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Are Females good Managers in MENA Countries?*

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1. Summary

This policy brief tries to answer the important question of whether firms gain from women participation in management positions. The debate on academic and policy levels have not reached a consensus regarding the existence of gender gaps in firm performance. This policy brief attempts to clarify some of the misconceptions associated with the idea that female managed firms perform worse than male managed firms, and identify what are the steps needed for increasing the participation of women in management positions.

2. Introduction

Since the early 1990s, there has been a growing interest in the gender gap issue. Several international organizations, among them the World Bank (WB) [1], the World Trade Organization (WTO) and the United Nations Development Program (UNDP) have introduced "gender" as a crucial cross-cutting issue that needs to be addressed in the fields of economics and social sciences. In particular, the WB has several programs targeted at boosting women's empowerment, promoting women's entrepreneurship and improving women's health. Among these initiatives, the WB has launched in 2017 the Women Entrepreneurs Finance Initiative (WEFI) that will provide more than 1 billion USD fund towards technical assistance, access to credit and investment in programs supporting women-led small and medium firms. The initiative was proposed by the United States and Germany and received strong support from other Development Assistance Committee donors. In addition, the achievement of gender equality and empowerment of women is one of the commitments of the Sustainable Development Goals (SDG 5), to which the UN Member States committed in 2015, with a deadline in 2030 (WB, 2015).

In countries in which women discrimination is prevalent, it is relevant to investigate the factors that drive gender gaps in firm performance, firm size and access to finance. In MENA countries, women participation in economic activities is less prevalent than in other regions with more liberal cultural backgrounds. Hence, it is crucial to shed some light on the factors that could contribute to overcome the barriers that deter females from participating in managerial activities as well as to give some insights on the appropriate programs to support women-led firms and that should be financed by the WEFI.

Existing research on the performance gap between female and male firm' owners for other regions indicates that there are significant gender gaps in terms of firm size, but not always in terms of sales growth and productivity (Bardasi et al, 2011; Allison et al, 2015). While most previous papers focus on whether or not there is a female owner (Bardasi et al, 2011; Allison et al, 2015), we argue that the focus should be on the top manager being a female, since the decision maker is the manager and hence the responsible for the performance of the firm (already pointed out by Aterido et al, 2011).

In this policy brief, we use a newly available gender variable in the 2016 version of the World Bank Enterprise Survey dataset (WBES), to analyze the relationship between gender and firm performance in the MENA region. More specifically, we question whether there is a gender gap in performance when the top manager is a female, and compare the results with a gender gap when the ownership criterion is used to define the gender variable.

3. Approaches and Results

In the newest multi-country version of the WBES released in October 2016, the questionnaires are based on similar sampling techniques in all countries and hence provide fairly comparable firm-level data. It includes countries in six developing regions, namely South Saharan African (SSA), East Asia and Pacific (EAP), Eastern Europe and Central Asia (ECA), Latin America and Caribbean (LAC), Middle East and North Africa (MENA) and South Asia Region (SAR). In addition, the data includes two regions comprising high income (HI) countries; the first for OECD and the second for non-OECD countries.

There are a number of questions related to female ownership and female top managers. The question: Are any of the owners female? Allows us to identify whether there is a women among the owners. A second question classifies firms into 5 categories according to sex dominance in the ownership of the firm. As a measure of gender diversity in ownership a variable dummy could be used that takes the value of one if ownership is equally divided among males and females, if females are a majority or if all owners are females, zero otherwise. A third question asks whether the top manager is a female. However, for this question there are insufficient answers available. The correlation between female presence and female executive is 42% and in 12% of cases the manager is a female and there is female presence in ownership.

The data also enable us to identify a number of firm performance variables, as well as variables capturing the main obstacles that may affect the relative performance or female versus male owned enterprises. The main performance variables are labour productivity and value added per employee and total sales [2]. Descriptive statistics corresponding to the female participation variables are shown in Table 1. The left part of Table 1 shows the average shares of females involved in entrepreneurship by region and the right part show those for each of the MENA countries surveyed.

Female entrepreneurs are a minority in all world regions examined, but with marked differences. The first column shows that the presence of females among the owners (definition of gender most frequently used in previous research) is around 36% in ECA, a number similar to the average in high-income countries, slightly lower in SSA (28%) and much lower in SAR and MENA. In contrast, EAP countries show an average share of female owners of 50%. Within the MENA region, Tunisia shows a number similar to the ECA average (36%), whereas Yemen and Jordan show the lowest shares (3.4% and 2.9% respectively). The second column shows the average share of female top managers, the shares are much lower in general and follow a similar pattern across regions and countries, with MENA showing the lowest share (4%). Among the MENA countries, Iraq and Yemen show the lowest share of female top managers, only 1%, whereas Djibouti and Tunisia show the higher (14% and 8%, respectively). Finally, gender diversity in ownership indicates that at least half of the owners are females in 24% of the firms in EAP, region that shows the highest number among the developing regions, whereas the lowest share (5%) is shown for MENA countries. Within MENA we find a similar pattern as for female top managers.

Table 1. Share of female entrepreneurs by region and MNA countries

Region	Owners Female Presence	Top Manager Female	Owners 50% Females	Country	Owners Female Presence	Top Manager Female	Owners 50% Females
SSA	0.29	0.14	0.16	**Djibouti 2013**	0.06	0.14	0.1
EAP	0.50	0.27	0.24	**Egypt 2013**	0.08	0.05	0.05
ECA	0.36	0.17	0.17	**Iraq 2011**	0.07	0.01	-
LAC	0.37	0.16	0.24	**Jordan 2013**	0.03	0.02	0.03
MENA	0.10	0.04	0.05	**Lebanon 2013**	0.17	0.05	0.07
SAR	0.16	0.08	0.06	**Morocco 2013**	0.13	0.05	0.05
HI: OECD	0.36	0.17	0.2	**Tunisia 2013**	0.37	0.08	0.07
HI: NOCDE	0.36	0.21	0.26	**Yemen 2013**	0.03	0.01	0.01
Total	0.32	0.16	0.14	**Total**	0.1	0.04	0.05

Note: Female Presence=1 if at least a female is among the owners, zero otherwise, Top Manager Female=1 if the top manager is a female, zero otherwise, Owners 50% Females=1 if at least 50% of the owners are females. Source: Word Bank Group (2016).

In a related project (FEM42-10) we execute a regression analysis using female participation in ownership and female top manager to examine whether these variables influence firm performance. We find that when females manage the firm, and there are no female owners, the firm has a higher average labour productivity. These firms are on average 22% more productive than male managed firms. However, if females are among the owners of the firm, then the productivity is in general lower than for other firms. For these firms the average labour productivity is around 15% lower. Similar results are obtained when using value added per employee or total sales as outcome variables to measure the performance of firms.

These results are very heterogeneous among regions and among countries in the MENA region. In particular, focusing on the MENA region the result indicate that in Tunisia firms with female executives have a better performance than firms without, independently of the gender-division in ownership. However, in Morocco female presence in ownership is associated with better performance but female management does not show a significant effect. For this country there are no firms in the survey with a female top manager and female owners and hence the interaction coefficient cannot be estimated, as for Jordan and Yemen.

4. Conclusion

A more comprehensive firm level dataset, available for countries in six regions in the world economy that include MENA countries allow us to examine gender differences in firm's performance. It is crucial to depart from the most commonly used measure of gender gap in entrepreneurship: female presence in ownership; and focus on top female manager as main measure of female leadership in the private sector. **The main results indicate that the distinction between female management and female ownership matters as well as the confluence between them both.** We find that female managed firms with no female owners show a higher average labour productivity when all world regions are considered. These results are very heterogeneous among regions and among countries in the MENA region. Within the MENA region, results for Tunisia are encouraging, since we find that female participation in entrepreneurship is clearly associated to higher average labour productivity, result partially confirmed also for Morocco. More research is needed for specific countries using richer datasets to relate our results to the specific business environments and cultural and social norms that are present in each country.

5. Implications and Recommendations

We conclude with the policy recommendation that to overcome the highly persistent gender bias in entrepreneurship in MENA countries, it should be extremely desirable to dedicate more resources to educate younger generations. This will redress gender inequality and will turn around gender discrimination. It was shown in the abovementioned research that female management is not necessarily associated to worse firm performance, on the contrary, it is in specific cases the other way around.

These results, complemented with case studies for which more detailed information concerning education of the managers by gender and experience is available, could provide important insights that could be used to **allocate the WEFI funds** to support women-led businesses across countries and industries.

Only with males and females having equal opportunities and power, the effective use of talent by enterprises could be guaranteed. Given that skills is in general scarce in developing countries, discriminatory practices should be avoided because those will impede the best use of talent in detriment to economic development.

Notes

1. “The World Bank Group takes as its starting point that no country, community, or economy can achieve its potential or meet the challenges of the 21st century without the full and equal participation of women and men, girls and boys” http://www.worldbank.org/en/topic/gender.
2. Other authors use sales and employment growth as well. However, we argue that sales and number of workers 3 years ago is misreported and errors in the data are an important issue. Both, sales and employment growth have huge standard deviations and many missing data.

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FEMISE MED BRIEF

FEMISE is a Euromed network established in June 2005 as a non-profit, non-governmental organisation (NGO) following 8 years of operation.

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Its main objectives are:

- *to contribute to the reinforcement of dialogue on economic and financial issues in the Euro- Mediterranean partnership, within the framework of the European Neighbourhood Policy and the Union for the Mediterranean,*
- *to improve the understanding of priority stakes in the economic and social spheres, and their repercussions on Mediterranean partners in the framework of implementation of EU Association Agreements and Action Plans,*
- *to consolidate the partners of the network of research institutes capable of North-South and South-South interactions, while it sets into motion a transfer of know-how and knowledge between members.*

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