

Diversity in Earnings Calls

Why does it take so long for men to finish speaking?

- Gender diversity among key company officers is increasing, social diversity is not
- Female earnings call participants speak more briefly than their male peers

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For some years now companies have expressed their ambition to increase diversity in their workforce and management. We believe that this goal can have benefits for shareholder returns. In this note we analyse quarterly earnings calls for evidence of commitment to and progress in creating diversity.

We believe that increased diversity in company management is a positive development for shareholders: our work has suggested a positive relationship between diversity and a profitability ‘moat’ among companies that are the most threatened by competitive forces. This adds to the body of work suggesting that diversity is more than just a ‘nice to have’; it is instead an economic advantage. See our previous paper [‘Does Diversity Create a Profitability Moat’](#), 18 June 2018 for our analysis of the link.

At Rosenberg Equities, we are developing natural language processing (NLP) language models for use in our stock selection process. One of our key data sources is companies’ quarterly earning calls transcripts. Here we use these data to look for trends that might be relevant to diversity goals.

Companies don’t talk about diversity

Firstly we checked how often diversity and related topics are mentioned in company financial reports and in results meetings. We find no evidence of any trend, for example the word ‘diversity’ was mentioned in various contexts in 5 per cent of meetings in 2018, a rate unchanged since the mid-2000s. Although we were a little surprised by this, it’s not unreasonable as company reports and meetings are intentionally focused on financial results.

Chart 1: Female participation in earnings calls - slow progress and bias across roles

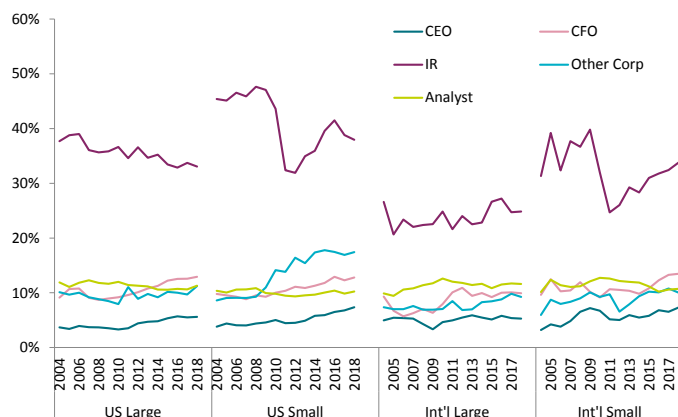
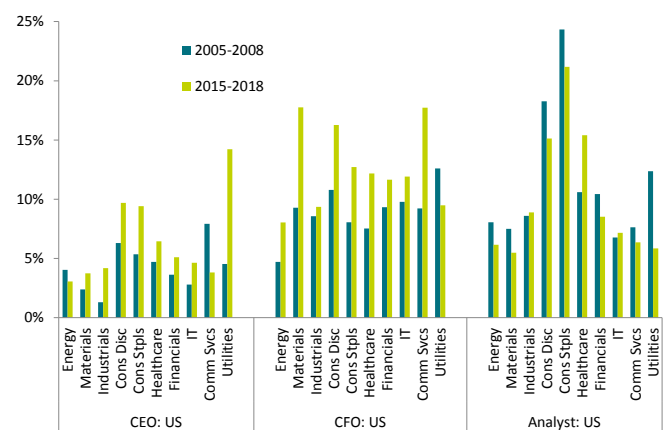


Chart 2: Female participation by GICS sector – progress among executives, but not financial analysts



Source: AXA IM Rosenberg Equities, Factset, US Census Bureau. Chart shows estimated total female speakers as a proportion of all speakers in earnings calls in each category. CEO: Chief Executive Officer and similar roles, CFO: Chief Financial Officer, IR: Investor Relations Officer, Other Corp: other corporate executives, Analyst: investment analyst participant. Charts based on Rosenberg Equities’ internal universe of securities during the timeframe shown.

Gender balance

We next looked at gender balance of participants that companies select for presenting their earnings calls. We used US Census Bureau data to identify the typical gender of first names, and matched these genders to the names of earnings call participants. Among US companies, the proportion of comments from female CEOs (or equivalent) rose from around 3.5 per cent of the total in 2004 to 5.5 per cent in 2018, with all of the increase having taken place since 2010 (Chart 1). For female CFOs, participation rose from around 10 per cent to 13 per cent, albeit with a fall during the Great Recession. Among Investor Relations officers, female participation is much higher, but fell from around 38 per cent to below 34 per cent.

These biases and trends are almost identical for large-cap and small-cap companies, and for non-US companies ('International' on Chart 1). Furthermore, progress towards gender balance in earnings call participation at CEO and CFO level was made in almost all US industries (Chart 2). This gives us confidence in the overall conclusion that listed companies have successfully increased female participation in senior management. Incidentally, the widely reported pattern of relatively low female representation in Information Technology workforces compared to other industries is not seen in this analysis of senior roles.

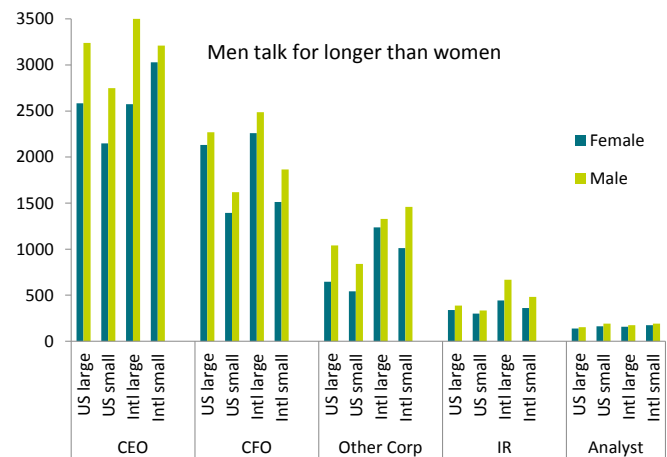
Meanwhile, a very different pattern emerges when looking at investment analysts asking questions during earnings calls. The number of female investment analysts' comments fell from 12 per cent to 11 per cent in US large cap (Chart 1), with significant falls in several industries being offset by increases elsewhere, notably Healthcare (Chart 2).

Why do men talk so much?

Looking at the length of contributions made by earnings calls participants, we see a consistent pattern that males speak for longer than females in similar roles (2018 data, Chart 3). Remarkably, this pattern holds among CEOs, CFOs and investment analysts (in their questions to company management), and across US, International, large cap and small cap companies. Unfortunately we cannot offer any evidence to explain this pattern, though we are aware of the studies that demonstrate, for example, that boy students achieve

more 'air time' in school than girls. It is really surprising that this pattern persists among CEOs, but arguably gender-based language socialization is maybe not limited to children! It could also be the case that female participants are more guarded in their comments, or more economical in their speech...any number of factors could account for this difference between male and female presenters. This could be an area for future exploration.

Chart 3: Average speech length in words, 2018



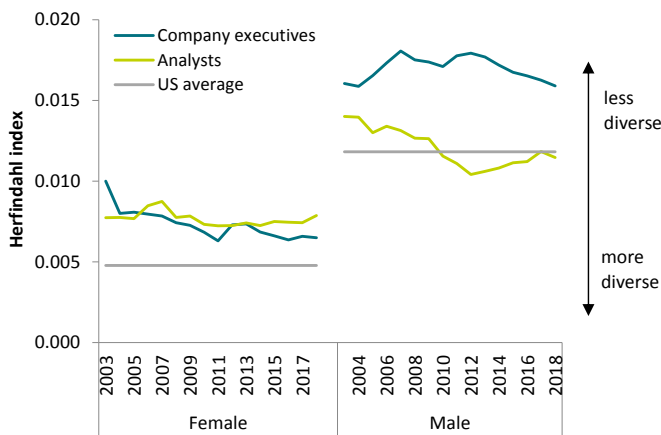
Source: AXA IM Rosenberg Equities, Factset as of 24/05/2019. Chart based on Rosenberg Equities' internal universe of US securities. Other Corp = other corporate executives. Speech length is shown as approximate word count for all interventions per individual per meeting, split by large/small cap, and US/International companies holding earnings calls.

A homogeneous tribe?

There are multiple dimensions to diversity in addition to gender. We wanted to create a gauge of social diversity based on the concentration of given names in US conference call participation. This is an oversimplification and naturally we (as investment analysts) have no expertise in this interesting but complex area. Despite this our reasoning is that, if the background of company or analyst participants in these meetings fails to reflect the broader US population, then certain names might predominate. We used a Herfindahl index (a standard measure of concentration) for comparison (Chart 4). The analysis is split between male and female names. Because female names are simply more diverse across the population than male names we account for that in our analysis. We found that conference call participants share relatively fewer names compared to the US population as a whole, suggesting that company

officers and analysts have not been drawn from a broad cross-section of the population. In other words, there is a lack of diversity, perhaps (but not necessarily) related to social class, religion, age, or ethnicity bias. We found just one exception: among male analysts, the mix has become more diverse over the past 15 years, to the point where now it is quite similar to the overall US population.

Chart 4: US meeting participants - first names concentration



Source: AXA IM Rosenberg Equities, Factset as of 24/05/2019. Chart shows Herfindahl index of concentration. Company executives: all company executives, Analysts: investment analyst participants. US average is based on approximate working-age population (birth dates between 1950 and 1980). Chart based on Rosenberg Equities' internal universe of US securities.

Conclusion

Although discussion of diversity programmes is rare in company financial results presentations, we can see some evidence from looking at meeting participants that companies' stated goals in this area are taking effect. Trends in senior management participation in earnings calls suggest that the gender of CEO and CFO roles has become significantly more balanced in the past 15 years. This compares favourably with the investment analyst community, where no progress has been made in female participation. While the gender balance has improved, we find that, for some reason, males still speak for longer than their female counterparts.

Beyond gender diversity, our simple analysis using names as a proxy for social diversity, does not find evidence that these gains extend to increased diversity defined more broadly.

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