Cambridge Judge Business School

THE RISE OF WOMEN IN SOCIETY:

ENABLERS AND INHIBITORS.
A GLOBAL STUDY.

INITIAL FINDINGS RELEASED AT WOMENOMICS CONFERENCE /
LONDON, 8 APRIL 2015

Study commissioned by:

BNY MELLON

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The issue of the rise of women to the boardroom has taken centre stage among academicians and practitioners alike, but has also generated considerable controversy and debate. Yet, sadly, tackling this issue through systematic and rigorous research has been severely limited. In particular, we know almost nothing as to how this issue pans out globally for three reasons:

Reason 1: Most academic studies (80%) have been conducted in US firms with the remaining few conducted in European settings. There are almost no academic studies examining this issue in multi-country global settings.

Reason 2: Several consultant reports have compared the percentage of women on boards in multiple countries. However, these reports provide only cross-sectional snapshot comparisons of countries. More importantly, these reports do not answer the question of WHY the problem exists.

Reason 3: Explanations for the variation in the percentages of female representation in the boardroom across different countries have been reduced to a simple dichotomy of 'developed versus emerging economies.'

The primary motivation of this study was to fill these gaps and to present comprehensive and nuanced explanations of global variations in the rise of women to the boardroom through rigorous longitudinal analysis of a representative sample of the largest firms across six continents.

GLOBAL DRIVERS OF FEMALE REPRESENTATION IN THE BOARDROOM

If it's not developed vs emerging then what is it?

Our central objective was to take a nuanced and comprehensive look at the global drivers behind women entering the boardroom beyond the simplified explanation of emerging versus developed economies. Drawing on a vast body of academic literature (Hillman, 2005; Hillman, Shropshire & Cannella Jr, 2007; House, Hanges, Javidan, Dorfman & Gupta, 2004; Suchman, 1995), we looked at four broad global drivers:
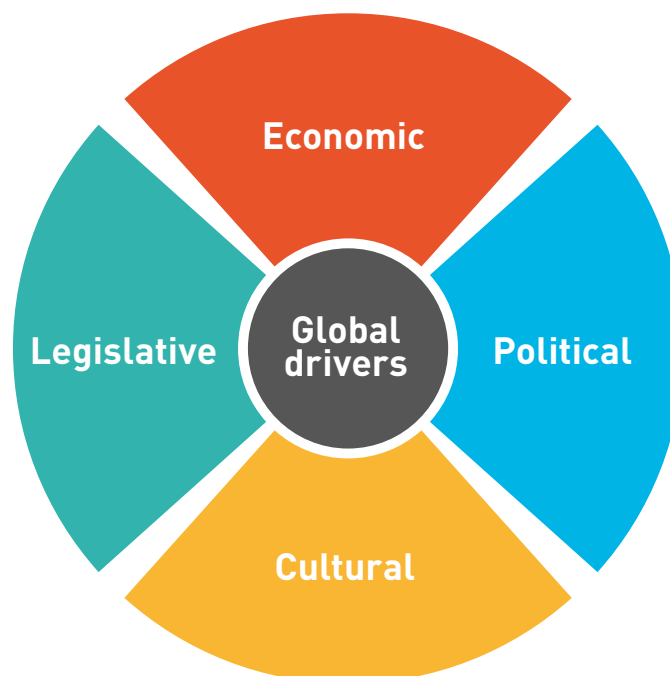
1. ECONOMIC

The economic empowerment of women in broader society increases the power of women in the marketplace. It also provides a strong incentive for firms to make their board composition more reflective of the markets they serve as having more women on the board can help firms better understand and serve such markets.

We measured **female economic power** by two indicators:

- Expected years of schooling
- Percentage of women in the labour market

2. POLITICAL

Greater political representation of women can enhance the role of women in the society in several ways by providing increased networking opportunities, championing their needs and acting as role models.

Female political power is the percentage of parliamentary seats held by women.

3. CULTURAL

A country's culture reflects the attributes that are valued and rewarded in that country. National cultural beliefs and value systems are important drivers of women's rise to senior positions because they shape the business values of companies and also how male and female roles are defined in society. It is important to remember that culture reflects the national characteristics of the country as a whole and does not necessarily reflect the corporate cultures of individual companies.

We examine three dimensions of culture that are widely recognized in academic literature as drivers of business practices around the world (House, Hanges, Javidan, Dorfman & Gupta, 2004):

- **Gender egalitarianism**
- **Humane orientation**
- **Assertiveness**

The table below gives the definitions of each cultural dimension and examples of where countries sit with these (House et al., 2004). As is evident from the table, these cultural dimensions do not map neatly onto the developed versus emerging dichotomy. To illustrate, Qatar is on the opposite side of Scandinavian countries such as Denmark and Netherlands in terms of gender egalitarianism, but it has an identical cultural profile to Scandinavian countries such as Sweden when it comes to humane orientation and assertiveness. Together, these dimensions create a unique cultural profile that shapes how female and male roles are defined in society, and in turn are likely to shape women's rise to the boardroom.

CULTURAL DIMENSION	DESCRIPTION	HIGH	LOW
Gender egalitarianism	Gender blindness	Denmark Netherlands France	China South Korea Qatar
Humane orientation	Nurturing: altruism, generosity, caring	Finland Sweden Qatar	Germany Greece England
Assertiveness	Confrontational, aggression	Germany Greece USA	Sweden Portugal Qatar

4. LEGISLATIVE DRIVERS

Legislation (e.g. a company's coporate governance code) provides a system of rules for a company to follow and mandates companies to comply in providing preferential treatment to women (e.g. by setting quotas), or in enhancing the opportunities available to women (e.g. offering maternity provisions). Therefore, they are strong and forceful determinants of women's role in societies. We looked at three types of legislation which are relevant to the rise of women to the boardroom:

- **Mandatory quotas**
- **Corporate governance codes:** inclusion of gender diversity code
- **Maternity provisions:** paid and unpaid maternity and paternity leave, work breaks for breast-feeding and the right to return to work

HOW WE DEFINED THE RISE OF WOMEN TO THE BOARDROOM

We captured the women's rise to the boardroom in two ways:

- **The percentage of female board members**
- **Longevity of tenure of women on boards**

The percentage of female board members, which is indicative of the gender-inclusiveness of boards, captures only one aspect of women's rise to the boardroom. For female board members to succeed and make an impact, they need to stay on the board and have the necessary infrastructure and support to remain there. Otherwise, their presence could be an issue of tokenism – when women are promoted to board level just for show rather than representing any serious efforts towards building a gender diverse board. Therefore, we also measured women's longevity of tenure on the boards.

HOW THE RESEARCH WAS CONSTRUCTED

This study is based on a vast set of data, collected specifically for the purposes of this study. The data set was manually constructed and the end result is more than 10,000 firm-years worth of data collated from multiple sources and translated from many languages.

It was important to collect **original data from archival sources** rather than from survey data because a large body of literature on 'social desirability bias' tells us that people, either consciously or unconsciously, typically misrepresent information for certain socially sensitive issues in order to present themselves and their companies in the best possible light.

Population: The starting point for the study was Forbes Global 2000 list in 2013. We assumed these firms would have the highest level of female representation at board level since these are the largest, most global and prominent companies around the world. Therefore, these companies have a strong motivation to make their boards gender-inclusive.

Sample: The top four countries in the Forbes list represented more than 50% of the companies in the list. To avoid skewing the results towards these top countries, we used a stratified approach to balance the representation of sampled companies by countries. We set a limit for the maximum number of companies from any one country to 150 and excluded countries with less than five companies.

The end result was a sample of **1002 companies from 41 countries spanning six continents** and **51 industries,** which means the results can be generalised across industries.

Time frame: 2004-2013

We used a 10-year longitudinal time frame from 2004 to 2013 and lagged female seniority variables one year behind the global drivers. Such temporal separation gave us a chance to consider whether the presence of global factors in one year (e.g. 2004) had an impact on the percentage of women or longevity of tenure in the consecutive following year (e.g. 2005). We also confirmed that use of two- and three-year lags yielded the same patterns of results.
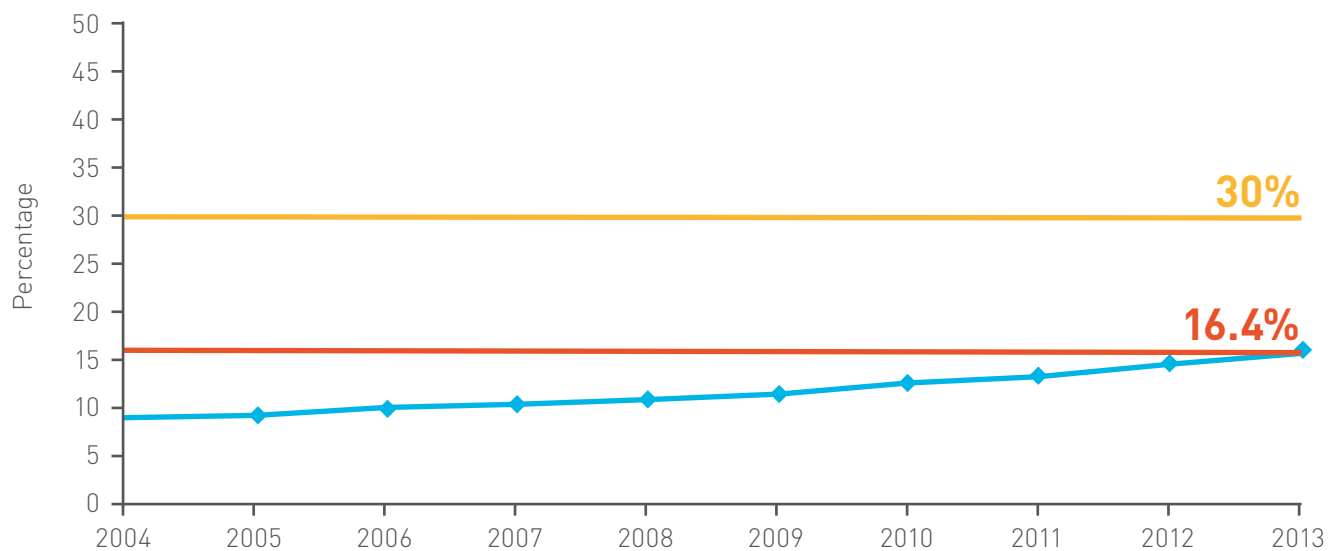
Controls: Our proposed global factors are only a small subset of the myriad of factors that can influence women entering the boardroom. To rigorously test our proposed relationships, we needed to control for these alternative explanations. We used a host of country, industry, firm and time variables as controls in our analysis to rule out confounding factors and alternative explanations of female seniority.

Using all of this data we ran **more than 400 econometric models** to generate our findings.

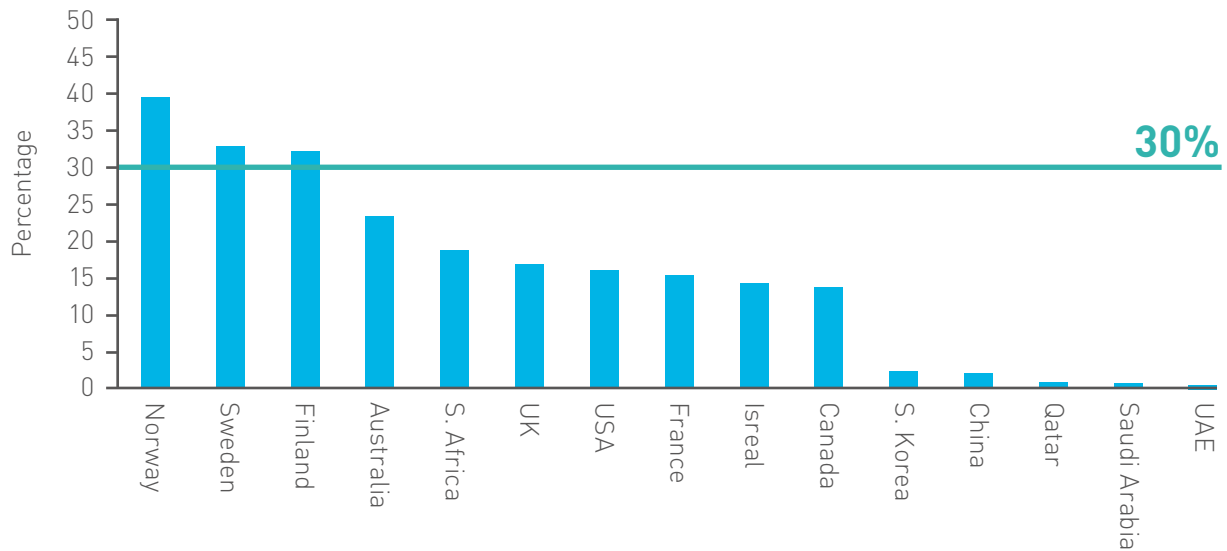## GLOBAL TRENDS IN FEMALE BOARD REPRESENTATION: 2004-2013

Percentage of female board members

From 2004 to 2013, the average percentage of women on boards in our sampled firms rose from 9% to 16.4%. The trend of female board representation is positive, but the increase has been slow.
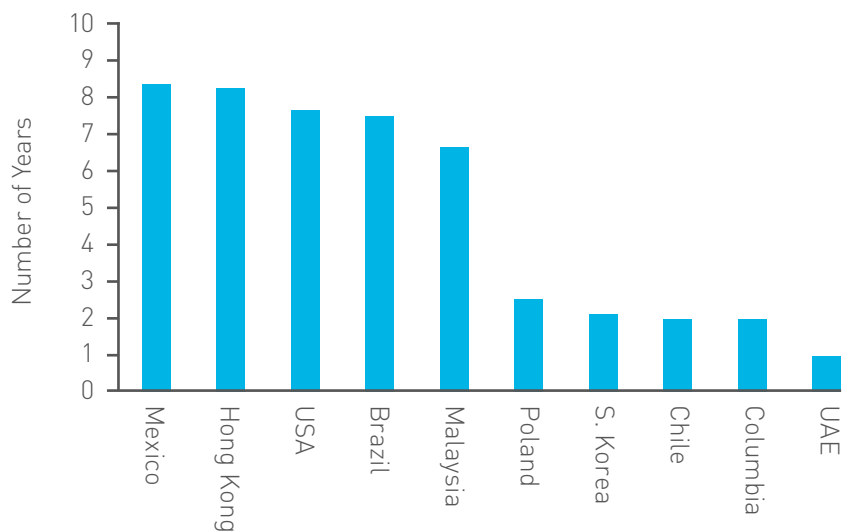
Percentage of female board members 2004 - 2013

Top 10 and bottom 5 countries

Percentage (y-axis: 0, 5, 10, 15, 20, 25, 30, 35, 40, 45, 50)

30%

Countries (x-axis): Norway, Sweden, Finland, Australia, S. Africa, UK, USA, France, Isreal, Canada, S. Korea, China, Qatar, Saudi Arabia, UAE

Female longevity on the board 2004 - 2013

Top 5 and bottom 5 countries

Number of Years (y-axis: 0, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10)

Countries (x-axis): Mexico, Hong Kong, USA, Brazil, Malaysia, Poland, S. Korea, Chile, Columbia, UAE

Originally, our data showed that the top three countries with the highest mean female longevity on the board were: The Philippines (15.95 years), Turkey (15.23 years) and Indonesia (14.29 years). However, additional analysis of standard deviation showed a large disparity in the distribution of female longevity on the board with a small handful of women staying on the board for very long periods (e.g. 30-55 years) and most other women having very short tenures. After digging deeper, we found that these outlier female board members with excessively long tenures were family members (wives and daughters) of company founders. To illustrate, an 86-year old daughter of the founder in a Turkish company has been on the board since 1964 and another 62-year old daughter of the founder in a Phillippino company has been on the board since 1979. Given this outlier effect, we have excluded them from this chart.

The top three countries now listed in the graph do not have such outliers and are therefore indicative of a more inclusive and balanced distribution of female longevity on boards.

FINDING 1.

The strongest drivers for the percentage of women on boards and their longevity are female economic power and the inclusion of a requirement for gender diversity in the corporate governance code.
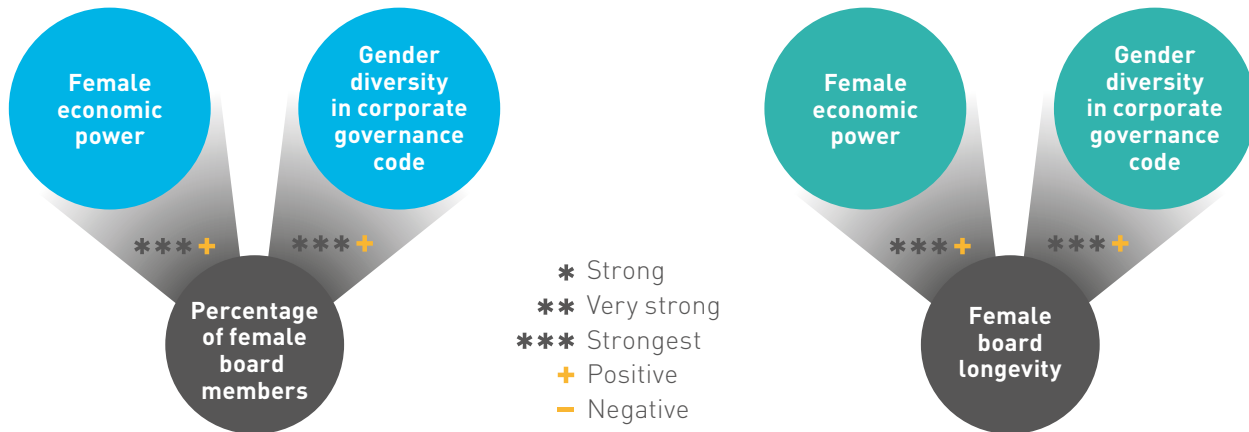
Female economic power = measure of expected years of schooling for women, % women in the labour force.

Our results confirm the normative value of corporate governance codes in creating gender inclusivity. However, the finding on female economic power is particularly interesting because it captures the importance of female empowerment in broader society through increased education and participation in the labour force. This result suggests that as women become more educated and employed and play a more prominent role in the marketplace, firms will take more efforts to create gender-inclusive boards that better reflect the markets they serve.

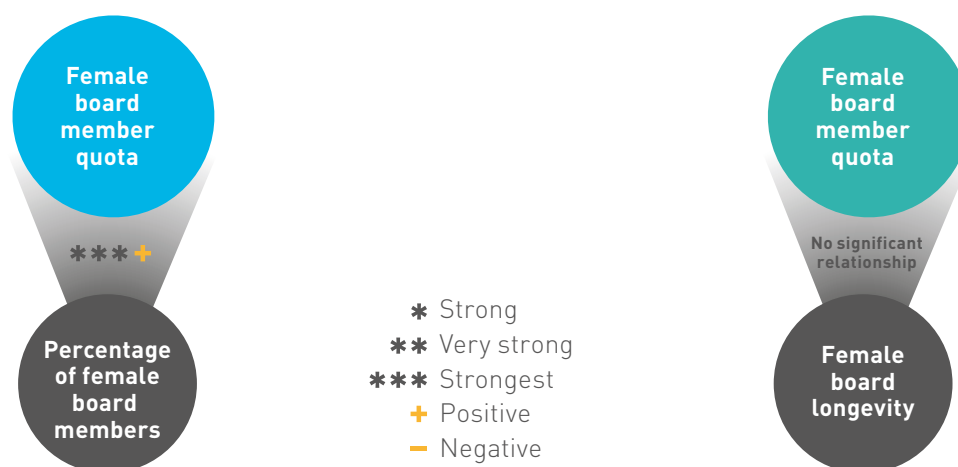**Similarly, maternity provisions and female political power are also key drivers.**
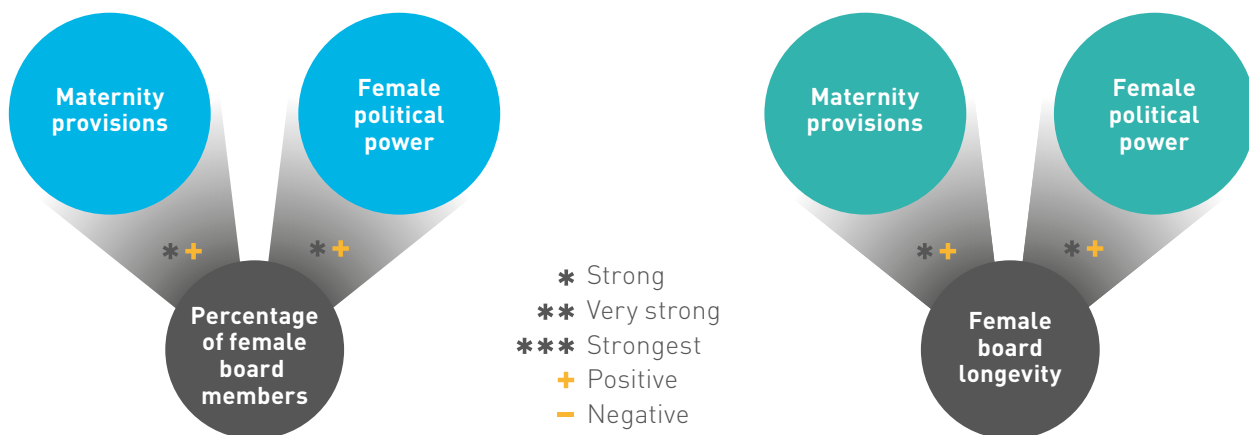
Maternity provisions = paid and unpaid maternity/paternity leave, breast-feeding work breaks, right to return to work, flexible hours. Female political power = percentage of women in political seats.

Maternity provisions, which make it possible for mothers to remain in the workplace, and for fathers to take some responsibility for raising young children, are also positively correlated to the percentage and longevity of women on boards. It is likely that these measures help to keep women in the labour market, and to help their progression towards ever more senior roles. Such expansion of the pool of women eligible to serve on the boards increases the chance of considering and finding women that fit the needs of company boards.

Similarly, the percentage of political roles held by women has a positive impact on the number of women on boards. A higher proportion of females holding parliamentary seats may have role-modeling, championing and networking effects, all of which are essential in paving the way for women to rise to senior positions such as boardrooms.

FINDING 2.
Quotas are of limited value.

Female board member quota

✳✳✳ +

Percentage of female board members

✳ Strong
✳✳ Very strong
✳✳✳ Strongest
+ Positive
– Negative

Female board member quota

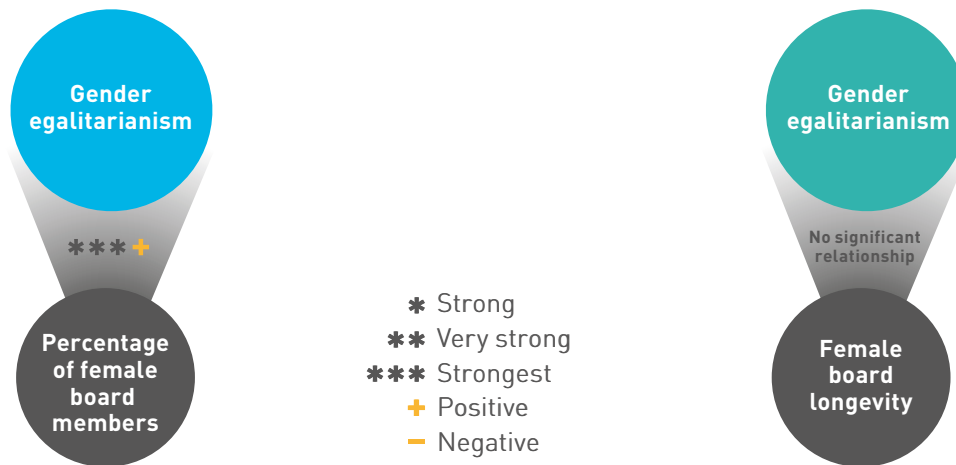No significant relationship

Female board longevity

Very few countries have quota legislation that is both mandatory and currently enforced (e.g. Norway and India). As such, the results for quotas are based on a small sample relative to the study overall. However, what is very clear from the results is that whilst quotas are unsurprisingly a very strong driver for getting women on to the board (and therefore having a high percentage of female board members), there is no significant relationship between quotas and the longevity of tenure for women. This finding is in line with affirmative action studies, which have found that mandatory quotas signal "preferential treatment" of gender and minority groups and typically garner negative reactions towards these groups (Combs & Nadkarni, 2005; Kravitz, 2008). On the other hand, provisions aimed at opportunity enhancement (e.g. maternity provisions) are perceived more favorably and are better than mandatory quotas at laying the necessary infrastructure for career enhancement of minority gender groups (Kravitz, 2008).

Cultural dimensions matter and have a nuanced effect.

Our results suggest that each cultural dimension has a unique and nuanced effect on women's rise to the boardroom. Below, we explain these effects.

Gender egalitarianism is a powerful driver of the percentage of female board members but does not contribute to female board longevity

Gender
egalitarianism

✱✱✱ ✚

Percentage
of female
board
members

✱ Strong
✱✱ Very strong
✱✱✱ Strongest
✚ Positive
— Negative

Gender
egalitarianism

No significant
relationship

Female
board
longevity

Gender egalitarianism has a positive relationship with the percentage of female board members, suggesting that the percentage of women on boards is higher in gender egalitarian countries, such as Scandinavian countries and lower in countries like U.A.E, South Korea and Japan that have low levels of national gender egalitarianism and do not value gender equality. Surprisingly, gender egalitarianism had no significant relationship to the longevity of women on boards in those countries.

Humane orientation is a powerful driver of the percentage of female board members but does not contribute to female board longevity

Humane orientation also correlates positively to the percentage of female board members. This suggests that countries that value nurturing, altruism, generosity and caring, like Sweden and Finland, are likely to have high numbers of women on boards. Countries with low humane orientation such as Germany and Greece will have a lower percentage of women on boards.

Again, there is no significant relationship between this cultural factor and the longevity of tenure.

Assertiveness has a negative relationship with the percentage of women on the board, but a positive relationship with the longevity of female board members

Assertiveness has a nuanced two-sided relationship with the two indicators of female representation on boards. For example, while assertive cultures like Germany have a lesser percentage of women on the board, these cultures seem to encourage longevity for women who do enter the boardroom.

Overall, the results of this study point to a much more complex and nuanced role of the global context in enhancing or inhibiting female representation on the board than the dominant developed-emerging dichotomy.

Corporate governance codes, maternity provisions and female political power have received much attention among the popular press, legislators and policy makers who have speculated that these factors are key drivers of increasing the percentage of women in the boardroom. Our study supports these speculations and highlights the importance of these factors.

Mandatory quotas have been the subject of much debate with strong arguments on both sides. Our results suggest that quotas are of limited value in fostering an increase in female representation at board level. While mandatory quotas do increase the percentage of female board members, it does little to promote their longevity on the board. Although we cannot say it conclusively from our results, the negatively trending but insignificant relationship of quotas to female longevity raises the issue of a potential revolving door associated with such mandatory quotas.

The most interesting results of this study are that female economic power (expected years of female education and percentage of females participating in the labour force) and national cultural dimensions had the greatest impact on both female board percentage and longevity. This result suggests that empowering women outside the boardroom is key to getting women in the boardroom and keeping them there. Our results, combined with evidence that companies with a greater number of women on the board engage more in corporate social responsibility (Bear, Rahman and Post, 2010), suggest that the success of women in different areas of society is interconnected; the success of women in one strata can reinforce success of women in another, creating a virtuous cycle. The numbers of women holding senior positions and female empowerment in general are likely to be strongly interconnecting and mutually-reinforcing forces.

Our results demonstrate that cultural differences do matter and have nuanced effects on female representation on the board. More importantly, the cultural profile of each country is unique and serves as an important factor in enabling or inhibiting female rise to senior positions.

Therefore we must remember that no company is an island and wider societal change is key given the importance of economic power, cultural factors, the role of corporate governance codes, and that crucially, getting women on to boards and keeping them there are two different things.

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