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DEBATE

Why might females say no to corporate board positions? The Asia Pacific in comparison

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Introduction

Females have obtained more senior management positions and corporate board seats in many countries. However, this is less the case in much of Asia. In short, the road to boardrooms for females can turn out to be quite long, tortuous and full of dead-ends. Who is to blame for this – businesses or females themselves or even governments – is a moot question. Here we look at this in terms of: why have females on boards; the situation in Asia in global perspective; reasons for barriers and limits.

Why have females on boards?

In addition to moral/equity arguments for females on boards, there are economic reasons too. It is argued that females on boards produce positive effects on corporate performance (Adams and Ferreira 2003; Carter, Simkins, and Simpson 2003; Erhardt, Werbel, and Shrader 2003). For example, company share price (on the London Stock Exchange in 2005) in conditions of relatively poor corporate performance experienced a marked increase after the appointment of female directors (Ryan and Haslam 2005). Between 2006 and 2012, companies (2300 across the world) with females on boards out-performed those with no females in terms of share price, average returns on equity and valuation and lower gearing (Credit Suisse Research Institute, 2012).

There are also decision-making-related benefits from having female board members. Boards become more diversified 'think tanks' allowing exploration and addressing problems from different perspectives, identifying corporate development directions and creating value for companies. This is because females are good at considering problems from different perspectives and devoting persistent effort to addressing solutions (Reding 2011). Females on boards can create greater vitality and facilitate more complete and thorough thinking processes (Nielsen and Huse 2010).

Another benefit is that female directors can also assist companies in retaining and expanding human resources and improving relationships with institutional investors, clients and other stakeholders (Liu and Li 2010). Females excelled in engaging and inspiring people and placed a higher value on employee engagement and customer satisfaction (PDI Ninth House 2012). With their stronger sense of corporate social responsibility (CSR),

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females on boards positively affect firms' CSR ratings as boards would be more committed to CSR, sponsoring charity events, improving working environments and promoting environmental protection (Bear, Rahman, and Post 2010). Females on boards can be a signal that the company cares about females and evidence of CSR commitment.

Asia in global perspective

Given the above benefits and advantages, what is the situation regarding females on boards? According to Corporate Women Directors International (CWDI 2013), females on boards increased steadily from about one-tenth (10.4%) to about one-seventh (15%) during 2004–2013 (see Figure 1). Male-only boards plateaued at one-quarter. This finding was echoed by Catalyst (2012): the female share of all board seats stood at 16.6% in 2012.

However, the percentage of females on boards varies greatly across the globe (see Figures 2 and 3) and within the low Asian average of just 6%. McKinsey & Company (2012), using the local stock indices of companies (744) in 10 Asian markets, found females held just 8% of seats on boards. *The Diversity Scorecard: Measuring Board Composition in Asia Pacific* (Yi 2012) covered the largest 100 domestic companies by market capitalization in six countries, including Hong Kong, Malaysia and Singapore (totalling 4630 directors holding 5335 directorships) to compare the extent to which females held key leadership positions on boards. More than 70% of boards in Hong Kong, Malaysia and Singapore had no female independent directors. Boards with three or more female directors were rare, while boards with three or more female independent directors were almost non-existent (Yi 2011).

Higher female work force participation rates can lead to more females on boards. Among Asian countries, China had the highest female labour force participation rate. Gender Diversity Benchmark for Asia 2011 examined six Asian economies (21 companies), including China, Hong Kong, Japan, Malaysia and Singapore and found that the highest percentage of females was employed in China, followed closely by Malaysia, Hong Kong and Singapore with the second lowest percentage in Japan (Francesco and Mahtani 2011).

The proportion of working age females in China's workforce was nearly 70%, the highest in the world (*The Economist* 2011), encouraged partially by Mao's famous dictum:

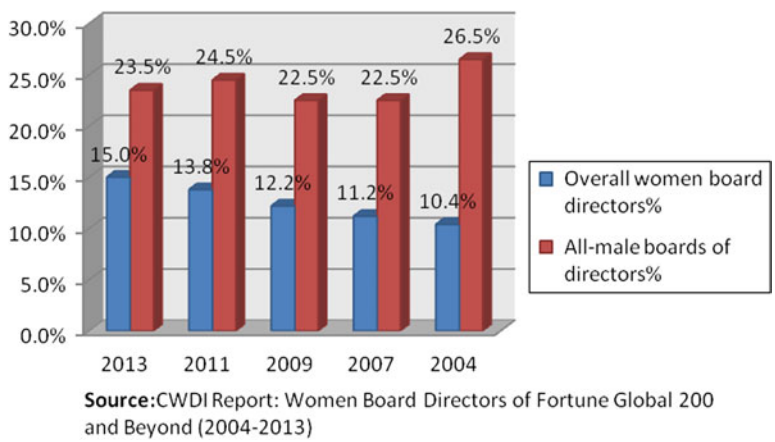

Figure 1. Gender diversity on corporate boards of fortune global 200 companies.

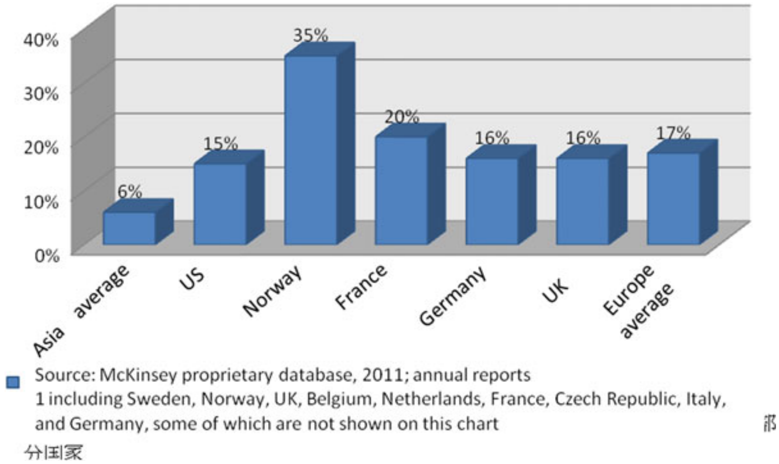

Figure 2. Legal and policy efforts.

'Women hold up half the sky' and low housekeeping costs. In addition, with the development of the market economy and the 'one-child policy', females acquired increasingly higher social status and played significant roles in economic and workplaces. About 61% of Chinese companies had boards with one-quarter female directors (Hong Kong had 52% and Singapore had 47%), for example, Bank of China, Cathay Pacific, Cheung Kong (Holdings) and China Merchants Bank each had four women on their boards (Yap 2012).

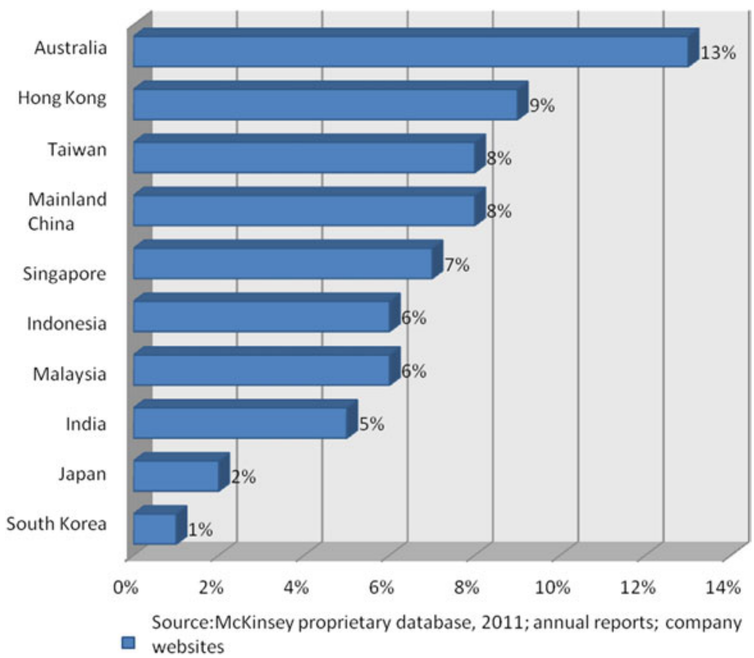

Figure 3. Female representation on boards across Asia.

China had a higher number of females on boards than other Asian countries (Yi 2011). Even Asian countries with high human development rankings perform poorly regarding females on boards (Tuminez 2012). Females comprise 9% of board members in China and 8% in Hong Kong and Taiwan but just 2% in Japan and 1% in South Korea, the lowest in Asia. Even in the Fortune Global 200 companies in 2004–2011, Japan had only 2% female board members, with zero in South Korea.

We now look a little deeper at China as it *a priori* might seem to be in a good position regarding females on boards given its political history and female participation rates. Female directors (including board chairs) increased from 9.2% in 1999 to 11.7% in 2010. However, the proportion of female board chairs in all Chinese-listed companies remained low and static at 4% (2010), up only slightly by just 0.3 percentage points from 3.7% (1997). For companies listed on the Shanghai and Shenzhen stock exchanges, the proportion of female CEOs rose from 4.6% (1997) to 5.6% (2010), mainly driven by non-state-owned enterprises (SOEs). The percentage of female directors was higher in non-SOEs (13.7%) than in SOEs (10%) in 2010. Many female CEOs/board chairs were founders/owners of non-SOEs. Also, as non-SOEs were at a disadvantage to SOEs because of resource limitations, this provided motivation to look for talent in various ways. Companies with female CEOs had more females in their boardrooms. Accordingly, companies with a higher percentage of female directors were more likely to hire female CEOs (Zhang 2012).

Reasons for barriers and limited board positions

There are a set of possible reasons that shed light on the lack of females on boards. Terjesen, Sealy, and Sihgn (2009) usefully summarized theories that explained the phenomena and noted their key characteristics and levels they impacted on. Table 1 presents this and we add factors that limit females on boards. In the following we explain these eight factors and barriers limiting females joining boards, particularly in Asian countries.

Table 1. Factors limiting females on boards.

Factor	Explanation and theory	Characteristics	Level
Self-selection Cognitive Societal Traditional gender bias	Human capital Status characteristics Gender self-schema	Demographics Social capital Human capital	Individual
Networks Role models	Social identity (homophily, similarity-attraction, conformity) Social network and social cohesion Gendered trust Ingratiation Leadership	Structure and size Roles Composition	Board
Legal context	Resource dependency Institutional Agency	Size Stakeholder distribution Performance	Firm
Employment rates	Institutional Critical management	International differences Within-country differences	Industry and environment

Source: Developed and adapted from Terjesen, Sealy, and Sihgn (2009).

Employment rates

Except for China, Asian female labour force participation rates are generally low comparatively. For example, Japan has extremely low female labour force participation rates.

The legal context

Director responsibilities

The 'fiduciary duty' of directors may not only be onerous, but also opaque with poorly defined responsibilities and diligence obligations. Given this, fewer people will be motivated to act as directors. Furthermore, violations of obligations are subject to severe consequences and liabilities for compensation, yet director liability insurance remains under-developed. As females are more emotional and sensitive than males (Rudolph 2002; Johnson et al. 2008; Leaper and Robnett 2011), they may feel more stressed in shouldering all the legal obligations as directors. As a result, many are not willing to enter boardrooms. Hence, females, with a born virtue of prudence (Zuckerman 1994; Byrnes, Miller, and Schafer 1999) are less motivated to get involved with board-level work.

Supportive policies

Asian countries have fewer supportive policies (see Table 2). Hong Kong, Malaysia and Singapore have done better in setting guidance and regulation. Malaysia is the only Asian country to adopt a quota system. Thus, overall, the motivation and driving force in appointing females to boards is weak. Without the push of quota policies, females entering boardroom have been discouraged in much of Asia.

Networks – 'old boys'

Directors should not only possess extraordinary industry expertise, but also have strong interpersonal networks. Male-dominant boards often show preference for males in building relations and promotions. Boards should establish nominating committees and engage external consulting firms to identify directors, but many have not introduced effective nominating mechanisms and continue to rely on existing members for selections. As a result, male-dominant boards show little inclination to include females.

Role models

Furthermore, there are few female role models to encourage and inspire females on boards to make a difference. Thus, a vicious cycle: the fewer the females, the less likely boards are to appoint females, the less likely females are inspired to enter board. Women mentorship is also missing in many Asian organizations.

Societal

Traditional beliefs, such as that female social status is inferior to that of males with 'man for the field and woman for the hearth', continue, especially in Japan and South Korea. The continuing influence of traditional Chinese culture and in many South East Asian economies, where Chinese-run enterprises play dominant roles, plays a role. Besides, the deep-rooted custom that males are superior to females and traditional respect for seniority has greatly hindered unmarried female careers and encouraged many to return to families

Table 2. Corporate governance codes on board diversity in selected countries/areas.

	Policy framework			
Country	Comply/explain	Target	Quota	Specifics
Australia	✓			Principles of the code of conduct
Canada				Canada board diversity parliament (partially funded by government)
France	✓		20% by 2013; 40% by 2016	Code on corporate governance
Germany				Code on corporate governance Consider the diversity at management level and the proportions of women directors
Hong Kong, China	✓			Code provision as part of corporate governance code Allows companies to define diversity
Malaysia			30% by 2016	Corporate governance blueprint Establish a policy on board diversity (focus on women)
Norway	✓		40%	Code on corporate governance
Singapore				Code on corporate governance Guideline: Board should have diversity of skills, experience, gender and knowledge
United Kingdom	✓	25% by 2015		Code provision as part of corporate governance code When appoint new director, the board should consider board diversity Annual report (via nominating committee) should include diversity (female) policy, target and the progress
USA	Not applicable			Securities and Exchange Commission require companies to disclose the nominating committee for considering diversity policy If company has diversity policy, should disclose further about how to carry out, as well as the effect of self-assessment policy Allows companies to define diversity

Source: Improving governance through board diversity: a guide for companies listed in Hong Kong, community business, 18 April 2013.

after marriage. Traditional Asian cultures encourage females to be highly committed to their family roles. The 'glass ceiling' at work restricted the number of females in top management positions, which consequently closed the door to promotion to boardrooms. So, fewer females are in higher management positions, reducing board appointments since director positions generally require extensive management experience.

Traditional gender bias

A survey of chairmen (of FTSE 100 listed companies) found widespread social bias that females with the right human capital for directorships were hard to find (Russell 2002). Some earlier studies (Burke 1997; Mattis 2000) also indicated that many male CEOs and directors were reluctant to recommend females for boards as they thought females lacked the required educational backgrounds and work experience. Furthermore, females were generally believed to be too much confined to 'details' and lacking a macro perspective could cause disputes and reduce operational efficiency (Lau and Murningham 1998). Due to their perceived 'soft' nature (Liu 2009), females are often seen as having less authority than male directors. However, recent studies showed that most female directors boasted international vision and held Master's degrees (Burgess and Tharenou 2002; Singh 2008). Most females on boards in the US Fortune 500 companies had the same or higher education than males (Peterson and Philpot 2007). Nevertheless, a general gender bias persists.

Cognitive

Men and women have different modes of thinking, it is argued (Wooda and Inman 1993). Women are usually more attentive and conscientious with strong execution ability (Lu 2006; Jun 2012). However, senior management positions require insightful, complete and strategic perspectives. Female excessive attention to 'trivial' things and details at work (Zhang 2013) is likely to prevent them from taking such perspectives.

Self-selection

However, one neglected barrier concerns females themselves, whether they are even interested or willing to enter boardrooms. In contrast to number of female directors, number of female entrepreneurs and in self-employment are growing. By 2012 China had more than 29 million female entrepreneurs, accounting for over 20% of the national total.

Studies (Zhang 2013) showed that companies having females on boards were often family-owned and whose founders or successors were females. In contrast, it was less likely for non-family businesses to have female directors. Even in these family businesses, female family members on boards often accounted for small proportions, played insignificant roles, held administrative rather than management positions and could hardly affect the decision-making of boards.

In short, it seems that many females would rather start up their own businesses to create value based on their personal beliefs and values than sit on boards as 'ornamental directors' (Mace 1971; Allen 1989). After all, boards in many companies merely play a symbolic role and its directors are just 'rubber stamps'

Conclusion

To sum up, the number of females on boards has increased globally, albeit variably across countries. In Asia the situation is even more patchy and with some very poor spots, such as

Japan and South Korea. For many females in Asia, entering the boardroom is like rowing upstream – a challenging job with little attraction. Society as a whole has not developed a sufficient understanding about the significance of females to companies and boards (Yi 2012). As long as companies remain less active in making changes and continue to underestimate the long-term benefits of females on boards, female will continue to say no to board positions, which in turn may require greater government action.

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