

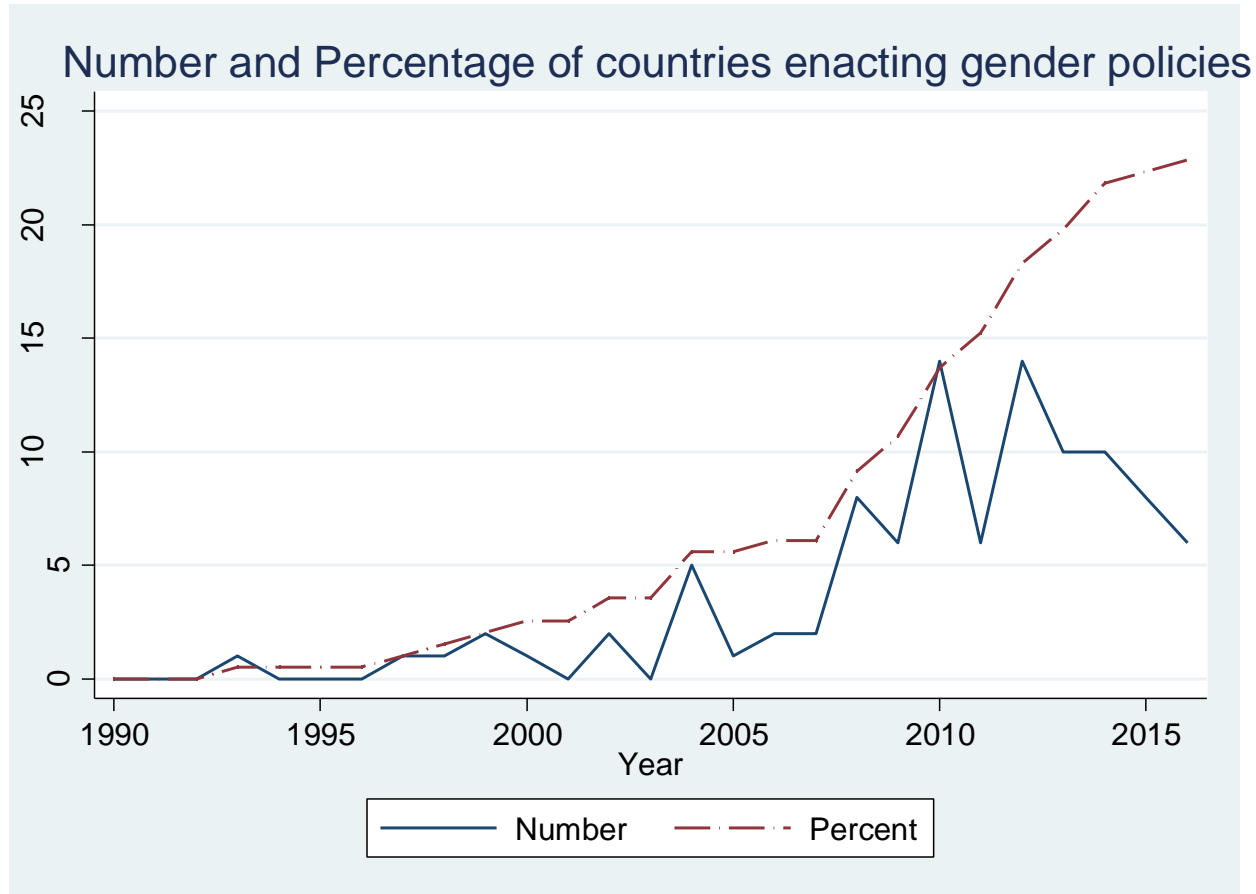
Women in leadership: The Superheroes of Tomorrow?

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Boardroom gender policies



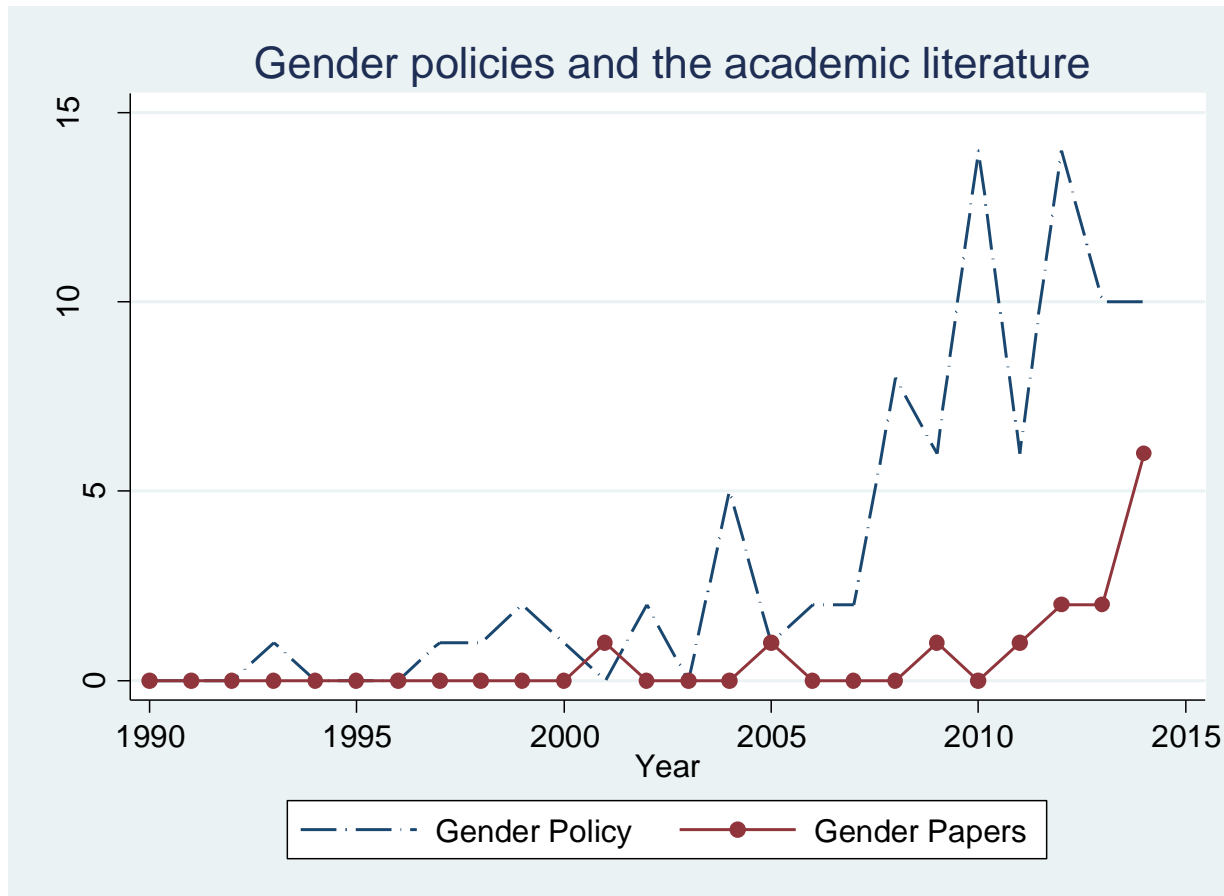
My view

Gender is no longer niche:

Cannot understand board governance in the next decades without considering gender



How much do we know already?



Three questions

- Do we know how big the problem is?
- Is there a case for diversity?
- How does one achieve diversity?



Are female (directors) superheroes?



Are female directors superheroes?

“Indeed, there is a clear business case for greater gender diversity on corporate boards both from the microeconomic perspective-i.e. in terms of individual companies’ performance-as well as from a macroeconomic perspective-i.e. in terms of higher, sustainable rates of economic growth.” (European Commission, 2012)



Are female directors superheroes?

- Microeconomic benefits:
 - Improved company performance
 - Mirroring the market
 - Enhanced quality of decision-making
 - Improved corporate governance and ethics
 - Better use of the talent pool
- Macroeconomic benefits:
 - Creates incentives for women to stay in the workforce—thereby helping to create stronger economies.
 - Can help achieve higher, sustainable rates of economic growth



Can female directors save the world?

MAYBE



Can female directors save the world?

...under the right conditions



Challenges to identifying conditions

- We need better data
- We need better methods
 - Causal inference
 - Omitted variables
 - Reverse causality
 - Selection

- Footnotes that cut it.

2 Correlation does not prove or imply causation.

do not

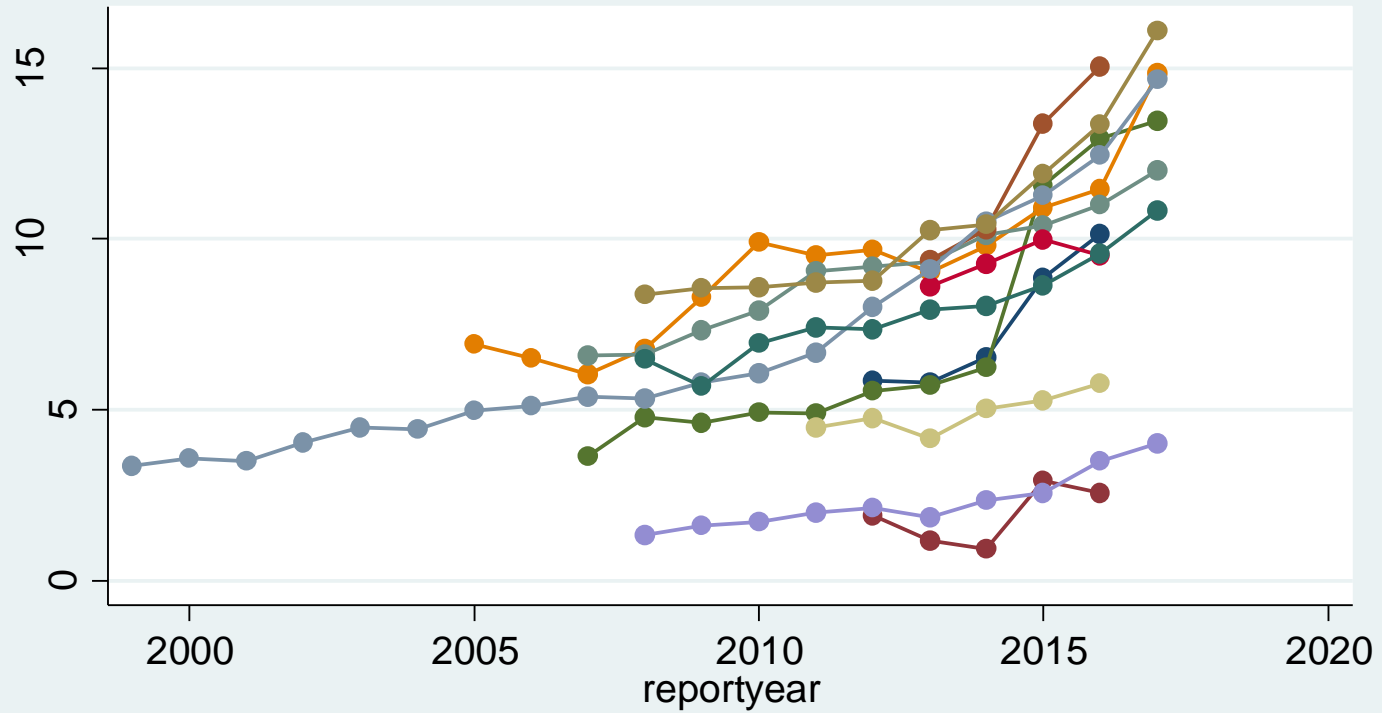


Do we know how big the problem is?

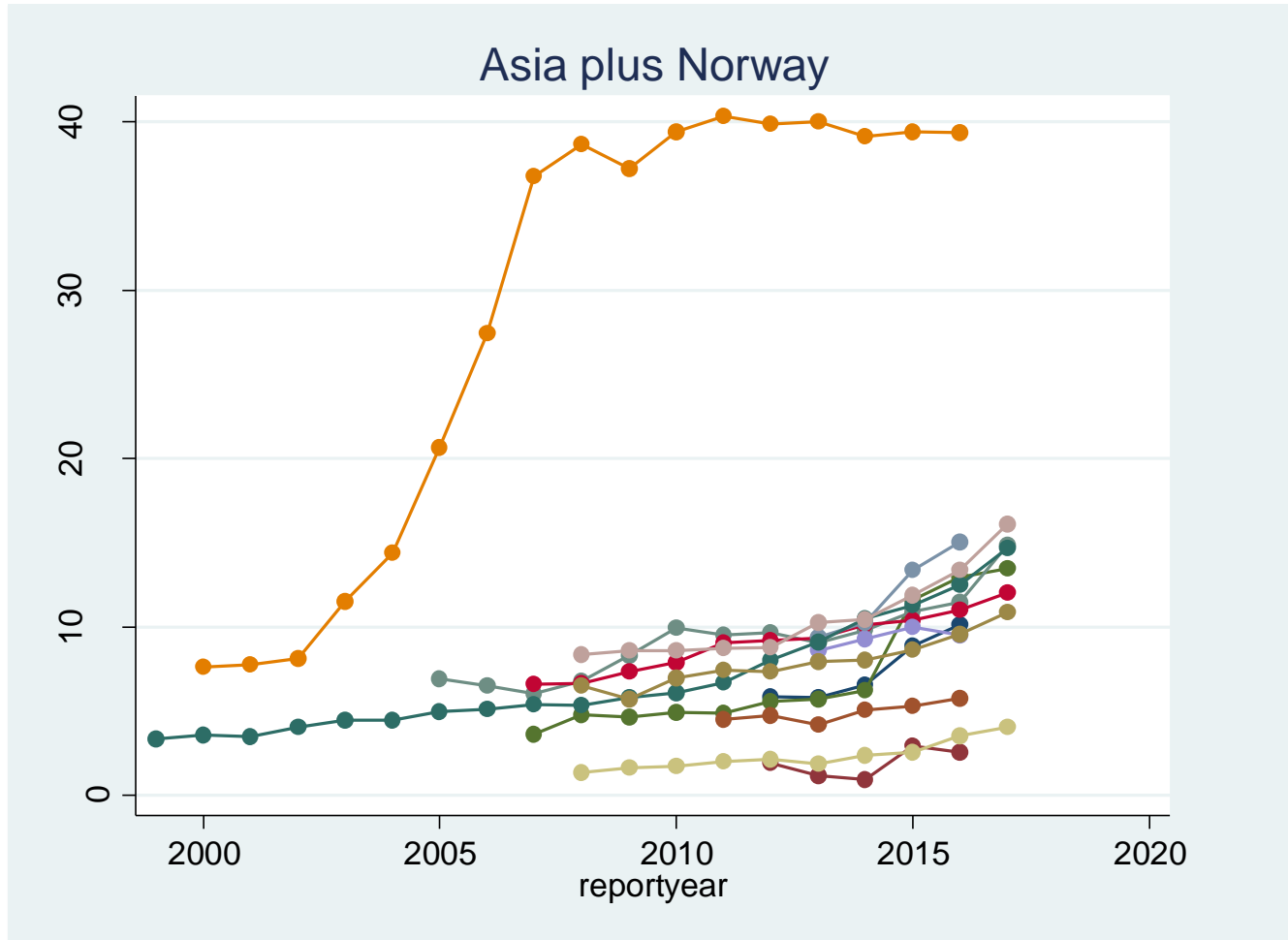
- Many surveys
- They focus on large firms
- They focus on fraction or % women on board at firm level
 - Is this the right measure?
- Benchmark some survey data using comprehensive sample from Adams and Kirchmaier (2015)



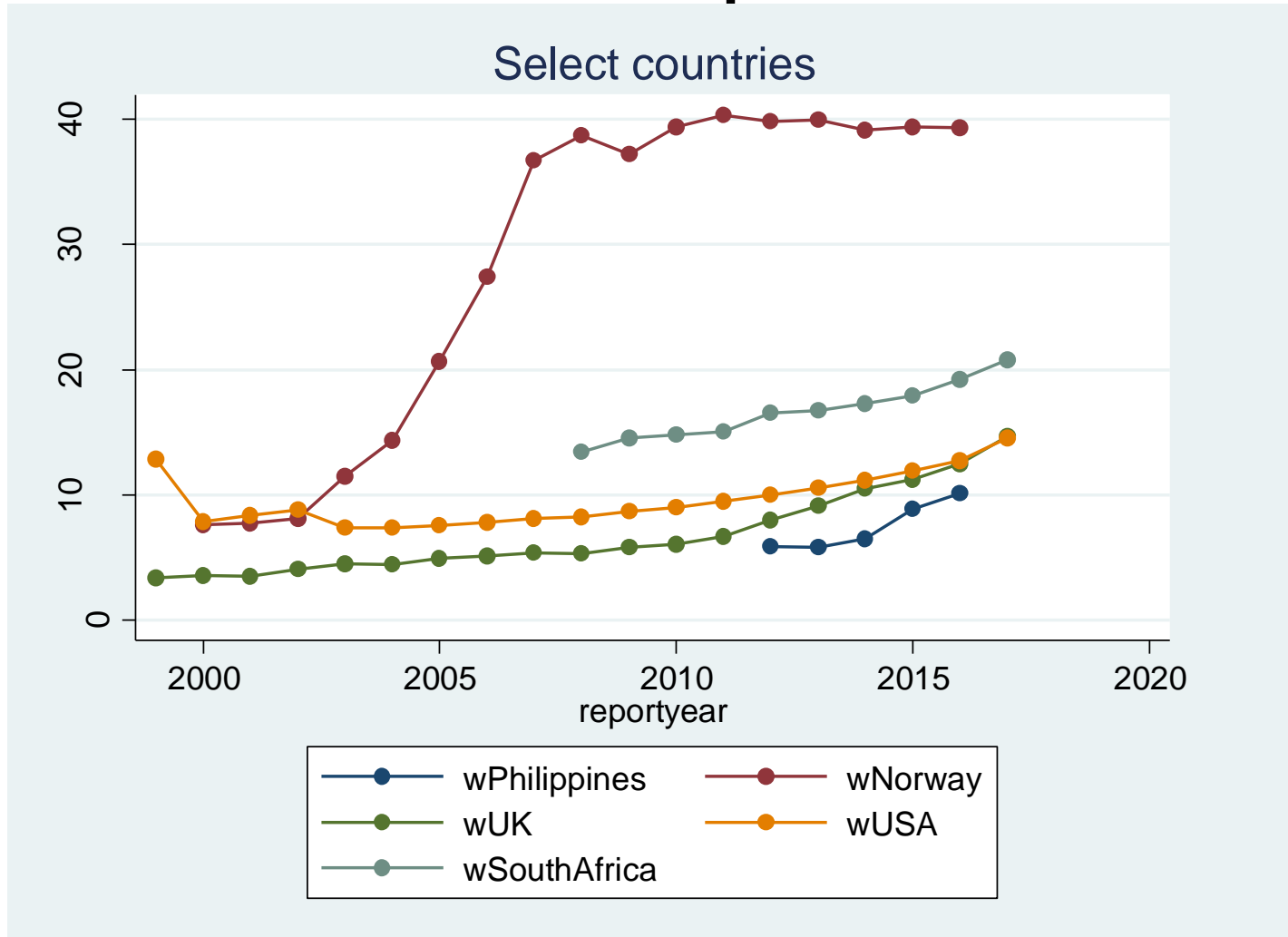
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Trend comparison



Trend comparison

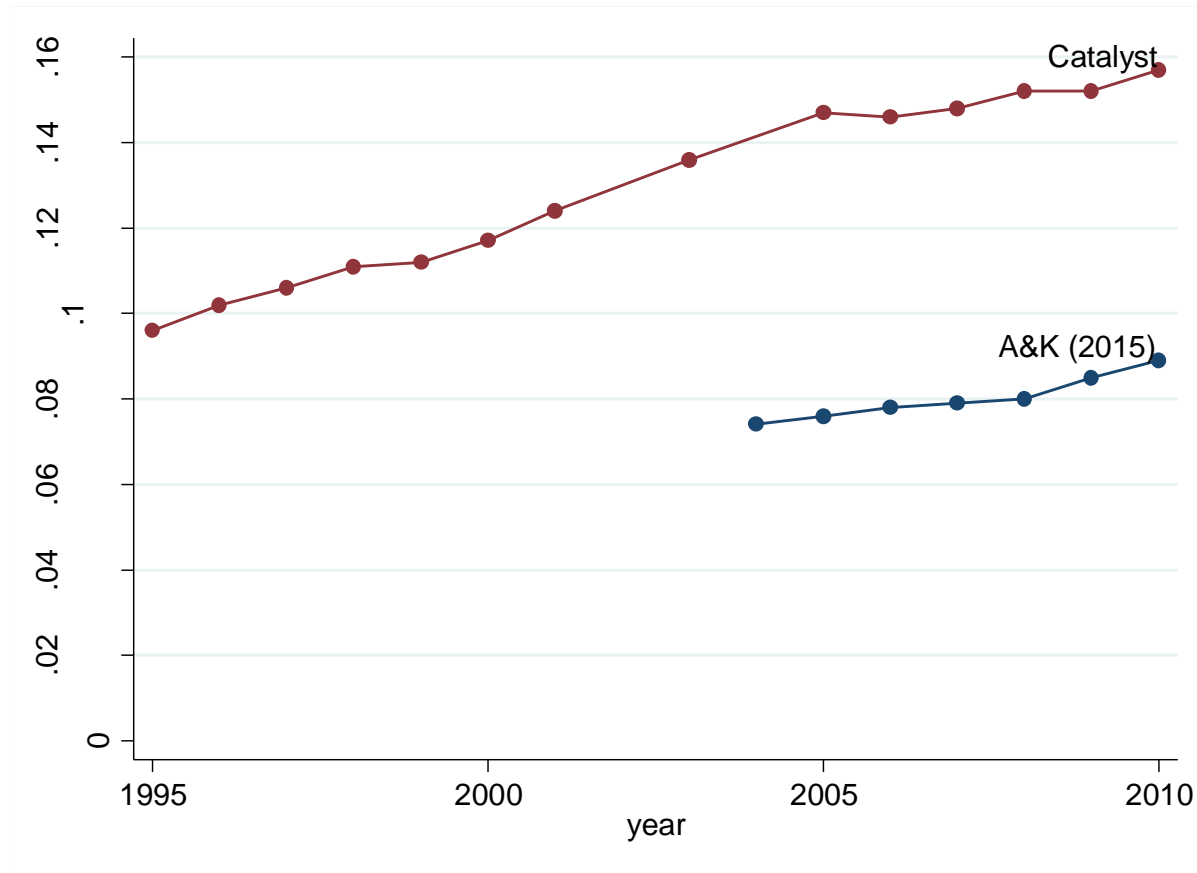


Let's compare numbers to surveys used in policy debate

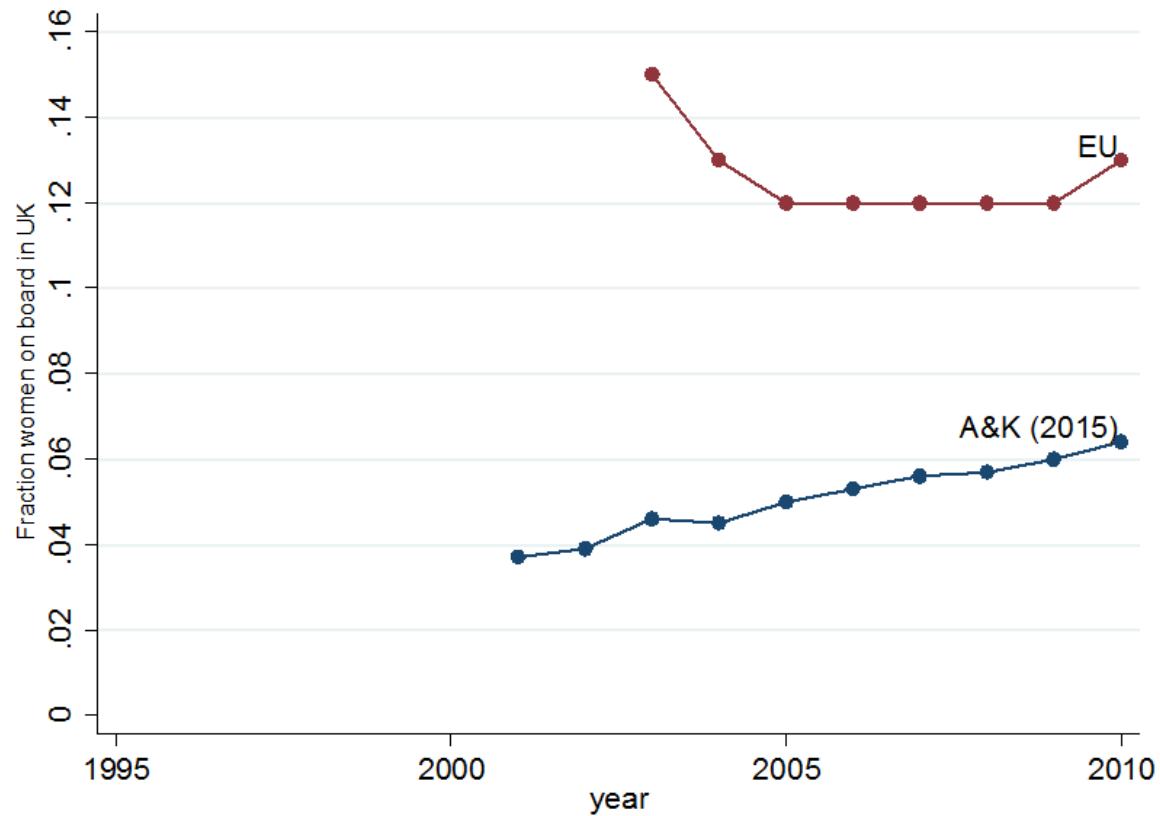
- Catalyst (2013): data on board diversity for Fortune 500 firms
- The European Union's gender balance in decision-making database (2014): data on board diversity for the largest 50 members of the primary blue-chip index in each EU country that are registered in the country



Let's compare numbers



Let's compare numbers



What explains the difference?

- Adams and Kirchmaier's (2015): between 3298 and 4566 firms in the USA and between 447 and 1323 firms in the UK
 - Catalyst: at most 500 of the largest firms in the USA
 - EU: is for at most 50 of the largest firms in the UK
- Women are generally better represented on the boards of large companies



Implications

The representation of women is much worse than people say it is!



Is there a business case for diversity?

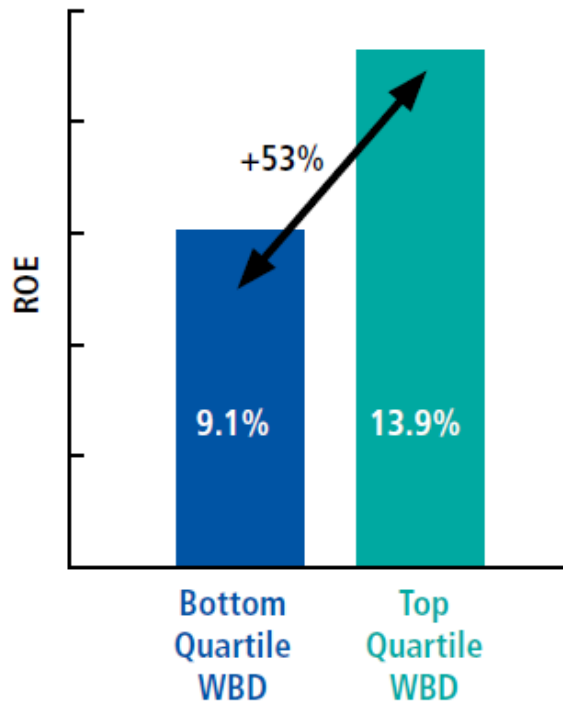
“Indeed, there is a clear business case for greater gender diversity on corporate boards both from the microeconomic perspective-i.e. in terms of individual companies’ performance-as well as from a macroeconomic perspective-i.e. in terms of higher, sustainable rates of economic growth.” (European Commission, 2012)





Return on Equity³ by Women's Representation on the Board

Companies with more WBD outperform those with the least by 53%



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2 Correlation does not prove or imply causation.



Let's take a closer look

Data from Adams and Ferreira (JFE, 2009)

VARIABLES	Dependent variable: ROE				
	I	II	III	IV	V
Fraction Female Directors	24.519*** [6.301]	6.242 [1.639]	3.617 [0.914]	-23.953*** [-3.875]	-8.837 [-1.448]
Log(Sales)		3.136*** [11.138]	3.244*** [10.471]	3.239*** [3.247]	8.137*** [5.936]
Board Size					-0.658*** [-3.467]
Fraction Independent Directors					5.526** [2.252]
# Business Segments					-0.160* [-1.938]
Constant	6.781*** [14.897]	-14.384*** [-6.937]	-5.800 [-1.051]	-12.629* [-1.761]	-40.545*** [-4.291]
Observations	9,188	9,188	8,980	9,188	9,188
Fixed effects	None	None	Industry	Firm	Firm and Year
Adjusted R-squared	0.0106	0.0589	0.0925	0.00763	0.0640



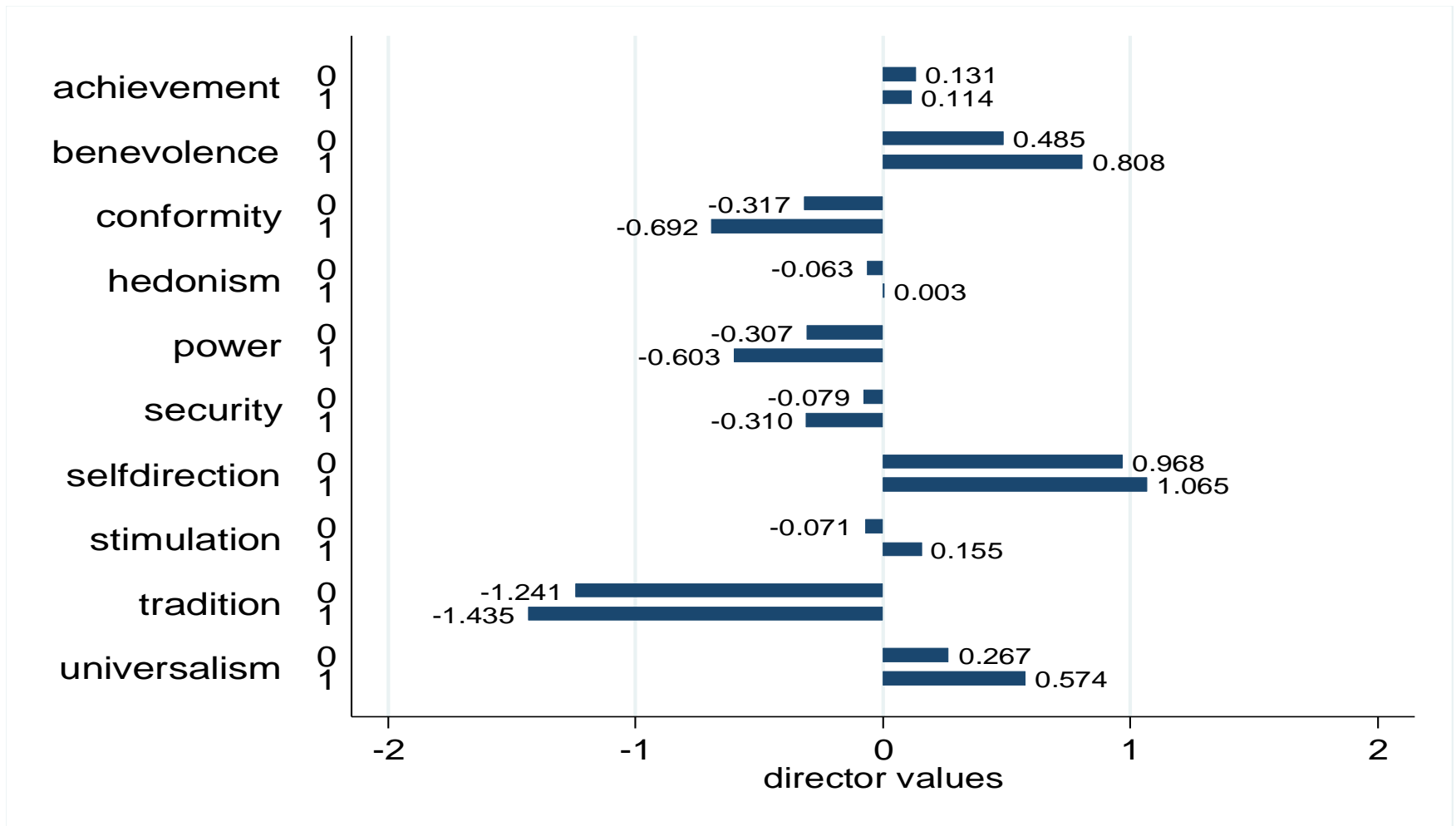
Why is this important?

Promoting women on the basis of stereotypes does them and the companies a disservice.



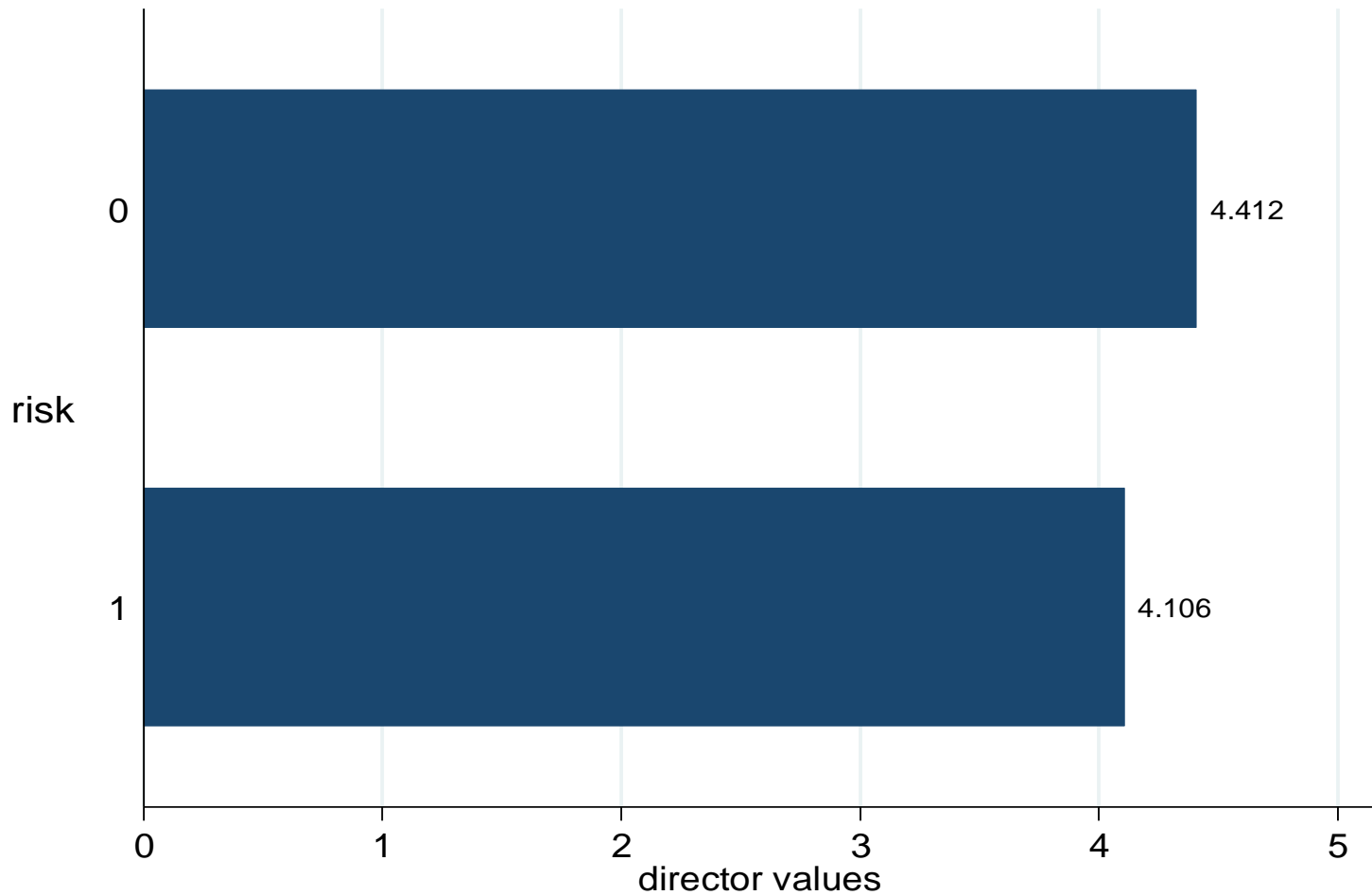
Is there a case for diversity?

- Adams and Funk (2012)



Evidence

- Adams and Funk, 2012



What is the point?

- Female directors are NOT the same as male directors
- Female directors are also NOT the same as women in the population



Why is this important?

Diversity may matter (in value-enhancing ways).



How can one achieve diversity?

- Current way of framing the discussion: HR directors and nominating committees are entirely to blame.
- Life is not that simple.
- Societal factors such as female fulltime labor force participation, culture and education matter



Board diversity in STEM&F fields

Adams and Kirchmaier (2016)

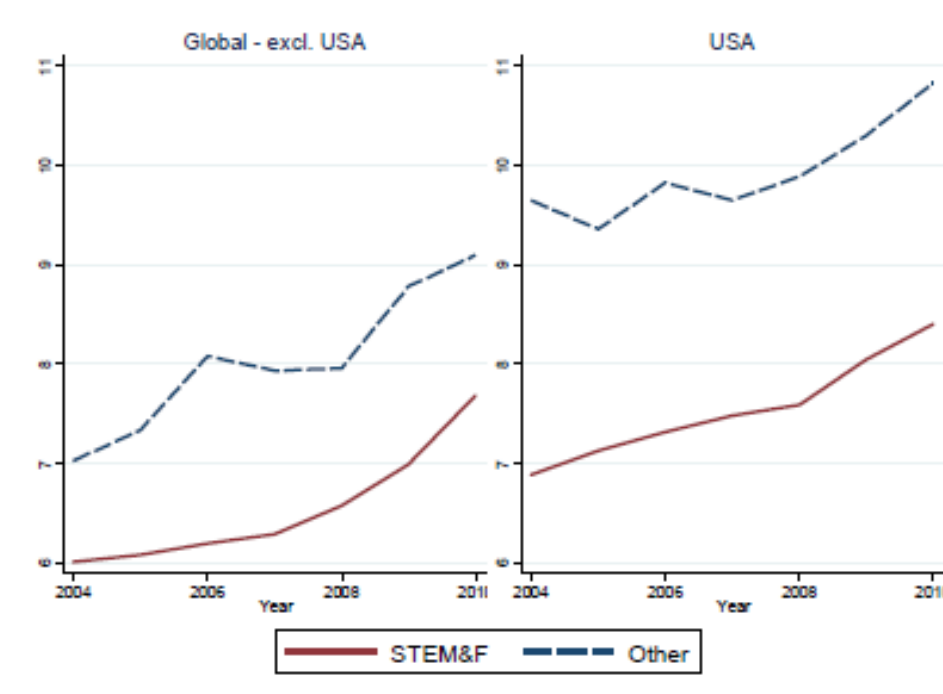


FIGURE 1. AVERAGE PERCENTAGE OF WOMEN ON THE BOARD IN STEM&F AND OTHER SECTORS



Why is this important?

- Companies cannot solve the problems on their own.
- But, their input into policy-making can be crucial.



The business case

- The business case creates false expectations
- The business case argument prevents research into true benefits of diversity and the situations in which it can add value



Conclusion

- We have further to go than many might have us believe
- Women may not always be superheroes
- Gender matters: Women WILL affect firm and societal outcomes
- It is important to take a closer look at the data and the assumptions in this debate in order to design policies that achieve desirable outcomes.
- Promoting women on the basis of myths does not do them-or society-a favour.

