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Quotas are not the answer for diversity

Companies with more women on their boards outperform others with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity.

Who needs great marketing or innovation, when such a simple thing as putting another woman on your board has such a dramatic effect? This astonishing finding comes from a piece of research that is one of the key pieces of evidence in Lord Davies' new report recommending major changes to encourage more women onto company boards.

Did the writers of this report ever ask themselves whether such an extraordinary claim is credible? I looked at the original research, and it consists of a single page of graphs relating to a few hundred US companies between 2001 and 2003.

It compares various financial measures of companies with top quartile proportion of female board members against bottom quartile. US boards are largely non-executive and only 11% of directors are female, so the research is used to suggest that having one or two more female non-executives is probably the single most value generative thing a company can do.

Lord Davies's report ignores the disclaimer printed on the research paper: 'Correlation does not prove or imply causation'. That means that these are interesting numbers, but there is actually no evidence that it is the women that cause those companies to perform well.

Retail boards have an above average representation of women, with names such as Kate Swann, Angela Ahrendts, Kate Bostock and Lucy Neville-Rolfe featuring on top retail boards

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One headhunter told me this week that the difference between women and men candidates for non-executive board positions was that women on average were more choosy than men about which to accept, more frequently turning down offers.

So it seems quite likely that causation flows the other way. Women may be more likely to agree to join successful companies or ones that have other performance elements (eg, a high quality board, good governance, strong track record).

Never mind, let's not let facts get in the way of a call for greater diversity. Oh, but hang on, diversity means people from different backgrounds, perhaps different races or religions. This current push is only about gender diversity. I haven't noticed the government researching into whether having too many white, middle-aged people is bad for performance.

Before I get pilloried for being a chauvinist: not true. I prefer working in any team with a mixture of people, including both sexes. But I'm not out lecturing to others on what they should do, nor 'nudging' them to discriminate positively in job appointments.

The new target is to have 25% of board members being female, up from the existing FTSE 100 level of 12.5% now. However, for the largest four listed food and 10 non-food retailers, the average is already 20%, and indeed 34% of non-executive directors.

So it seems that, once again, retailers are ahead of the pack and are no doubt doing it for reasons a lot more reliable than dodgy statistics.