



*Empowering Diversity: A Study
Connecting Women in Leadership to
Company Performance in the Canadian
Music Industry*



Executive Summary

Gender diversity in the music industry is low, both in Canada and internationally. The lack of diversity may represent a competitive disadvantage, as diversity is known to promote innovation and broad thinking, which is precisely what the music industry needs as it undergoes rapid change.

This study, performed by Women in Music Canada in collaboration with PwC, assesses the impact of gender diversity of leadership within the Canadian music industry and the impact on company performance.

Performance was assessed using estimates of annual revenue and revenue per employee, as well as relevant revenue-generating activities for a selection of Canadian firms. The study focused on companies within the Canadian music landscape and assessed organizations belonging to several industry sectors, such as publishers and record labels, managers and agents, and performance venues. The findings reflect the current state of the Canadian music industry and are benchmarked against international research conclusions.

Overall, the study finds three main conclusions:

1. Gender diversity of leadership within the industry is low, at 28.1%, with only 9% of women performing as the head of the company.
2. Diversity of leadership impacts performance – we find that for every 10% increase in diversity, there is a 17.9% increase in revenue per employee.
3. Diversity of leadership also impacts quality of artist roster for music companies – a 10% increase in diversity leads to a 27.5% increase in live performance sales for a company's artist roster. Live performance makes up the majority of Canadian music industry revenue, and there is a correlation between other forms of music industry revenue (streaming, album sales, etc.) and live performance sales.

The results of the study suggest that the industry, including associations and government funders, need to support diversity.

*A **10%** increase in gender diversity of leadership leads to...*



*A **17.9%** increase
in revenue per
employee*



*A **27.5%** increase
in live performance
sales*



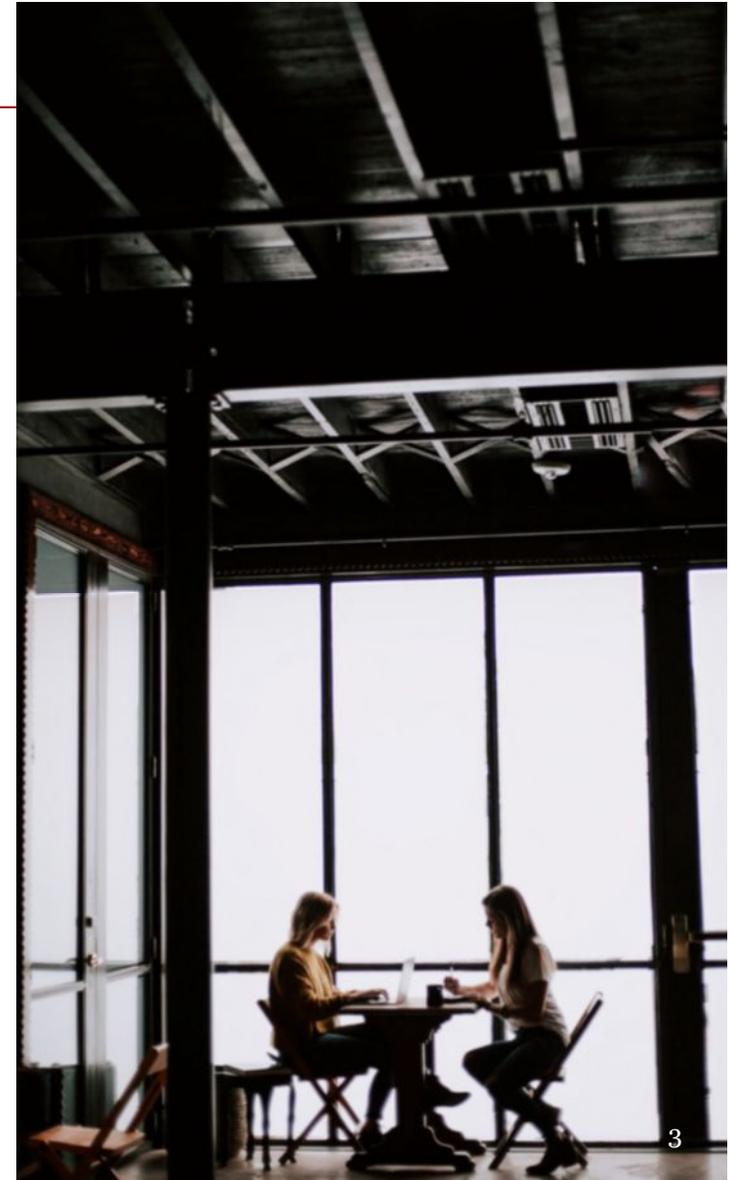
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Gender Diversity and the Music Industry

The industry has a diversity problem

The music industry has undergone profound change in the last 20 years, as digital streaming has all but supplanted album sales while contributing a fraction of the revenue. Artists must continually evolve the way they interact and engage with their fans through social media and video streaming platforms. Music companies must in turn be creative and innovate to stay relevant, attract top talent, maintain revenue and even keep their businesses viable.

However, as the music industry progresses with society's digital evolution, one aspect of the music industry has stayed in the past - companies within the industry have not embraced gender diversity. A study from USC Annenberg Inclusion Initiative found that, of 300 top songs between 2012 and 2017, only 12% had female credits, and that male producers outnumbered female counterparts 49 to 1¹. There is an issue at the leadership level as well. Based on a study of the UK music industry, while 59% of entry level positions are filled by women, only 30% of leadership roles are women².

In Canada, the situation is no better. A 2015 study found that 23% of executive level positions held at companies within the Province of Ontario were women, and that 49% of all companies surveyed had no women in their executive ranks at all³. The study was commissioned by Women in Music Canada (WIM-C) - an organization that provides professional and creative development, support and resources for women in the Canadian music industry. The goal is to promote the representation and success of women in the industry, right up to the ranks of senior leadership.

The issue has received recent public attention, shedding light on gender inequality in boardrooms, major music awards, and festival programming. Artists themselves have taken action by actively promoting and supporting women in the industry. One such example is Canadian pop-duo Tegan and Sara's joint letter with WIM-C that pointed out inequalities within production and engineering sectors. The letter asserted that the industry does not support or celebrate the contributions of women, and the issue exists at all levels including the top leadership of Canadian music companies.

“If we want [the Canadian music industry] to be the best industry we can be, and offer equal opportunities, we need to better draw upon our full diversity.”

- Tegan and Sara & Women in Music Canada

Diversity impacts performance

Studies by academic and business groups alike continually demonstrate a significant connection between the profitability of a firm, and the gender diversity of their leadership. Gender diversity in leadership has been demonstrated, on multiple occasions, to improve financial performance, across industries. A study by McKinsey&Co. in January 2018, for instance, revealed that the companies with the highest gender diversity on their executive teams are 21% more likely to have above-average profitability than companies with the lowest diversity⁵.

While there are many reasons why gender (as well as ethnic or cultural) diversity can improve performance, there are four commonly cited reasons:

1. Diversity improves the quality of decision-making. Research from academia, corporations, and other organizations supports the theory that diverse and inclusive groups make better quality decisions and in a more fact-based manner, with less bias or groupthink.
2. Diversity increases innovation. Diverse and inclusive teams are more creative and innovative than homogenous groups. Diverse teams bring different experiences, perspectives, and approaches to solving complex, non-routine problems.
3. Diverse teams help attract top talent. More diverse organizations have broader talent pools from which to source the necessary capabilities to compete in rapidly changing industries.
4. Diverse teams contribute to a more positive work environment. Diversity in the workplace promotes acceptance and contributes to reduction of sexual harassment.

The study

To demonstrate that diversity of leadership matters in the Canadian music industry, Women in Music Canada partnered with PwC to undertake a study of the industry. In this study, we assessed the impact of gender diversity of leadership teams on the performance of companies within the music industry. We analyzed companies from the recording, publishing, managers and agents, and performance venue sectors. By generating estimates for revenue and revenue generating activities, as well as assessing the diversity of their leadership teams, we performed a correlation between performance and diversity. The results present a narrative that is both worrying and encouraging. While we find, similar to other countries, that gender diversity is low for Canadian music companies, we also find that increasing diversity leads to increased firm performance.

Since the Canadian music industry is a rapidly changing industry, where quality decision-making and innovation is required to attraction top talent, it stands to reason that diversity will be integral to the success of companies with it. The results suggest that the industry should seek to encourage and grow gender diversity for its own long-term sustainability.



Diversity improves the quality of decision making



Firms with greater diversity have greater innovation



Diverse teams attract more top talent



Diverse teams create positive work environment



Results

While gender diversity in the Canadian music industry is low, companies with greater gender diversity have improved performance.

1. Gender Diversity is Low in the Canadian Music Industry

Although the study seeks to measure the impact of gender diversity of leadership on company performance, one immediate observation was made clear prior to any correlation to company performance - the Canadian music industry is not gender balanced.

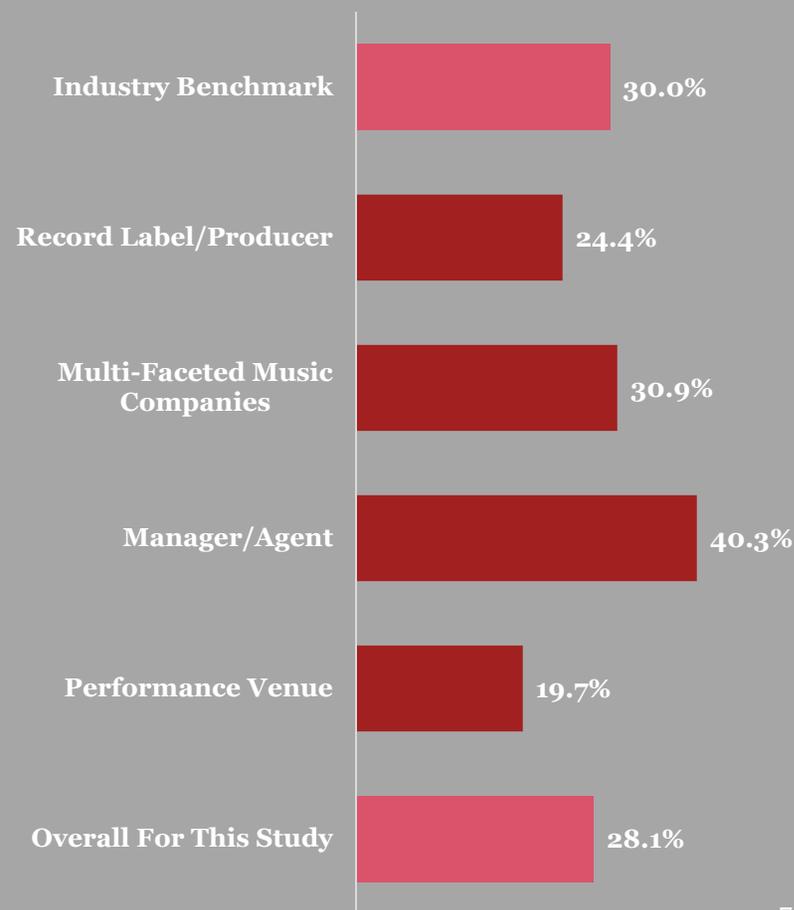
Based on a review of available information for nearly 50 companies, only 28.1% of senior roles are held by women. In this study, senior roles are defined as those Director level and above. As demonstrated in figure on the right, the analysis also shows some sectors being less gender diverse than others. While management and agency companies have an average diversity of 40.3%, diversity for record labels/producers is only 24.4%.

In addition, one third of companies analyzed had no women within leadership at all (i.e. 0% diversity). The worst sectors were record labels and publishers, with 42% of companies having 0% diversity.

In addition to the analysis of diversity in senior roles, this study took a look at gender of the leaders with CEO, President and Owner titles. This analysis showed that merely 9% of music organizations are headed by a female leader, further demonstrating a severe lack of female representation in influential roles.

A study of the UK music industry found similar results. In a survey of record labels, music publishers, managers, producers, royalty-collection societies and the live music industry, the average diversity of senior roles is 30%, very similar for our findings in Canada. Globally, across industries, only 24.4% of senior roles are held by women (26% in Canada).^{6,7}

Women in Leadership in the Canadian Music Industry



Drivers of Poor Diversity

The 2015 survey commissioned by WIM-C sheds light on why diversity may be low³. The Canadian music industry is small and has seen significant disruption in recent years. Consequently, companies have small and dynamic leadership teams that are often characterized as “boys clubs”. Women in the industry do not feel that they have access to coaching resources and mentors that enable them to grow their leadership skills. Women in the industry are also often relegated tasks that are perceived as “women tasks”, such as cleaning the office or studio, or organizing events. These responsibilities distract women from advancing their primary skills. The industry is also particularly unforgiving to the family demands typically handled by women.

“I find there's a distinct lack of mentors (and especially female mentors) for my role/career. My career would have benefited from having any sort of mentor ten years ahead of me in their career”

- Respondent in 2015 study commissioned by WIM-C

While the above factors prevent women from reaching leadership roles, issues such as harassment in the workplace and direct discrimination in compensation actively inhibit women from wanting to remain in the industry. While these issues are serious, they are unfortunately not unique to the music industry. Recent movements such as #MeToo have served to highlight the issues faced by women in business and society. As pressure mounts politically and culturally to correct the issues experienced by women, there is hope that the leadership ranks of business will follow.

Factors Contributing to Poor Gender Diversity



Inequitable compensation practices



Gender balance in senior management



Poor overall gender balance in the workplace



Poor work/life balance



Few opportunities for advancement

2. Gender Diversity in Leadership is Correlated with Increased Company Performance

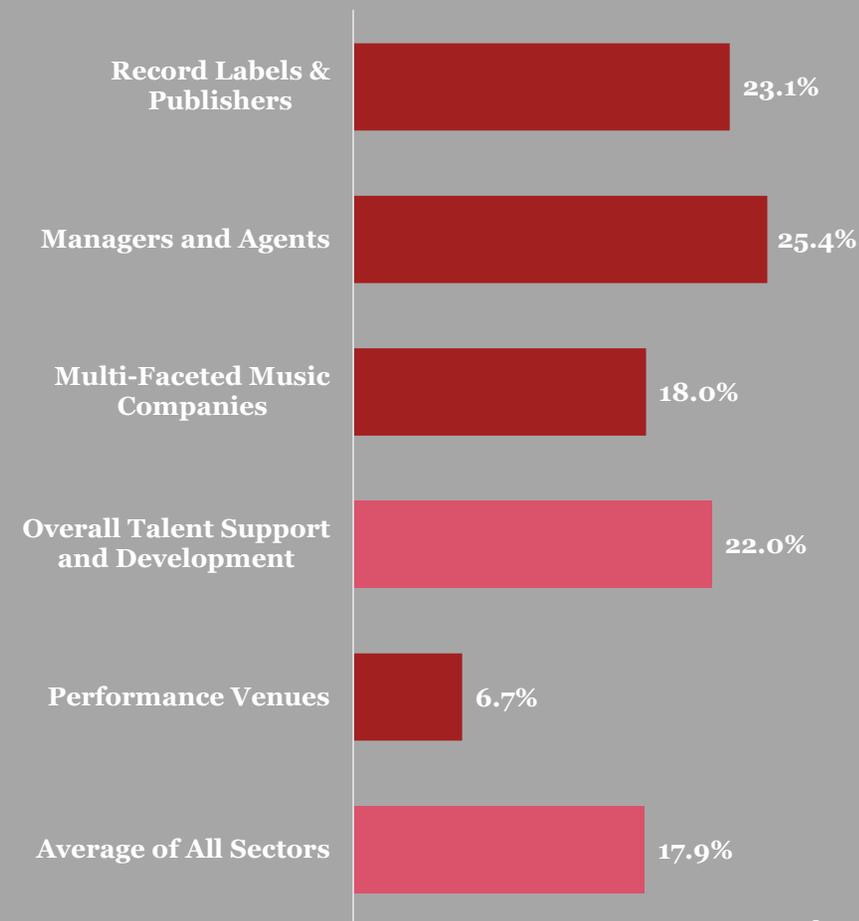
While gender diversity in the industry is low, we believed, hypothesized and projected that increased diversity will improve outcomes for companies. Consequently, as part of this study, we collected revenue estimates, based on available information, for 46 companies in the recording, publishing, agency, and venue sectors.

In order to compare many companies of varying sizes, a measure of estimated revenue per employee is used as the metric of financial performance. This measure serves as a useful metric, as greater revenue per employee implies success driven by a viable and thriving revenue model as opposed to solely company size.

Our results indicate that for every 10% increase in gender diversity, there is a 17.9% increase in company revenue per employee, averaged across all sectors. The result varies by sector, with the recording and publishing, as well as agency sectors experiencing the greatest benefit from increased diversity.

Revenue values included do not represent actual values as many of the companies analyzed do not disclose their financials. Instead, we used estimates that were collected and validated by market research and economic analysis. In addition, while this analysis considers only revenue, it cannot conclude on the financial viability of the firm, as would be measured by net revenue or net profits.

Increase in Revenue per Employee For a 10% Increase Gender Diversity



Reasons Why Gender Diversity in Leadership Matters for the Music Industry

The results agree well with international, cross-industry studies performed by academics and business groups. A study by McKinsey&Co., which examined profitability of Fortune 500 firms, found that companies with the highest gender diversity on their executive teams were 21% more likely to have above-average profitability than companies with the lowest diversity⁵. Similarly, a study by the Peterson Institute for International Economics (2016) found, in a cross-industry study, that a 30% increase in gross margin is observed with 10% increase in diversity⁸.

As discussed previously, there are many reasons why diversity in leadership could lead to increased performance, including a greater diversity of ideas, innovation, and a stronger talent pool. The music industry is undergoing rapid change and needs strong ideas and innovation. Additionally, women have been shown to adopt optimal leadership behaviors to navigate tough economic times⁹.

There is also a need to maintain strong relationships in the industry and a focus on relationships is a common pillar of leadership styles in women. Furthermore, there is a market imperative to the music industry: when over half of the music-consuming population is female, it stands to reason that companies would need women in leadership to effectively speak to that segment of the market.



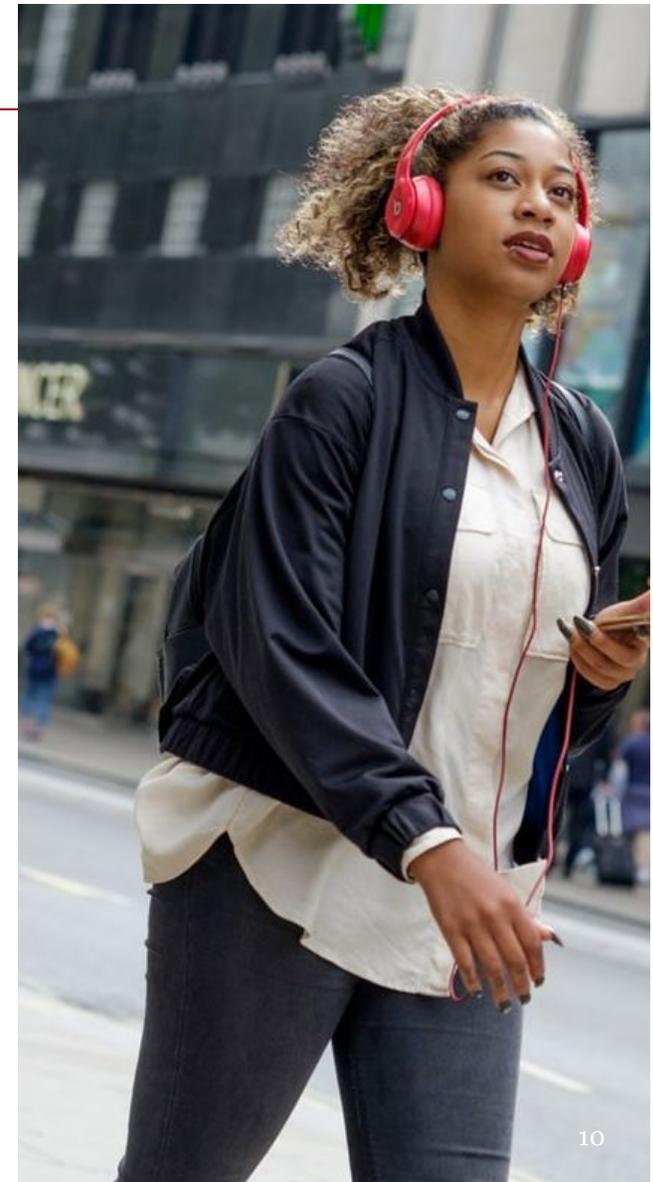
Gender diversity encourages innovation in a changing industry



The music industry strongly benefits from women in leadership



Gender diverse companies better understand the music consumer



3. Gender Diversity of Leadership Improves Artist Roster

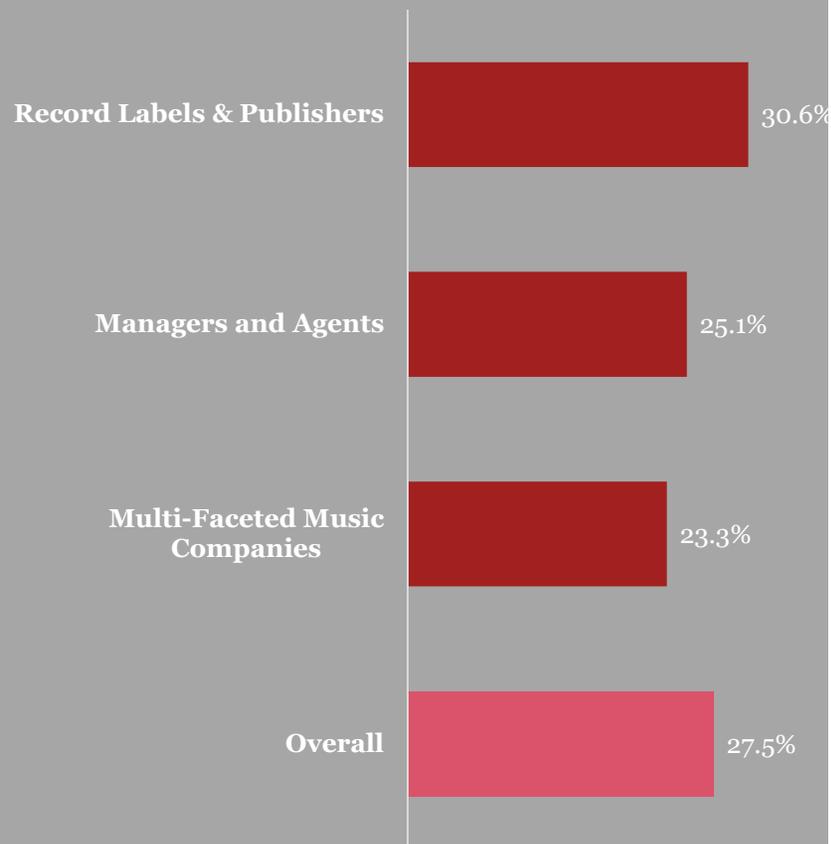
While the music industry is undergoing unprecedented change, it is undeniably still a creativity-driven industry. Top companies must attract and interact with talent that drives streams, concert sales, as well as merchandise. The ability to build and sustain a company that attracts and maintains top talent is a clear mandate of leadership.

To measure whether diversity of leadership helps drive top talent, we assessed average live performance gross sales for artists associated with the companies in our study. While concert ticket sales are not a direct source of revenue for labels and publishers, generally speaking greater ticket sales is correlated with greater revenue. Similar to revenue estimates, we find a positive correlation between live performance sales per artist and gender diversity of company leadership. The average effect is that with a 10% increase in diversity of leadership, there is a 27.5% increase in artist live performance activity, similar to Section 2, where a 10% increase in diversity yielded a 17.9% increase in company revenue per employee.

In addition to the live performance assessment, we have analyzed the companies' rosters for JUNO Awards. As one of the most reputable awards in Canada, the JUNO Awards serve as a strong indicator of an artist's significance in the industry. The results show that with a 10% increase in a company's gender diversity of leadership, the proportion of the company's roster who receive a JUNO Award increases by about 5%.

The results suggest that gender diverse teams attract more productive talent. There are a number of reasons why this might be the case. For one, Canadian artists are often progressively minded and likely to choose companies that align with their values. Companies with diverse leadership teams are more likely to speak to a broad range of values. Additionally a gender (as well as culturally) diverse team is more likely to identify artists that appeal to emerging popular trends.

Increase in Live Performance Sales per Artist with 10% Increase in Gender Diversity





Conclusion

A rising tide lifts all boats, and improved diversity for the Canadian music industry will benefit the industry as a whole.

The Industry Should Work to Increase Diversity

Our results present strong evidence that greater gender diversity in leadership leads to improved company performance in the music industry. However, it is crucial to note that correlation does not equal causation. We cannot state conclusively that the benefit is wholly from diversity. However, the results present compelling evidence that greater gender diversity would strongly benefit the industry.

It therefore stands to reason that the industry should seek to improve diversity. Increased performance and innovation within the industry benefits all stakeholders, not just women. However, this will not happen if the industry does not commit to a series of fundamental changes. It will be the responsibility of various stakeholders within the industry, from companies to industry associations and government, to constantly promote and provoke change. Specifically, we have four recommendations:

1. Companies within the industry should provide opportunities to female employees to obtain coaching mentorship, and networking opportunities. In addition, companies should actively support women who seek professional training.
2. The industry should commit to improving workplace culture and set diversity targets. Industry associations should develop an infrastructure to support companies that commit to diversity, such as creating awards for meeting diversity targets or creating a speaking tour.
3. Music organizations should improve HR practices and reduce or eliminate gender wage gaps in order to ensure retention of top female talent.
4. Government granting channels should consider incorporating gender diversity into the programs that fund the industry (e.g. Ontario Creates), such that innovative and diverse teams are well supported and incentivized financially.

The music industry is rapidly evolving, and the Canadian music industry is working hard to remain competitive. Gender diversity is a systemic problem for the music industry world wide, but Canada should leverage it for competitive advantage.



Provide coaching and mentorship



Improve workplace culture and set diversity targets. Celebrate champions



Strengthen HR and compensation practices



Orient the funding infrastructure to support gender diversity

Acknowledgements and References

Acknowledgements

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Appendix: Methodology

Overall Objective and Scope

The study is performed to assess the impact of the gender diversity in leadership on performance for companies within the music industry. Revenue and revenue-generating activities are used as measures of company performance and are analyzed for a correlation with gender diversity of the leadership teams.

Sample companies within the following sectors of the Canadian music industry are assessed: publishers, record labels, managers, agents, and concert venues. Note that promoters are not included as part of the study due to the heavy concentration of activity within that sector to the top 1-2 players. The set of companies within each sector are chosen based on the list of recipients of association/government-funded grants and awards, attention in the media, as well as considerations of Women in Music Canada and PwC industry experts. The publicly available list of recipients of grants and awards serves as a credible foundation for analysis of the industry due to the strictness of association/government requirements for applications to such grants, and recognition for the companies' achievements in the industry as their recipients.

Due to a notable concentration of the industry presence in Ontario, Quebec, and British Columbia, the three provinces served as the focus of the study. Additions to the list were made to expand the representation to other provinces by integrating other major players outside of the three provinces. Thus, the list represents the highest performing players in the Canadian music industry, reflecting the majority of revenues within the sectors analyzed. Further adjustments are made to the list based on availability of data.

Defining Sectors



Record labels and music publishers

- Firms that provide a trademark under which musical products are promoted and marketed, ensuring all contributing artists benefit from the product sales.



Managers and agents

- Companies responsible for talent representation and guiding of the overall career of an artist in the entertainment business.



Multi-Faceted Music Companies

- Companies that perform services related to multiple sectors of the music industry.



Performance venues

- Organizations that provide physical locations for hosting of music-related events, activities and gatherings.

Study Design

Input Variables

1. Gender Diversity

Leadership teams for each company within the list are defined as individuals at the Director-level or above. The teams are compiled using public sources such as company websites and LinkedIn. The gender of each individual on the team is established by assessing the perceived gendered nature of the individual's name, use of gendered pronouns within the source, etc.

The final gender diversity of the leadership team is represented as the percentage that are judged to be women.

2. Company Performance

2.1 Revenue estimates for the companies in the sample are compiled to assess corporate performance. A single revenue value is used per company, and the figure represents the most recent understanding of company performance. Revenue figures are acquired from financial reports, company websites, news and media articles, as well as third party reporting. Revenue figures are acquired for companies specifically in the producer, record label, managers, and agents. In addition, some estimates are made by considering economic arguments based on company artist roster and size, market size, and relative performance of artists. Revenue estimates are validated by considering multiple sources at once.

2.2 Revenue per employee is assessed to place all companies, regardless of size, on a level playing field by having revenue figures divided by the number of employees. The number of employees is obtained from public sources such as company websites and LinkedIn.

2.3 Revenue-generating activities, as defined by this study, are the alternative comparable metrics to evaluate performance and success of a music company. Two revenue generating activities are used by this study:

- Music ticket sales per venue seat are used as the main performance figure for performance venues.
- Gross ticket sales at the box office for the past 36 months are acquired from PollStar.com for all artists represented by the record labels, publishers, managers and agent firms assessed in the study. Individual artist data is aggregated for each company and used as the measure of revenue generating activity.

2.4 Publicly available JUNO Award lists of recipients for 2016-2018 were assessed for artists represented by the companies analyzed in this study. The final figure signifies the proportion of the total artists in the roster of the sample record labels, publishers, manager or agent companies, who receive the JUNO Award at least once in the past 3 years.

Data Analysis

Linear regression is used to determine the relationship between the gender diversity in leadership (variable #1) and corporate performance (variable #2). The analyses are performed to determine the relationship of the two variables within each industry sector. The result of the regression analysis is a statement on the increase in performance associated with a unit increase in gender diversity of the leadership team.

In addition, a cross-sector assessment is performed by performing a weighted average of all regression statements for all sectors. The result is a single metric representing the overall effect of gender diversity within the Canadian music industry. Note that, while statistical significance is not achieved for all sector-based correlations reported in this study (due to low sample size), significance is achieved when the industry as a whole is analyzed

Summary of study limitations

While the study produces demonstrable evidence for a positive effect of gender diversity within the Canadian music industry, the chosen study design leads to a number of limitations in the conclusions:

- The data represents a single-moment snapshot in time. The study therefore does not assess impact of increased diversity within individual companies.
- The results are purely correlative: the study was not designed to isolate a causative impact of diversity on company performance.
- The study is dependent on company revenues and box-office/live performance revenues. The study does not examine profitability of the companies in question.
- The data and estimates are based on the most recent, highest quality data that is publicly available. The study, and its findings, are therefore reliant on the quality of this data.