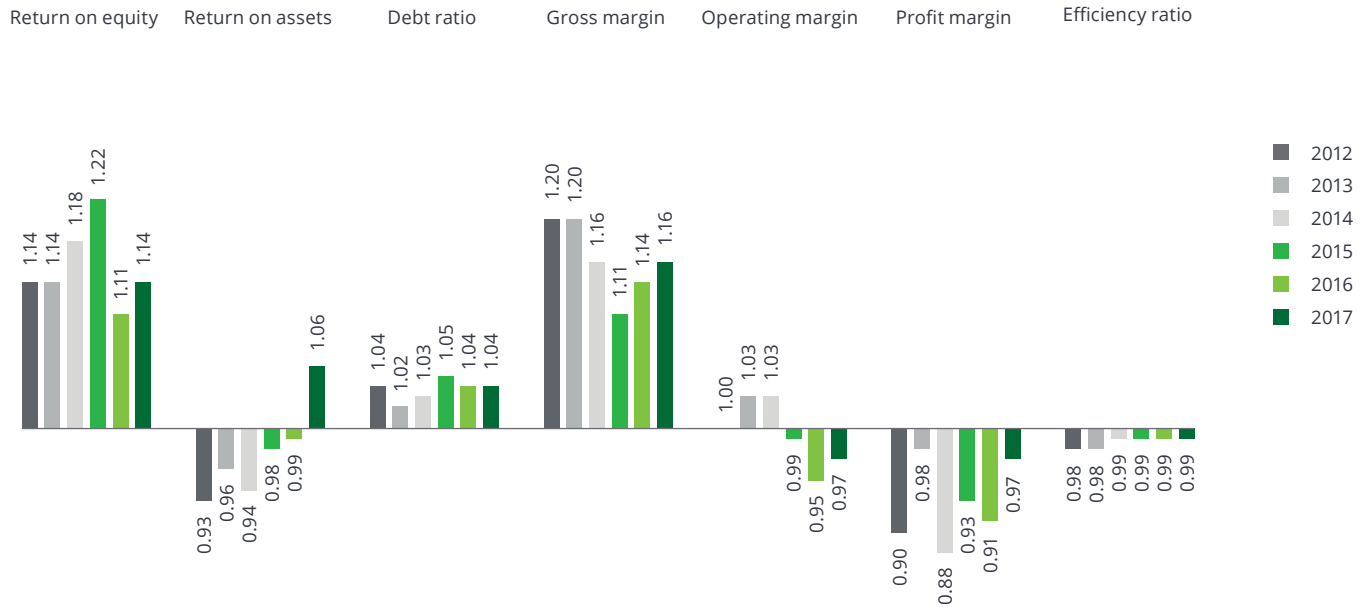
- Generally speaking, micro businesses headed by women performed consistently better across the majority of indicators.
- Return on assets and equity is higher by an average of **40%** and **15%** respectively. The sales margin indicators were also higher for micro businesses headed by women. Gross margin for female-led companies was on average **28%** higher than that for male-led companies. However, this difference falls to just **7%** for net profit margin.
- The debt ratios of micro businesses headed by women vs. those headed by men are roughly the same. However, women have consistently better efficiency ratios: outperforming men by **2%** on average.



Small companies

Women CEOs of small companies only achieve consistently higher results for certain indicators, including ROE, efficiency ratio, and gross margin. The performance of women CEOs is relatively equal to, or slightly lower, than that of men for all other indicators.

- ROE for companies run by women is on average **16%** higher than for companies run by men, while ROA is **2%** lower.
- Women CEOs enjoy higher gross margins (**16%** higher) and efficiency ratios (**2%** higher) than their male counterparts. However, a relative profit margin indicator tells a different story, with male CEOs achieving better results here (with an average of **7%** higher compared to women).
- The debt ratio of small companies run by women is consistently higher than for those run by men, by roughly **4%**.

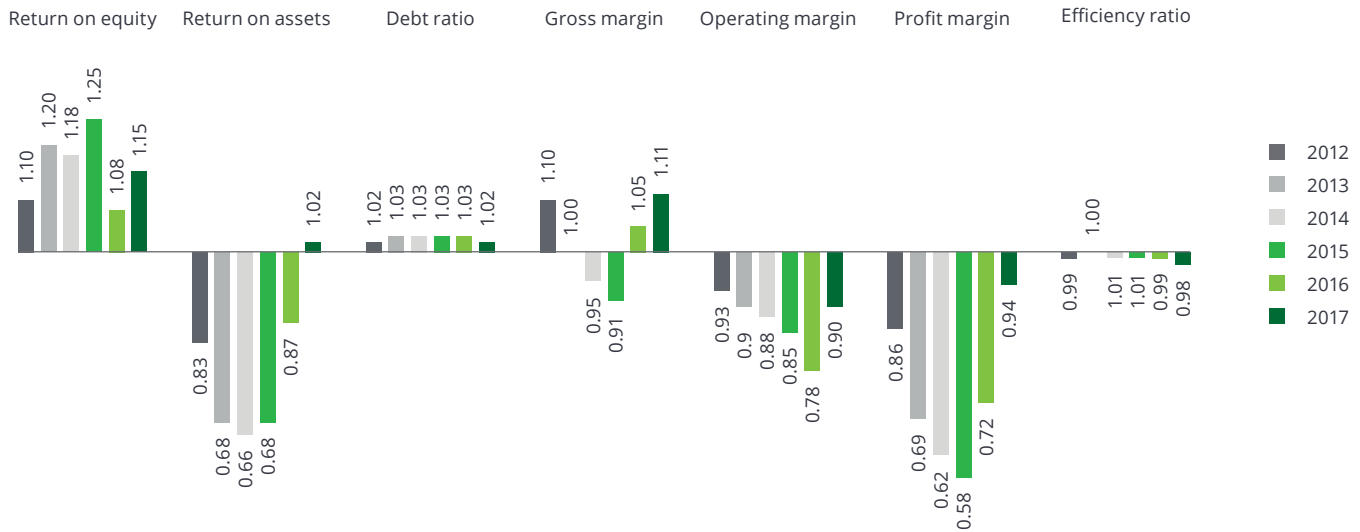


Large and mid-sized companies

We were not able to draw a clear conclusion about the effectiveness of a certain CEO gender profile for large and mid-size companies. It is worth noting that this is the group with the fewest female CEOs (**12%**). It would appear that companies managed by women tend to have a more aggressive balance sheet structure and lower levels of profitability. This may be connected with the “glass cliff” phenomenon⁴ — when women are more likely to be taken on as CEOs during periods of crisis, putting CEOs in a particularly vulnerable position.

Female-led large and mid-size companies have better ROE indicators than companies headed by men (**16%** higher on average). The ROA indicators for large companies with women at the helm are **21%** lower than those with male CEOs. The efficiency ratio at large and mid-size companies is roughly equal for male and female CEOs; however, the debt ratio is on average **3%** higher at companies led by women.

Although the gross margin indicator does not reveal a clear correlation, profit margins are an average of **35%** higher for companies with male CEOs than for companies led by women.



Credit history

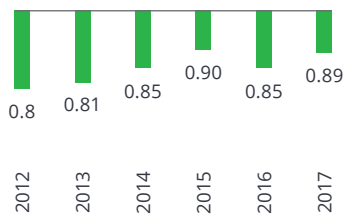
Share of defaults

Upon close analysis of company credit history for each revenue category, we found that the pattern of defaults largely corroborates our findings for other performance indicators. We calculated a ratio of the loan default rates at companies run by women to the corresponding figure of the male-led companies. A result of less than 1 indicates that there were less defaults for female-led companies than for male-led companies.

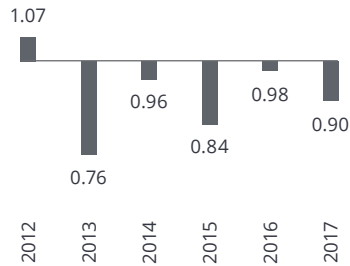
The percent of defaults is consistently lower—by **15%**— for micro companies with women CEOs. The difference drops to **8%** for small companies, but women CEOs still outperform their male counterparts.

The default ratio for men vs. women CEOs at large and mid-size companies is roughly 1, indicating an equal likelihood of loan default in male- and female-led companies of this group.

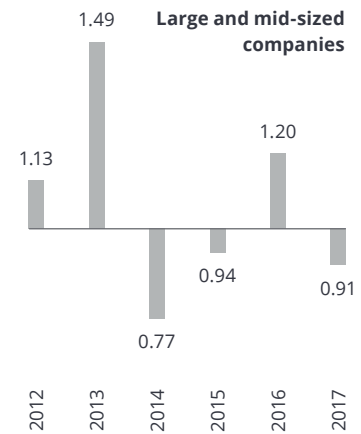
Micro businesses



Small companies



Large and mid-sized companies



Deloitte initiatives to promote women in leadership

All-In strategy

An important element of Deloitte's strategy is All-In, which promotes an inclusive environment for all employees and support for women aiming for the top positions within the company. The objective of the All-In strategy is to expand access to professional experience, take advantage of the diversity of people and ideas, and, as a result, increase the value of the services we provide to our clients and society. This strategy has helped Deloitte CIS achieve full gender parity in appointments to directorial positions.

Women in Leadership

In 2018, Deloitte CIS launched an educational and networking programme for clients called Women in Leadership (WiL). Through the programme, women leaders at Russian and international companies develop their skills and exchange knowledge to develop their careers further. They also build connections with their colleagues at other companies and fellow Deloitte professionals. The programme launched a new stream in 2020. In addition, Deloitte CIS actively contributes to the creation of opportunities for female professionals within the firm. Priority areas for improvement include creating an environment that allows for a healthy work-life balance; reducing employee turnover for female employees; and improving the adaptation process after new mothers' return from maternity leave. We regularly conduct career coaching sessions, provide mentorship opportunities, as well as workshops on returning to work after maternity leave.

Women@Risk Club

March 2019 saw the launch of the Women@Risk club, created to support the careers of women in risk management. The club organizes regular meetings with topics related to fostering a risk-oriented culture in the company, managing credit risk, the work of women on board of directors, and practical aspects of management.

Program leaders of women leadership initiatives at Deloitte CIS



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Appendix

Calculation of financial indicators

Companies' performance was assessed based on financial indicators. Below are our definitions and formulas for financial coefficients.

Return on equity (ROE) = Net profit / Total equity.

Return on assets (ROA) = Net profit / Assets.

Gross margin = Gross profit / Revenue.

Operating margin = EBIT / revenue.

Profit margin = Net profit / revenue

Efficiency ratio = Cost of goods sold / revenue.

Debt ratio = Debt / Assets.

Sources

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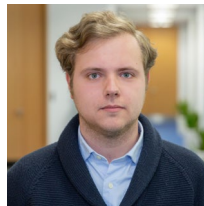
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