

Gender Diversity at Workplace and its Impact on Firm Performance



The growing interconnectedness of nations and the globalization of commercial activities have spurred significant scholarly interest in human resource management (HRM), particularly in relation to gender diversity. Diversity within organizations has the potential to enhance value and positively impact overall profitability in an increasingly competitive economic landscape. Gender diversity (GD) in the workplace specifically refers to the representation of individuals across male and female genders at various roles and levels within an organizational hierarchy (Ararat et al., 2023).

In recent years, gender diversity has become a central focus for organizations aiming to enrich workplace culture, boost innovation, and drive financial growth. Companies are increasingly aware that diverse teams offer varied perspectives, enhancing decision-making, sparking creativity, and ultimately contributing to stronger business outcomes. Research indicates that firms with higher levels of gender diversity tend to be more adaptable and achieve superior financial performance. Gender, shaped by social constructs, has led to distinct differences in perspectives, knowledge, experiences, and professional networks between men and women. While some argue that mixed-gender teams may outperform homogenous ones, empirical studies at the organizational level have yielded mixed results.

Gender Diversity in Pakistan

According to the Global Gender Gap Report 2024, that achieving complete global gender parity will take approximately 134 years at the current rate of progress. Though gender inequality is a worldwide challenge, Pakistan's metrics reveal particularly severe disparities and frequent gender-based violence impacting women. Therefore, Pakistan ranks 145th out of 146 countries, highlighting deep-seated gender disparities. Across key areas:

- **Economic Participation:** Only 24% of Pakistani women are active in the workforce, predominantly in informal, low-wage roles. Leadership representation is critically low, with women holding under 6% of senior roles, and wage disparities remain substantial.
- **Education:** Despite gradual improvements, female literacy is at 67.1%, and gender gaps are still evident, particularly in secondary and higher education, slowing overall progress.
- **Health and Survival:** Ranked 132nd, access to healthcare for women is limited, with decision-making often influenced by family members. Barriers in reproductive and general healthcare deepen health risks.
- **Political Empowerment:** Pakistan ranks 112th, with women occupying 19.3% of parliamentary seats and 6% of ministerial roles, often through quotas rather than widespread inclusion.

Gender diversity serves not only as an ethical responsibility but also as a strategic advantage. By promoting equal opportunity, companies attract top talent, strengthen their reputation, and positively enhance their brand image. Supporting this perspective, a study by Badal and Harter (2014) explored the relationship between gender diversity, financial success, and employee engagement across 800 business units in two distinct industries. Their findings revealed a strong correlation between employee engagement, gender diversity, and financial performance, suggesting that organizations that prioritize diversity may realize improved financial outcomes. Additionally, research by Wiley et al. (2018) examined board diversity and firm performance within the Science, Technology, Engineering, Mathematics, and Finance (STEM&F) sectors. Wiley's study concluded that firm performance significantly improves when corporate boards have at least 30% female representation.



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Best and Worst Countries for Gender Equality

Global Gender Gap Index 2024 rankings
(1 = full gender parity)

Rank change
from 2023

1	Iceland	0.935	→ -
2	Finland	0.875	↗ +1
3	Norway	0.875	↘ -1
43	United States	0.747	→ -
129	India	0.641	↘ -2
144	Chad	0.576	↗ +1
145	Pakistan	0.570	↘ -3
146	Sudan*	0.568	n/a

* New to index in 2024

Based on the following indicators: Economic participation and opportunity, educational attainment, health and survival, political empowerment

Source: World Economic Forum

Theoretical Framework and Gender Diversity

Human capital theory posits that firms excluding candidates based on factors unrelated to productivity risk undermining their own performance by limiting access to a diverse and talented workforce (Richard et al., 2006). Similarly, the resource-based view (RBV) (Krishnan & Park, 2005) aligns with principles of strategic human resource management (Becker & Huselid, 2006), suggesting that gender diversity enhances organizational competitiveness by improving decision-making, fostering innovation, and introducing diverse perspectives and cognitive approaches. Gender diversity can ultimately provide a sustainable competitive edge, as it represents a valuable, rare, inimitable, and irreplaceable resource. Additionally, empirical studies affirm that gender diversity contributes positively to team effectiveness (Schneid et al., 2012).

Gender Diversity Impact on Firm Performance

- **Enhanced Financial Performance** - Studies consistently demonstrate a strong link between gender diversity and financial performance. A McKinsey & Company report (2020) found that companies in the top quartile for gender diversity on executive teams were 25% more likely to achieve above-average profitability than those in the bottom quartile. This advantage stems from the broader perspectives women contribute, enhancing decision-making and risk management.

- **Increased Innovation and Creativity** - Gender-diverse teams bring varied perspectives, enhancing problem-solving and fostering creativity. A Harvard Business Review study (2018) found that diverse teams are 45% more likely to report market share growth. Embracing gender diversity cultivates an environment where innovation thrives, a key advantage in competitive, rapidly evolving industries.
- **Improved Decision-Making Quality** - Gender-diverse teams often engage in more collaborative discussions, enhancing decision-making. The Credit Suisse Gender 3000 report (2019) showed that companies with at least one female board member outperformed those without in stock performance and return on equity, as diverse teams consider broader perspectives and reduce groupthink.
- **Enhanced Employee Engagement and Retention** - Inclusive workplaces that prioritize gender diversity see higher employee engagement and lower turnover. Deloitte research (2021) shows these organizations have a 27% higher retention rate, as employees who feel respected are more likely to remain, driving greater commitment and productivity.
- **Improved Customer Insights and Market Reach** - Gender diversity in leadership enhances an organization's ability to meet diverse customer needs. A Boston Consulting Group study (2018) found that companies with greater gender diversity in leadership generated 19% more innovation revenue. Women leaders bring valuable consumer insights, especially in sectors like retail, healthcare, and consumer goods, where women comprise a large customer base.

Strategies for Promoting of Gender Diversity

- **Implementing Bias-Free Hiring Practices** - Companies can mitigate hiring biases through structured interviews, blind recruitment, and diverse hiring panels. Organizations like Deloitte and Google actively use data analytics to track diversity metrics and ensure accountability in reducing unconscious bias (Google Diversity Report, 2020).
- **Promoting Equal Pay** - Regular pay transparency and audits help close the gender pay gap. Salesforce, for instance, has invested significantly in pay equity adjustments and routinely audits compensation to ensure fairness (Salesforce, 2019). Prioritizing equal pay strengthens a company's commitment to gender equality, enhancing its reputation and appeal to talent.
- **Offering Mentorship and Sponsorship Programs** - Mentorship programs connecting women with experienced mentors offer essential guidance, networking, and career support. Additionally, sponsorships—where senior leaders advocate for female employees—are highly effective, with Catalyst research showing women with sponsors are 23% more likely to advance in their careers (Catalyst, 2021).
- **Creating a Flexible Work Environment** - Flexible work options—such as remote work, flexible hours, and parental leave—help attract and retain women balancing work and family. PwC, for example, has adopted flexible policies for all employees, reinforcing its commitment to a diverse and inclusive workplace (PwC, 2020).
- **Fostering an Inclusive Culture** - Leadership should foster a culture of respect, inclusion, and equal opportunity through diversity, equity, and inclusion training and open discussions on gender and diversity. Such inclusive cultures attract talent and enhance employee well-being and productivity.

Gender Diversity Case Studies in Organization and Performance

- **IBM** - IBM has been a leader in gender diversity, with women holding over 30% of senior executive roles. The company credits its innovation and market success to this diversity, noting that inclusive teams enhance creativity and business outcomes, bolstering IBM's reputation and competitiveness in tech (IBM Annual Report, 2020).
- **Unilever** - Unilever has achieved gender balance in management, with women representing 50% of leadership roles. This commitment to gender equality supports its financial success, as diverse teams drive innovation and productivity. Unilever also addresses the gender pay gap through regular compensation audits to ensure fairness (Unilever, 2021).
- **Accenture** - Accenture aims for a gender-balanced workforce by 2025, with women already making up 47% of its team. This commitment to diversity has enhanced employee satisfaction, innovation, and financial performance, supported by inclusive policies like gender-neutral parental leave and leadership training for women (Accenture, 2020).

Conclusion

Gender diversity clearly enhances firm performance, driving financial gains, innovation, improved decision-making, and higher employee engagement. Although challenges persist, organizations that foster inclusive cultures and prioritize fair hiring, equal pay, mentorship, and flexible work environments are better equipped for sustainable success and long-term competitiveness in the global market.

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