

# **Why are there so few women on South African company boards?**

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**A research project submitted to the Gordon Institute of Business Science,  
University of Pretoria, in partial fulfilment of the requirements for the  
degree of Master of Business Administration**

**10 November 2010**

## **ABSTRACT**

The purpose of this research is to investigate why there are so few women on South African company boards. Since the first democratic elections in South Africa, diversity has been in the focal point to correct the discrimination and inequalities of the past; however the gender diversity has not been very successful on company boards.

Exploratory or qualitative research methodology was employed based on semi-structured interviews with a non-probability sample of 13 respondents. All respondents were women who served on company board as directors. They were from various sectors of the economy and served in various capacities on the boards.

This study found that the market and the shareholder profiles have diversified considerably, however the company boards have not changed significantly.

The gender gap maybe narrowing on company boards however the levels of discrimination and inequalities are still very high. Gender stereotypes continue to inform many decisions in business, including those of board appointments.

The study also found that for transformation to occur successfully, leadership had to play a major role. Government has implemented sound regulatory systems that encourage diversity and it is now up to the leadership in companies to take the responsibility and give women opportunities to participate in business through boards.

Government, through policies and regulations, continue to play a crucial role in facilitating transformation however the pace of change remains sluggish. Leadership has a critical role to play because the purpose of the policies and regulations is not only to get companies to achieve compliance, but to create equal opportunities for all South Africans.

**Key words:** women directors, company boards, board diversity

## **DECLARATION**

I declare that this research project is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Business Administration for the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university.

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**Mohla Matsaba**

Date: 10 November 2010

## DEDICATION

To:

My beloved mother Martha Matsaba, for unwavering support, inspiration, and encouragement.

My son, Tshami for bringing continuous joy, hope and peace to my heart.

My husband, all my family and friends for the support and contributions in many ways that enabled me to complete this degree.

## ACKNOWLEDGEMENTS

- My supervisor, Dr. Mandla Adonisi for providing me with the light and guidance in many ways and never letting me get away with less than I am capable of.
- Absa, its management and staff for supporting and giving me the opportunity and time to pursue this degree.
- My MBA colleagues that made learning so much more interesting and the heated debates that have been great lessons to me.
- The GIBS lecturers who, through their wisdom, opened a whole new world that was so near yet so far for many of us.
- The Information Centre staff, especially Monica Sonqishe for always being there to help and go the extra mile.
- The respondents who took time from their busy schedules to share their insights and wisdom with me, beyond just the research. This is truly treasured.

1.	Introduction to research problem .....	6
1.1	Introduction.....	6
1.2	South African context.....	6
1.3	Benefits of Women on Company Boards.....	9
1.4	The research problem.....	11
1.5	Objectives.....	11
2.	Literature Survey .....	12
2.1	Key constructs .....	12
2.1.1	Corporate culture and change.....	12
2.1.2	Diversity .....	14
2.1.3	Hegemony.....	17
2.1.4	Stereotyping.....	18
2.1.5	Agency Theory.....	20
2.1.6	Glass Ceiling.....	21
2.2	Studies on women board directors .....	22
2.2.1	Global view .....	22
2.2.2	United States of America .....	24
2.2.3	United Kingdom .....	24
2.2.4	Australia .....	25
2.2.5	Canada .....	25
2.2.6	Developing countries.....	25
2.2.6.1	Brazil.....	25
2.2.6.2	Russia.....	26
2.2.6.3	India.....	26

2.2.6.4	China .....	26
2.2.7	South Africa .....	27
2.3	Corporate Governance .....	28
2.3.1	Definition .....	28
2.3.2	Board appointment process .....	29
2.3.3	Board responsibilities .....	30
2.3.4	The Basic Conditions of Employment Act of 1997 .....	32
2.3.5	Employment Equity Act of 1998 .....	33
2.3.6	Gender Policy Framework (GPF) .....	33
2.3.7	Other Policy Interventions .....	34
2.4	Conclusion of the literature survey .....	35
3.	Research Questions .....	37
3.1	Research Question 1 .....	37
3.2	Research Question 2 .....	37
3.3	Research Question 3 .....	38
3.4	Research Question 4 .....	38
4.	Proposed Research Methodology and Design .....	39
4.1	Introduction .....	39
4.2	Research design .....	39
4.3	The research population .....	40
4.4	Unit of analysis and sampling method .....	40
4.5	Data collection and analysis .....	41
4.5.1	Data collection .....	41
4.5.2	Data Analysis .....	42

4.6	Research limitations .....	44
5.	Presentation of Results.....	45
5.1	Introduction.....	45
5.2	Demographic information.....	46
5.2.1	Gender and race group .....	46
5.2.2	Sector Representation .....	47
5.2.3	Role profile of the respondents .....	47
5.2.4	Experience of respondents serving on boards .....	48
5.3	Research Question 1 .....	49
5.3.1	Stereotyping.....	50
5.3.2	Diversity .....	52
5.3.3	Corporate culture and change.....	52
5.4	Research Question 2 .....	53
5.4.1	Agency theory .....	53
5.4.2	Corporate Governance and Board appointment processes .....	54
5.5	Research Question 3.....	55
5.5.1	Leadership .....	55
5.5.2	Glass ceiling.....	56
5.5.3	Policy Interventions.....	57
5.6	Research Question 4.....	58
5.7	Summary and Conclusion.....	60
6.	Discussion of results.....	61
6.1	Introduction.....	61
6.2	Demographics of the respondents.....	61



6.3	Research Question 1 .....	62
6.3.1	Stereotyping .....	62
6.3.2	Diversity .....	64
6.3.3	Corporate culture and change.....	68
6.4	Research Question 2 .....	69
6.4.1	Agency theory .....	69
6.4.2	Board appointment process .....	70
6.4.3	Board role theories.....	72
6.5	Research Question 3 .....	74
6.5.1	Leadership .....	74
6.5.2	Social environment.....	75
6.5.3	South African environment.....	76
6.6	Research Question 4 .....	77
6.6.1	Employment in South Africa .....	78
6.6.2	Glass Ceiling .....	78
6.6.3	Summary and conclusion.....	79
7.	Conclusion and Recommendations .....	81
7.1	Introduction.....	81
7.2	Findings .....	81
7.2.1	Stereotyping.....	81
7.2.2	Diversity .....	82
7.2.3	Corporate culture and change.....	82
7.2.4	Agency theory .....	82
7.2.5	Corporate governance .....	83



7.2.6 Leadership .....	83
7.3 Conclusion.....	83
7.4 Recommendations to various stakeholders .....	84
7.4.1 Private companies and company boards .....	84
7.4.2 Government .....	85
7.4.3 Shareholders.....	85
7.4.4 Women.....	86
7.5 Recommendations for future research.....	86
References.....	88

## **Chapter 1**

### **1. Introduction to research problem**

#### **1.1 Introduction**

South African companies' boards are still male dominated. Fairfax (2005) states that representation of people of colour, as well as women, on company boards, has been increasing over the last few decades; however both groups have encountered significant barriers with regard to being appointed to company boards.

Board directorships are regarded as the pinnacle of management level in the corporate environment (Burgess and Tharenou, 2002). Zelechowski and Bilimora (2004) say the fact that there are extremely few women at the leadership and governance levels of companies means that the study of women on boards is important, because they explicitly present the opportunity to investigate the issue of boardroom diversity in more complex ways. Studying women on corporate boards will provide an opportunity to identify patterns of why women remain a minority on corporate boards.

#### **1.2 South African context**

South Africa is recovering from a legacy of an apartheid regime that entrenched divisions and segregation throughout society. Change transpired in 1994, when the first democratically elected government came into power. This brought about many proposed and real changes, including regulations and policies to address diversity at the work place.

However, these desired changes have not fully transpired in the business environment, more so at the pinnacle of management, the board levels. The persistence of this phenomenon continues despite policy interventions such as Affirmative Action, Employment Equity Act, Labour Laws, and the Skills Development Act. These regulations and policies were intended to level out the playing field with regard to employment of previously disadvantaged individuals (Blacks, Coloureds, Indians and Chinese) and women.

It is important to note that company shareholders, customers and employees at middle and lower levels are increasingly diverse; globalisation creates new complexities and challenges that call for sound intervention; however changes towards board diversity remain stubbornly slow (Catalyst, 2008).

A commission by Business Unity South Africa (BUSA) in 2010, on 295 listed companies, concluded that blacks and women continued to be grossly under-represented in directorships, top executive and leadership positions in companies listed on the Johannesburg Stock Exchange (JSE). Khuzwayo (2010) of BUSA indicated that while Blacks constituted 87% and women over 50% of the economically active population, their representation is nowhere near these percentages in both executive and non-executive directorship positions. The findings of this commission, presented in Table 1, also revealed that the representation of women at board level remained below 10% for most board positions versus men who enjoyed a majority of 90% and more. The only slight difference was on non-executive directorships where women represented about 18% and men 82%.

Table 1 below presents the bleak picture found by the BUSA commission in the corporate boards' composition in South African companies listed on the JSE:

Table 1: Findings of BUSA study 2010

<b>Sample size</b>	<b>% Women</b>	<b>% Men</b>
269 Executive chairperson positions	3%	97%
269 Chief executive positions	7%	93%
245 Non-executive chairperson positions	6%	94%
1 664 Non-executive director positions	18%	82%
339 Other top executive leadership positions	9%	91%

The BUSA (2010) commission found that 533 executive and non-executive directors are expected to retire from JSE-listed companies in the next five years and this seemed a perfect opportunity to correct the dismal representation. However, the systems, processes and culture in companies remain hostile to women and this opportunity to address gender diversity on company boards may not be realised.

The results of the commission tie in with recent observations by the Black Management Forum (2009) that highlight the plight of Blacks and women, and Black Management Forum have been urging JSE-listed companies to do more to comply with management personnel quotas.

South Africa's largest executive research firm, Mindcor SA (2010), say there was more than 100% growth in assignments received from corporate clients in the year 2008/9; however,

there is a very strong demand for executives with entrepreneurial skills who can help grow companies, and this strong demand places strain on the available supply.

Catalyst (2009) supports the argument above saying that there has been improvement in the numbers of women directors over a period of time; however the numbers in South Africa have not increased significantly owing to the low starting base.

Catalyst (2008) carried out a study to review progress on the numbers of women on 100 corporate boards between 2004 and 2006 and found that changes were insignificant. The study found that men occupied the vast majority of corporate board seats at 93%. About 75% of all corporate directors remained predominantly white and male (Catalyst, 2008).

It is evident from these studies while there may have been changes in board directorships over time, the changes have not transpired into addressing the gender diversity on company boards.

### **1.3 Benefits of Women on Company Boards**

Some studies on women on company boards have found that there major benefits in gender diversity. A study carried out in Canada by Brown, Brown, and Anastasopoulos (2002) revealed that boards with three or more women were significantly different from male only boards. This study showed that almost 94% of boards with three or more women explicitly measured and monitored the implementation of corporate strategy compared to the 66% of the male only boards.

Terjesen, Sealy and Singh (2009) support this phenomenon, citing that boards with three or more women are likely to ensure more effective communication amongst the board members and other stakeholders. The authors further argue that women directors are more likely to have higher levels of board accountability as well as being more active in promoting non-financial performance measures such as customer and employee satisfaction, corporate social responsibility and gender representation.

The South African Government has made strides towards more diverse leadership (Businesswomen Association, 2009). In 2009 government achieved female representation of 40% for cabinet ministers, 39% for deputy ministers and 30% for heads of departments (source: [www.gcis.gov.za](http://www.gcis.gov.za)). The Businesswomen Association (2009) reported that in the public sector environment, 56% of the workforce earning a salary was comprised of women and 35% were in senior levels.

The government has introduced deliberate interventions to redress equality and diversity in the form of policies, legislations and regulations. Despite these interventions the corporate sector lags behind with 7.1% board membership positions held by women (Businesswomen Association, 2009).

It remains a paradox that South Africa, with a population of almost 50million, including 52% as female (Stats SA, 2009), has a female representation of only 7.1% on corporate boards of listed JSE companies (Businesswomen Association, 2009) and a disappointing 41% of the total working population as women.

Terjesen, Sealy & Singh (2009) strongly recommend that further research is carried out where more women on boards are interviewed. This it is believed, will provide insight into women directors' experiences.

#### **1.4 The research problem**

This study aims to gain a deeper understanding of the reasons for the paucity of women on private company boards. It remains unclear what it takes for women to get invited and appointed to serve on company boards. While government has provided policies and legislation that support and encourage diversity, it remains an astounding fact that company boards' diversity levels remain stagnant towards female representation.

#### **1.5 Objectives**

Peterson and Philpot (2007) test earlier studies (Kesner, 1988; Bilimoria and Piderit, 1994) that suggest that men and women have different board roles, with women less likely to serve on key committees. While women are less likely to be on executive committees and more likely to be on public affairs committees, gender is no longer a significant factor in the likelihood of being on the nomination, compensation, finance, or audit committees (Peterson and Philpot, 2007).

Based on the information discussed above the objective of this study is therefore:

- To understand why women remain a minority on company boards.
- Why government seems to have made significant strides towards including women on senior positions.



## Chapter 2

### 2. Literature Survey

The purpose of this chapter is to analyse the literature on women experiences on company boards.

This literature review addresses the following main areas:

- defining the key constructs that underpin this study and their relevance to the topic under study;
- previous studies on women board directors in various countries;
- corporate governance and its practice in South African boards; and
- conclusion.

#### 2.1 Key constructs

##### 2.1.1 Corporate culture and change

Schein (1999) defines culture as learned, shared, tacit assumptions on which people base their behaviour. Schein (1999) says that culture is important, and understanding it is critical, because decisions made without awareness of the operative cultural forces may have undesirable and unintended consequences. Culture is deeply entrenched in people and becomes the way of life. Therefore changing culture is identified as a difficult process and if it is not well supported and does not have a sense of urgency; it can prove impossible to achieve (Porter, 2007). For this reason it is imperative to understand how the culture influences decisions and practices on attracting and the subsequent appointment of women on company boards.

It is clear from the literature above, that major changes are needed in the corporate environment. Cummings and Worley (2009) state that social norms and globalisation support the belief that organisational performance is enhanced when the workforce diversity is embraced as an opportunity. With specific attention to gender, research has shown that many companies have been treating symptoms as opposed to gender inequalities.

Gatekeepers are normally men and do not offer women the same organizational rewards, such as training and development, nor promotion and pay (Oakley, 2000) and this continues to stifle women's presence in leadership positions of companies. Oakley (2000) states that women's absence in the ranks of senior management and board positions are a telling signal that the whole process of selection, recruitment and promotion in large corporations is in need of a major overhaul. Oakley (2000) asserts that even if the policies and practices are reformed, the processes of leadership dynamics and acceptance of diversity in organisation cultures needs to be changed to destroy the roots of gender bias.

Another study carried out between 2006 and 2008 led to the conclusion that board nominating committees are failing to keep pace with the acknowledged need for change (Businesswomen Association, 2009).

This trend continues to leave women marginalised in corporate board positions. While there has been some level of focus on diversity, more energy and concerted effort are necessary

to understand the situation with the diversity and tackling it to enable better reflection in the corporate environment.

### 2.1.2 Diversity

Cummings and Worley (2009) say that diversity results from people bringing different resources and perspectives to the work place and who have distinctive needs, preferences, expectations and lifestyles. The differences include but are not limited to age, gender, race, sexual orientation, disabilities and culture and value orientation.

Thomas (2003) says that diversity is not only a gender or racial justice issue but also contributes to better management decision-making and greater shareholder wealth. Thomas (2003) further argues that the insulated, homogeneous oligarchies of corporate boards may pose special obstacles to diversity.

Institutional theory focuses on the social influence processes on organisational actions, stressing the importance of organisational legitimacy representing the level of acceptance from the external environment (Bilimoria, 2006). An institutional perspective has been used to explain the organisational-level determinants of women in management; companies gain symbolic legitimacy advantages from high-level managerial women (Bilimoria, 2006) and these include:

- enhancement of company reputation in having a leadership culture that supports women's careers;
- benefits in recruitment; and
- company team diversity.

In a study that involved 447 companies, Bilimoria (2006) investigated the association between women directors and women officers in large corporations. The results of the study showed that there was a positive correlation between the number of women corporate directors with the number of women officers in the company. The conclusion reached by the study was that companies that strive to increase gender diversity in top management and facilitate environment for the advancement of women, should focus their efforts on the board-level representation of women.

Carter, Simkins and Simpson (2003) demonstrated empirically that board diversity is associated with improved financial value. These authors say that board diversity is part of good corporate governance.

#### The value of board diversity

- Board diversity promotes a better understanding of the market place.
- Diversity improves creativity and innovation.
- Diversity produces more effective problem solving environment.
- Diversity encourages more effective global leadership. Cultural sensitivity is critical in an international environment.
- Diversity enhances the effectiveness of leadership. At the top, homogeneity is believed to produce a narrow perspective, while diversity promotes a broader perspective and better understanding of the complexities of environment, and more astute decision making.

Homogenous boards tend not to recognize how similarly members think because these values are the norm for them (Maznevski, 1994). Therefore, women directors bring a different voice to debates and decision-making (Zelechowski and Bilimoria, 2004).

Bernardi, Bean and Weippert (2005) acknowledge the insurmountable difficulties of accessing accurate information on board dynamics, thus diversity-related studies are often based on circumstantial evidence.

Erkut, Kramer and Konrad (2007) explore three dimensions of numerical representation of women – one woman, two women, and three women, and conclude that critical mass is achieved with three women on the board. They conclude from their study that solo women directors were often able to resist being ignored, but to do so they had to work extra hard, get help from one of the men, or be willing to point out what was happening.

Women compared to men, were more likely to serve in precarious management positions, creating a phenomena of the glass cliff as described by (Ryan & Haslam, 2005; 2007; 2008). The glass cliff is a phenomenon that refers to taking on a task or job that has been done badly over time and about to fail, the belief being that a “different and diverse” person is the only one who can save the situation, but often these jobs fail in the near future (Ryan and Haslam, 2005). Terjesen, *et al* (2009) agree that this organizational context makes it harder for women to perform and be perceived to perform effectively, because women are often called in, in desperate situations.

Diversity is part of exemplary corporate governance that enhances long-term shareholder value (Robinson & Dechant, 1997; Brown, Brown & Anastasopoulos, 2002). Women seem to have to fight for their existence and inclusion into top management and board memberships, and it seems it is an embedded general behaviour that has been practised over a long period of time.

### 2.1.3 Hegemony

Hegemony can be described as a complex web and conceptual material forms the basis of everyday life (Lewis, 2010). Lewis (2010) says hegemony is the power of a class to gain collusion and to ensure the dominance of a particular world view through a process of negotiation and struggle. Gramsci (2008) clarifies the concept, explaining it as a complex operation of coercion and consensus, often subconscious.

People as individuals, tend to segment and order the social environment by defining themselves and others through using social categories of various groups, such as family, race, class, location, gender, professions and organisations (Singh and Vinnicombe, 2004). These segments then grow into organisational barriers that include informal and hidden favouritism that leads to dubious promotion processes, lack of appropriate career development and lower pay for women (Singh and Vinnicombe, 2004).

People have differing views of what hegemony means, it is sometimes dependent on the context and in this case it is the human behavioural context. Bradshaw and Wicks (2000) say that hegemony is deeply imbedded in the structures, policies, doctrines and other

cultural artefacts of a society and thus it is often rendered largely invisible or taken for granted. These authors equate the “old boys’ club” to hegemonic masculinity.

Durbach and Parker (2009) analysed South African networks created from directors sitting on company boards. The study found that JSE listed companies were highly connected through board members and it took just 3.6 moves to get to any other random company board. This reflects how hegemony has contributed towards the structure of the company boards, and this is in line with the findings of other international studies.

It is therefore important to observe that hegemony by its nature causes a certain level of autonomy which could contribute towards further marginalisation of women participation on boards. This environment stifles women career development and thus makes it very difficult for them to reach a state of equal board presence and participation as their male counterparts.

#### 2.1.4 Stereotyping

Grobler, Warnich, Carrell, Elbert and Hatfield, (2006) say that a stereotype is a fixed, distorted generalisation about a member or a group. Stereotyping usually comes from outside sources, not individual experiences, where a stereotype requires that the exaggerated beliefs about a group be sustained by selective perception and/or selective assumptions, and forgetting of facts and experiences inconsistent with the stereotype (Grobler *et al*, 2006).

Stereotyping is a phenomenon that sometimes occurs at subconscious levels due to what people have been taught or have observed over time. Oakley (2000) says that stereotypically men were seen as being aggressive, independent, unemotional, objective, dominant, active, competitive, logical, self-confident and skilled in business; while women are typically seen as exhibiting the opposite traits to that of the men. There are many aspects that contribute towards stereotyping, such dress and attractiveness, (Oakley, 2000). One study found that attractive female managerial candidates received lower ratings of their performance, lower starting salaries and fewer promotions than did unattractive females and attractive males (Heilman & Stopeck, 1985).

A study was carried out by Konrad, Kramer and Erkut (2008) where the intent was to assess if it makes a difference whether a corporate board includes only one woman, only two, or three or more. The results indicated that numbers do make a difference, and that three or more women can constitute a critical mass for creating change. Solo women experience some stereotyping, ignoring, and exclusion. Having two women on the board improves the situation, providing the women with a source of support and demonstrating to the men that women differ from each other, reducing perceptions that either one is speaking from a "woman's point of view". On boards with three or more women, the presence of women becomes normalized. Moreover, women's tendencies to lead in an egalitarian manner, to ask difficult questions and demand direct answers, and to consider factors that affect firm performance in the longer term, become the norm.

Despite the fact that many researchers have found that there are very few differences, if any, in the natural abilities of male and female managers (Powell, 1993), stereotypes that



portray women as less capable business leaders than men persist. Oakley, (2000) concludes that gender based stereotyping and the ‘old boy network’ are strong social forces that are slow to change.

#### 2.1.5 Agency Theory

There are conflicting schools of thought on the definition of agency theory. Jensen and Meckling (1976) explain agency theory as the owners of a company being the principals and the managers being the agents and there being an agency loss, which is the extent to which returns to the residual claimants, the owners, fall below what they would be if the principals, the owners, exercised direct control of the corporation. Lan and Heracleous (2010) define agency problem as agency conflicts arising from a divergence between agents’ and principals’ utility functions, creating the potential for mischief.

A common assumption in the agency theory is that outside directors will act independently from their inside director counterparts and will act as good monitors for shareholders’ interests. The role of the board in an agency framework is to resolve agency problems between managers and shareholders by setting compensation and replacing managers that do not create value for the shareholders (Carter, Simkins & Simpson, 2003).

Adams and Ferreira (2009) assert that tougher monitoring, more incentive alignment, and potentially greater participation by directors in decision making could have both positive and negative effects on corporate performance. Because boards are seen as essential to overcoming agency problems between managers and shareholders, the authors argue that stronger governance should increase shareholder value, however, they also note that some

theoretical papers have argued that too much board monitoring can decrease shareholder value.

Women (like external stakeholders, ethnic minorities, and foreigners) often bring a fresh perspective on complex issues, and this can help correct informational biases in strategy formulation and problem solving (Westphal and Milton, 2000); however, women continue to struggle to climb the corporate ladder and to be ill represented on the corporate boards.

Fama and Jensen (1983) say that every company that intends on growing needs a board, which is seen to play an important role as a mechanism to control and monitor managers' decisions and actions.

#### 2.1.6 Glass Ceiling

Glass ceiling is defined as company practices that have prevented women from advancing to executive-level positions such that they can see the top jobs, but they cannot actually reach them (Grobler *et al*, 2006).

The lack of progress of women breaking the glass ceiling into the upper ranks of corporations in the 1990s brings to the forefront the importance of female under-representation as an important ethical issue for large corporations (Oakley, 2000).

The glass ceiling theory is further analysed by Ryan and Haslam (2008), stating that while men often enjoy the glass escalator, women get stifled by the glass ceiling in many companies. This trend translates to lack of directorship opportunities on company boards.

The authors further assert that women are more likely than men to be appointed to leadership positions when an organization is in crisis. As a result, women often confront a "glass cliff" in which their position as leader is precarious in the first place.

Oakley (2000) claims that corporate policies and practices in training and career development, promotion and compensation are often identified as major components of the glass ceiling that prevents women from making it to the top. The experience that women need in areas such operations, manufacturing or marketing is often not offered to young women managers (Oakley, 2000). Burgees and Tharenou (2002) agree, saying that by providing career ladders that enable women to gain core business experience within the company, women managers can be developed and promoted. Therefore, eventually women within their companies may become suitable appointments for their own company boards (Burgees & Tharenou, 2002).

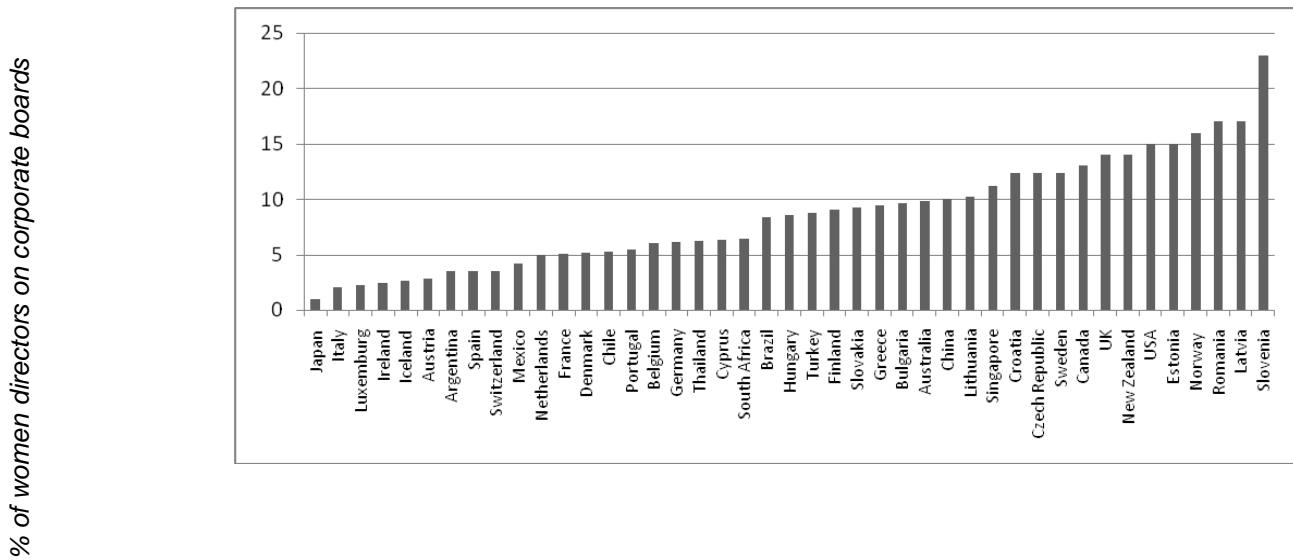
A report on the Glass Ceiling Commission painted a very bleak picture, concluding that it is likely that women will not significantly increase their numbers in upper management for decades to come (Rosenblatt, 1995).

## **2.2 Studies on women board directors**

### **2.2.1 Global view**

A number of studies have been carried out, seeking to establish why women are marginalised with regard to leadership positions and board appointments (Adams & Ferreira, 2009; Terjesen *et al* 2009).

Terjesen and Singh (2008) carried out a study assessing the level of women’s occupation of positions on corporate boards in 43 countries. The results reflected that 70% of the countries studied have less than 10% representation of women on corporate boards (Terjesen and Singh, 2008). Figure 1 below shows the countries and the percentage of women on corporate boards per country.



Source: Terjesen and Singh (2008)

**Figure 1: Percentage of women on corporate boards worldwide**

It is evident that at a global level the representation of women on corporate boards remains small with only Slovenia exceeding 20% representation in 2008. It therefore raises the question as to why the paucity is of women on boards is rampant.

### 2.2.2 United States of America

In the United States of America (US) women held 14.8% of Fortune 500 board seats in 2007 (Catalyst, 2007). Zelechowski and Bilimora (2004) assert that when considering the US, in general, progress for women at the highest levels of the corporate hierarchy has been extremely slow and very few women hold positions in both the executive suite and the corporate boardroom. Oakley (2000) supports this argument noting that women in the US occupy 40% of management positions, however, the number reduces drastically to 15% for top management.

### 2.2.3 United Kingdom

In the United Kingdom (UK), Higgs (2003) argues that diversity could enhance board effectiveness and specifically recommends that firms draw more actively from professional groups in which women are better represented. Singh and Vinnicombe (2004) studied UK's top 100 companies and revealed that 88 of these 100 companies did not have female executive directors, and as much as 44% did not have female directors at all. This study further confirmed that despite advances well supported by several waves of feminism, and 30 years of equal opportunities and equal pay legislation, there is still clearly a long way to go before women make substantial inroads into the United Kingdom's corporate boardrooms.

Contrary to popular belief, women do desire a progressive career plan and this is evident from a survey of British women managers that found that 33% of senior women were aiming to achieve directorship levels in their careers, even if it meant moving companies (Institute of Management, 2001).

#### 2.2.4 Australia

Vinnicombe, Singh and Burke (2008) state that a typical board in Australia is composed of eight to nine directors, led by an independent male chairperson and usually with one or no female representation. Vinnicombe *et al* (2008) say although women make up over 41% of the Australian workforce, only 12% hold senior executive positions in the private sector and 8.7% are corporate board members.

#### 2.2.5 Canada

Bradshaw and Wicks (2000) studied how women experience being on corporate boards in Canada and found that women in Canadian corporate boards occupied 13% of the corporate board positions. The study also found that women on corporate boards often had to behave in an unusual, abnormal way, where they felt under pressure to “play the game” and behave like men do. This study also found that women, when compared to men, had to work much harder to prove themselves for similar appointments (Bradshaw and Wicks, 2000).

#### 2.2.6 Developing countries

The developing countries selected are Brazil, Russia, India and China (BRIC) as they have some similar characteristics as South Africa (SA).

##### 2.2.6.1 Brazil

Despite an established and diverse women's movement, prominent in civil society, Brazil has one of the lowest rates of women's political participation in the world. Gender inequality in Brazilian companies has been ignored until recently (Zoeller-Veras, 2009). Companies

did not explore, realize and recognize the potential of women professionals as a key factor in leadership levels, possibly due to lack of knowledge or for cultural factors in Brazil (Zoeller-Veras, 2009). Brazil has about 8% women board representation.

#### 2.2.6.2 Russia

Russia business environment remains male dominated and women lost many past advantages, including many of the opportunities to participate actively in political, institutional and structural changes in Russia (Kalabikhina, 2005). Russia has women board representation of 5.1%, the lowest in the BRIC countries.

#### 2.2.6.3 India

Women in India are still subject to a legal system that provides women with fewer rights than men, despite going through important gender-equalising changes over the past few years (Subramanian, 2008). It is therefore not surprising that just 5.3% of board positions on India's top 100 companies are held by women (Banerji and Mahtani, 2010).

#### 2.2.6.4 China

Cooke (2005) says that Chinese women make up nearly half the workforce in China (47.1%). However, gender equality remains an elusive ideal, with women still confronted with considerable challenges in climbing up the managerial ladder (Cooke, 2005). Moreover, even though women find the right track to a management career in China, they still fail to be promoted as quickly or as frequently as men (Cooke, 2005). Women make up 8.9% of board positions on the Hang Seng Index (Mahtani and Vernon, 2009).

### 2.2.7 South Africa

Mathur-Helm (2005) says that South African women, irrespective of their racial identity, have always stood in the secondary echelon of society. Past policies and laws deliberately favoured men, particularly white men, and to make matters worse, due to apartheid, black women were the worst hit victims of discrimination, as they were women and black. To date South Africa is still battling with diversity, mainly with regard to race and gender to promote the rights of all its citizens.

Mathur-Helm's 2005 study on Affirmative Action in South Africa concluded that:

- reaching top level positions is still uncommon for South African women;
- South African women are mostly succeeding only in entry and middle-level jobs and a very few senior management level jobs;
- instead of working in favour of professional women, equal opportunities policies seem to be working against women by becoming a barrier to their growth and advancement;
- government policies and legislation have been created in favour of women and with good will; however, their success depends upon the management strategies that treat women differently, more so negatively, due to the social constructs, attitudes, norms, values and stereotypes determined by the corporate culture; and
- South African men will have to learn to accept their women counterparts as professional business women and as leaders by changing their perceptions regarding women's traditional roles as housewives.



## 2.3 Corporate Governance

### 2.3.1 Definition

The definition of corporate governance differs depending on one's view of the world (Gillian, 2006); it is complex as it means different things to different stakeholders and can be influenced by any one of the stakeholders. Carter, Simkins and Simpson, (2003) therefore argue that any definition of corporate governance is bound to have some bias in it.

Shleifer and Vishny (1997) define corporate governance as ways that suppliers of finance ensure themselves a return in investment. Gillian (2006) says corporate governance is a system of laws, rules and factors that control operations in a company and that the role of the board of directors is critical in corporate governance because the board has a fiduciary obligation to shareholders, and the responsibility to provide the strategic direction and monitoring thereof.

Stiles and Taylor (2001) state that the board of directors is the link between the shareholder of the company and the management entrusted with undertaking the day to day operations of the company. Definitions of corporate governance often identify the shareholders, the management and the board of directors as the main stakeholders, paying the least or no attention to several other stakeholders which should also be included (Monks and Minow, 2004). Huse (2005) analysed the various company stakeholders and categorised them into three groups as follows:

- i. internal stakeholders: which include management and employees together with their families;

- ii. external stakeholders: which include shareholders, financial providers, customers, suppliers and societal stakeholders; and
- iii. the board members: the board may be described by composition, competence, characteristics and compensation in the board. Characteristics may be attributed to various aspects such as formal background, age, tenure, seniority, gender, race, individual behaviour, esteem, influence, independence and integrity (Huse and Schoning, 2004).

Huse (2005) states that the importance of minding the stakeholders and knowing what they mean to your company should not be underestimated.

### 2.3.2 Board appointment process

Terjesen, *et al* (2009) suggest that a board is a privileged closed group with its own rules and ways of thinking, leaving directors to facilitate invitations to join other boards, by recommending and sponsoring colleagues like themselves, whom they know are likely to fit the existing mould. As powerful positions are a marker of relevant experience, contacts, and endorsement, those who have held CEO positions are particularly attractive to the network.

The King II Report (2002) calls for directors to be appointed through a formal process, whereby a nomination committee assists with the process of identifying suitable members. This is supported by Khoza and Adam (2005) arguing that one way of ensuring a board's credibility, competency and independence, is to follow a transparent and objective process of appointment. Khoza and Adam (2005), however, caution that best practice in different parts of the world has shown that certain principles and processes determine the credibility

of the process used in the appointment of board members. While composition is important, board processes may be even more critical to performance (Huse, 2005). The King II Report (2002) focuses on the South African environment and makes specific recommendations on what the boards need to do to ensure that sound and robust appointment processes are put in place and managed.

Mattis (2004) has identified one of the areas needing change as the definition of the eligible woman candidate for a board position; this should include other women with senior management experience, and not necessarily only those who already hold board positions elsewhere. This will indeed broaden the selection pool and increase the opportunities as the recycling of a small group of women means that they become extremely experienced as directors. However, the recycling perpetuates only a small group of women candidates. In addition, CEO's are afraid to appoint women not currently holding a directorship, but do not hold the same fear for men (Peterson and Philpot, 2007).

The board should therefore have the responsibility of ensuring women appointments.

### 2.3.3 Board responsibilities

The board responsibilities in the King II Report (2002) include the call for every board to consider the size, diversity and demographics that would make it most effective. The board should rotate at least one third of the non-executive directors every year, thereby creating opportunities for fresh, diverse contribution (King II Report, 2000).

Adams and Ferreira (2009) state that unlike the board as a whole, board committees such as audit, nominating, corporate governance, and compensation committees specialise in

narrowly defined tasks. The audit committee generally recommends the appointment of independent auditors and periodically consults with them on matters relating to internal financial controls and procedures. It is responsible for reviewing the scope of proposed audits and internal audit reports. The nominating committee generally considers the size and composition of the board. It reviews and recommends candidates for election as directors. The corporate governance committee considers corporate governance matters, which could include any policies and practices with respect to the functioning of the board, such as nominating directors or setting director compensation. The compensation committee generally reviews, approves and administers compensation of employees above a certain salary level, and it reviews management proposals relating to incentive compensation and benefit plans.

The proposed King III Report (2010) calls for the board, through its nomination committee, to recommend the eligibility of prospective directors. Mattis (2004) has identified one of the areas needing change as the definition of the eligible women candidates for board position; this should allow for other women with senior management experience, and not necessarily only those who already hold board positions elsewhere. This will indeed broaden the selection pool and increase the opportunities as the recycling of a small group of women means that they become extremely experienced as directors. It should further include a statement in the integrated report regarding the assessment of the independence of non-executive directors.

Burgess and Tharenou (2002) discuss the two different categories of company directors, namely executive directors and non-executive directors and their being appointed in

different ways. Executive directors are senior company executives who have a place on the board because of their position within the company; they normally gain their position through normal career progression. On the other hand non-executive directors are persons whose primary employment is external to the company board where they hold a position, and normally get invited either by the chief executive officer (CEO), chairman or nominating committee (Burgess and Tharenou, 2002).

The King II Report (2002) and the proposed King III Report (2010) recommend that with regard to the code of governance principles, there is need for new directors' development by means of an induction; and moreover that inexperienced directors are developed through mentorship programmes. Added to this, the development of directors should be conducted through formal processes, including training, on an ongoing basis. Moreover the reports recommend that the board ensures that directors receive regular briefings on changes in risks, laws and the environment.

#### 2.3.4 The Basic Conditions of Employment Act of 1997

The purpose of this Act is to advance economic development and social justice by fulfilling the primary objectives including effecting and regulating the right to fair labour practices. Affirmative Action forms a component of this act. It refers to a set of practices undertaken by employers, university admissions offices, and government agencies to go beyond non-discrimination, with the goal of actively improving the economic status of minorities and women with regard to employment, education, and business ownership and growth (Holzer and Neumark, 2006). This calls for an all-inclusive approach, redressing inequalities of the

past, and it is important to bear in mind the other Acts in the South African legislation that govern the labour environment, such as the Employment Equity Act.

### 2.3.5 Employment Equity Act of 1998

The Employment Equity Act is intended to promote equal opportunities and fair treatment in employment through the elimination of unfair discrimination, as well as implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups. It is also aimed to ensure disadvantaged individuals' equitable representation in all occupational categories (<http://www.labour.gov.za/legislation>, accessed 29 April 2010). These Acts are general Acts that address discrimination against all minorities including gender, race and disabilities. However it has become clear that the gender discrimination needs to be addressed more precisely through the Gender Policy Framework of 1996.

### 2.3.6 Gender Policy Framework (GPF)

GPF was meant to establish guidelines for South Africa as a nation to take action to remedy the historical legacy by defining new terms of reference for interacting with each other in both the private and public spheres, and by proposing and recommending an institutional framework that facilitates equal access to goods and services for both women and men (South Africa's National Policy Framework for Women's Empowerment and Gender Equality, 1996). The GPF's main aim was to integrate gender policies by ensuring that:

- women's rights are perceived as human rights;
- women have equality as active citizens;

- women's economic empowerment is promoted;
- women's social upliftment is given priority;
- women are included in decision making;
- women are beneficiaries in political, economic, social, and cultural areas; and
- affirmative action programmes targeting women are implemented.

With the purpose of establishing a clear vision and structure, the GPF guided the process of developing laws, policies, procedures, and practices that would serve to ensure equal rights and opportunities for South African women in all spheres of government, private and public sector jobs, community and family. The GPF believes that until women in South Africa have equality of opportunity, access to resource sharing, control and decision making in the economy, provision of services, and access to fair treatment, the aim behind GPF will not be successfully achieved. Policy intervention seemed to be the way to correct the inequalities in corporate environment; however these inequalities remain stubbornly high.

### 2.3.7 Other Policy Interventions

As with many other challenges in South Africa, the challenge of diversification was first tackled by considering policies to correct the uneven playing field. The transformation of South Africa's workplace has been driven by the need to dismantle the legacy of apartheid by transforming the basic structure, culture and core values of South African society to ensure equitable access to resources, opportunities and skills (Esterhuysen, 2003; Booysen, 2007).

It is acknowledged that the challenges are enormous and no one single approach can be adopted to resolve everything. Cummings and Worley (2009) suggest that understanding the structural nature of the problem is one way of ensuring that meaningful changes can be implemented and results achieved.

## **2.4 Conclusion of the literature survey**

The literature survey conducted supports the fact that further investigation is necessary in the study of governance, more so with the ever-changing environment. Diversity, and specifically gender diversity is an area that remains largely elusive in the board appointments.

Mathur-Helm (2005) recommends that South Africa's corporate organizations become more women-sensitive and friendly by empowering women as a group, regardless of their race and colour, for government policy and legislation to be successful. Mathur-Helm (2005) says that this area is unexplored, thus making it a new topic.

Terjesen *et al* (2004) accepts that there are inconsistencies and discrepancies in the findings of studies done in the recent past where the claims have been that there is correlation between particular industries and increased numbers of women on corporate boards. The authors agree that better governance is necessary, however the challenge is how to achieve that ideal status. It is also evident, through a number of studies carried out, that there are positive results from having a diverse working team.



The purpose of this study is therefore to ascertain reasons for the small representation of women on company boards.

## **Chapter 3**

### **3. Research Questions**

This chapter details the questions this research seeks to answer. The questions are based on the small representation of women on South African Boards after 15 years of democracy and focus on diversity. The questions emanate from the research problem presented in Chapter 1 and the literature review conducted in Chapter 2.

#### **3.1 Research Question 1**

##### **What factors prevent women from being included in the corporate boards?**

This question sought to understand the factors preventing South African women's inclusion into corporate boards. The outcome of this question will assist in understanding why women remain so few in company boards.

#### **3.2 Research Question 2**

##### **How do women get appointed to boards?**

This question sought to understand how the decision making processes for board appointments. The results of this question will explain the approach taken for board appointments.

### **3.3 Research Question 3**

#### **Why has the public sector been more successful than the private sector in women board appointments?**

This question seeks to understand the dynamics and pressures that contribute towards the success in the public sector compared with the private companies. The outcome will assist in understanding what factors contributed to government being more successful than the private sector.

### **3.4 Research Question 4**

#### **What are the most common reasons for the paucity of women directorships on corporate boards?**

This question sought to understand what the perceived reasons for the paucity of women on company boards are. The outcome of this question will assist in understanding the reasons why there are so few women on company boards.

## Chapter 4

### 4. Proposed Research Methodology and Design

#### 4.1 Introduction

This study intended to explore reasons for the paucity of women on company boards. This chapter presents the research method employed to investigate the research questions in Chapter 3. Furthermore, the research population, sample, data collection and analysis thereof are discussed.

#### 4.2 Research design

Exploratory or qualitative research was the methodology employed in this study. This type of research method is often associated with initial research to clarify and define the nature of the problem (Zikmund, 2003). Qualitative research is pragmatic, interpretive and grounded in the lived experiences of the people (Marshal & Rossman, 2006). The advantage of qualitative research is that the interaction with the respondents allows for further probing (Zikmund, 2003). Daft (1983) agrees, saying that the preceding answer offers an opportunity to question further.

Zikmund (2003) states that exploratory research does not involve rigorous mathematical analysis, but focuses on words and observations, stories, visual portrayals, meaningful characterisations, interpretations, and other expressive descriptions which blend well with this study.

The aim of the study is to elicit opinion from the interviewed individuals' comprehension and observations of the paucity of women directors on company boards.

### **4.3 The research population**

A population is any complete group of people, companies, college students, or the like that share same set of characteristics (Zikmund, 2003). The population of relevance for this study was any female board directors who are currently serving, or have served on listed, non-listed and non-profit organisations in South Africa in the last 12 months from August 2010.

### **4.4 Unit of analysis and sampling method**

The unit of analysis under study was a South African company board director whose gender is female.

Non-probability sampling is the method of choice for most qualitative research (Merriam, 1998). A snowball method of non-probability sampling was used to gain access to the respondents.

The sample was made up of women board members with varying characteristics such as race, age and years of experience as board directors. The individuals identified included executive and non-executive board directors. The sample size proposed was 10 participants, and the sample size obtained was 13 women directors.

The researcher sent messages to 16 women who met the sample criteria, who were requested to respond, as well as to forward the same request to other women fitting the sample profile. The researcher is aware that the request reached 39 qualifying individuals. The probability exists that the request was received by more than 39 people; however it was not possible to establish the exact number reached because not all the emails forwarded were copied to the researcher.

Requests for interview appointments were sent via email to the 39 respondents and 18 responded, a 46% response rate, 15 indicating acceptance of the interview and three requesting self-administered questionnaires. See Appendix A for the letter of request.

## **4.5 Data collection and analysis**

### **4.5.1 Data collection**

15 appointments were set up with the respondents. Two of the 15 respondents who had agreed to interviews cancelled at the last minute due to unforeseen circumstances. Therefore, 13 face-to-face interviews were conducted with the respondents. These interviews took place at various locations including the respondents' places of work, restaurants and coffee shops as well as the respondents' homes. The interview times ranged from 25 minutes to and an hour and a half.

Richards (2006) states that the scope of a study is never just a question of how many, but always includes who, where, and which settings will be studied; in what ways, by whom, and for how long they will be studied; and what can be asked and answered. This was

important to note because all the respondents were women and the researcher had to be mindful of how the questions would be posed considering potential sensitivity around the study. This was managed by means of the semi-structured Interview Schedule attached as Appendix B.

At the beginning of all interviews the researcher informed the respondents of the structure of the questionnaire, and sought permission to use an electronic recorder so as to save time, while encouraging an environment of openness and honesty. The respondents were also informed that the recorder could always be switched off for comments that they did not want on record. The researcher also made hand-written notes from the interview discussions. Furthermore, the respondents were assured of confidentiality that only the sector and not their names nor the companies they represent would be quoted in the report, as specified in the letter that was sent to them and also attached hereto as Appendix A.

Appendix C is a copy of the Self-Administered Questionnaire that was emailed though not received back.

#### 4.5.2 Data Analysis

According to Richards (2006) qualitative analysis builds theory out of the data, one interpretation providing the platform for another enquiry. Zikmund (2003) also contributes, saying that data analysis is the application of reasoning in order to understand and interpret data that has been collected.

The electronic data gathered from the 13 in-depth interviews using the recorder was transcribed into 13 written word documents by a professional transcriber. On receipt of the transcripts, an Excel spreadsheet was developed. This spreadsheet was made up of 26 tabs, each representing a question in the interview schedule. All the various answers responding to the same question were put in the relevant tab. For example tab 1 was dedicated to Question 1 as per the interview schedule and all the 13 respondents' answers were presented in this tab in a chronological order of the interviews. The researcher's notes made during the discussions were used to cross-check the transcripts. All the transcripts were found to be accurate.

Miles and Huberman (1994) recommend that in order to generate meaning from data, tactics to follow and employ differ slightly depending on the nature of the study. For a study of this nature, where data were gathered through in-depth interviews and the content is not entirely organised, they recommend coding and then observation on themes and patterns that pull together the data.

After reviewing the data, responses with similar words or meaning were highlighted and coded into similar colours. These codes were then used to observe emerging themes. For instance, where respondents gave reasons for the change, some said it was due to leadership while some used top management, and these were all grouped together under one theme of leadership which was allocated a red colour. The themes that emerged from the responses are discussed in detail in Chapter 5.



#### 4.6 Research limitations

- With a snowball method of sampling, the negative aspect is that there was no real control over the selection, and the probability that the sample is not representative of the population is therefore high.
- In-depth face-to-face interviews pose the risk of the interviewees trying to be politically correct or telling the interviewer what they think the interviewer wants to hear.
- The majority of the sample comprises black females. This could potentially skew the results.

## Chapter 5

### 5. Presentation of Results

#### 5.1 Introduction

In order to answer the research questions, a qualitative research was undertaken. Ideal data was gathered through in-depth face-to-face interviews which each lasted an average of 45 minutes.

This chapter presents the data gathered from interviews with 13 women who are directors in South African private companies. An interview schedule, attached as Appendix B, was used to guide the interviews.

The interview schedule had five parts, with the first part addressing demographics of the respondents and the subsequent four parts representing the four research questions as reflected below:

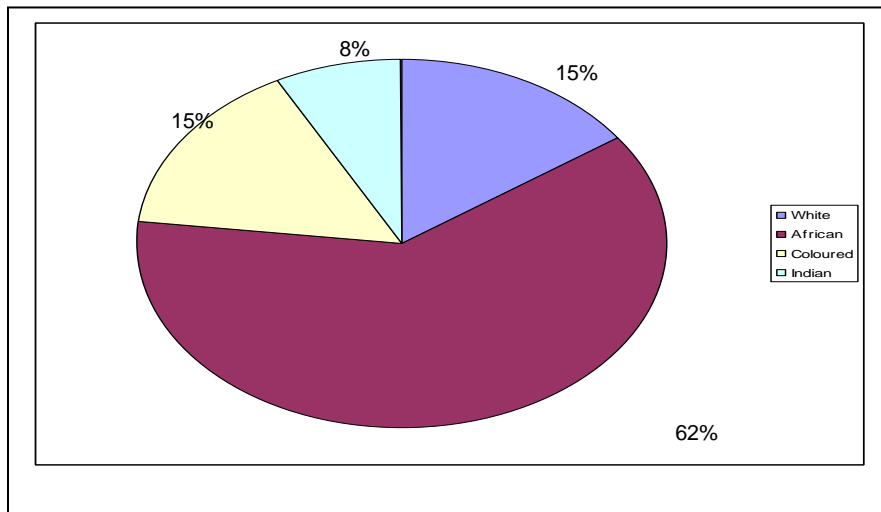
- Demographics of the respondents: Question 1 to 4
- Research Question 1: What factors prevent women from being included in the corporate boards?: Questions 5 to 7 and 12 to 17
- Research Question 2: How do women get appointed to boards?: Questions 18 to 23
- Research Question 3: Why has the public sector been more successful than the private sector with regard to women board appointment?: Questions 8 to 11
- Research Question 4: What are the reasons for the paucity of women directorships in corporate boards?: Questions 24 to 26

## 5.2 Demographic information

### 5.2.1 Gender and race group

All the interviews were conducted face-to-face and the respondents were all females. The majority of the race groups were African with 8 respondents, two White, two Coloured, and one Indian respondent. The results of the race categories of the interviewees are presented in Figure 2.

Figure 2: Race of the interviewees



### 5.2.2 Sector Representation

Board members interviewed were from various sectors as reflected in Table 2 below.

**Table 2: Company Sector of respondents**

<b>Sector</b>	<b>No. of respondents</b>	<b>Percentage %</b>
Information & Communications Technology	1	8%
State Owned Enterprise (SOE)	2	15%
Financial Services	2	15%
Mining	1	8%
Professional services/consulting	4	31%
Industrial	1	8%
Other (NGO & Leisure)	2	15%
<b>Total</b>	<b>13</b>	<b>100%</b>

The majority were from Professional/ Consulting Services at 31%, and the next category was State Owned Entities (SOE), Financial Services and Other at 15%. Those interviewees who served on the SOE boards, also served on a number of private company boards, with their primary roles being in the SOE. Included in Other were Non-Governmental Organisations (NGO) and Gaming and Leisure.

### 5.2.3 Role profile of the respondents

The respondents were asked for their roles on the boards on which they served. Those that sat on more than one board were requested to give their highest serving position. The results are presented below in Table 3.

**Table 3: Roles of respondents in various boards**

What is/are your role/s?	No. of respondents	Percentage %
Non-Executive Chairperson	1	8%
Executive Chairperson	2	15%
Chief Executive	3	23%
Non-Executive Director	3	23%
Executive Director	4	31%
<b>Total</b>	<b>13</b>	<b>100%</b>

The results above reflect that the majority of the interviewees, over 30% of the sample, were executive directors, with the least representation as non-executive chairpersons at 8%.

#### 5.2.4 Experience of respondents serving on boards

Respondents were also asked how long they had been serving on boards, and the years served ranged from one year to 16 years. The results are presented in Table 4 below.

**Table 4: Years served on boards**

Years served on boards	Number of years
0 to 5	2
6 to 10	5
11 to 15	5
>15	1
<b>Total</b>	<b>13</b>

As reflected in Table 4 above, most respondents have been serving on boards for between 6 and 15 years. One of the respondents has served for more than 15 years.

All of the respondents were women and the majority were of African descent. Most of the respondents were in Professional/ Consulting services and there was a reasonable spread throughout the respondents' roles from chairpersons to non-executive directorships. The respondents combined had served 118 years and an average of 9 years each.

### **Analysis of emerging themes**

This section of the chapter focuses on the four research questions in Chapter 3.

#### **5.3 Research Question 1**

##### **What factors prevent women from being included in the corporate boards?**

To answer research question 1, respondents were asked nine questions. These were questions 5 to 7 and 13 to 17 as shown in the Interview Schedule (Annexure B).

Respondents were asked whether they believed women were under represented on corporate boards. 92% of the respondents said they thought that women were under represented on boards and two of the respondents used “*grossly under represented*” to define how bad they perceived the situation to be.

Respondents were also asked whether the number of women on boards was on the increase or decrease and to give reasons supporting their views. Respondents gave varying answers, with the majority of the respondents saying they were on the increase, but the increase was sluggish. The results are presented in Table 5 below:

**Table 5: Increase / Decrease of women on boards**

<b>Would you say women board directorships are on the increase/decrease?</b>	<b>Increasing</b>	<b>Stagnant</b>	<b>Decreasing</b>	<b>Total</b>
Responses	7	2	4	<b>13</b>
Percentages %	54%	15%	31%	<b>100%</b>

Respondents gave reasons why they thought the numbers were on the decrease, stagnant or increasing very slowly. The themes that emerged from analysing the reasons were: stereotyping, lack of gender diversity, as well as corporate culture.

### 5.3.1 Stereotyping

Stereotyping is a fixed, distorted generalisation about a member or a group; it is a commonly held public belief about specific social groups, or types of individuals (Oakley, 2000).

Most respondents thought that the numbers of women on boards was on a slow increase. They were asked why they thought the increase was this slow and they reasoned that women had to prove themselves way beyond what men had to do in order to achieve the same status. One of the respondents said, *“People tend to choose men first because they think men naturally understand business”*, while another said that *“for women to be considered for board positions the board had to be looking for a woman in particular for that specific role”*.

Other respondents thought that there had been no increase because the women who were being appointed to boards were the women who already serve on other boards, deepening the belief that they now qualify to be board members because they have experience. It seemed that it was much more difficult for women who do not have board directorship experience to get appointed as directors compared with their male counterparts. One respondent said that “it seems women have cultural barriers, and are only seen as good enough to run a family but not business, and the trouble is that some women do believe that as well”.

Respondents were asked about female representation on the boards on which they served and the responses averaged at 20%. The highest ranking board had a complement of 40% women and the lowest had 1% female representation. The majority of the boards averaged 11% or less female representation.

When asked what the roles of other female board members were on these boards, they responded that many of them were given softer portfolios and these included human resources, marketing and corporate social responsibility. The respondents felt that this compromised women as these positions are not influential and contribute little to decision making, exacerbating the challenge for women directors who are already a minority in the first instance.



### 5.3.2 Diversity

Diversity can be defined as the acceptance or promotion of people with varying backgrounds and profiles including men and women, different ages, people from ethnically and racially different backgrounds and differing cultures.

Respondents explained that they believed that women were still being looked down upon by men. One respondent said that women had to work twice as hard to prove the same point as a male counterpart, and she said, “Sometimes it is so tiring! Maybe worth it, but tiring”. Women seemed to have to fight for presence. Two respondents explained that gender does not receive as much attention as race, and explained that it is perhaps due to the apartheid history, and another said it is due to the scoring matrix for Black Economic Empowerment which does not give privilege points for women, compared to those for race.

### 5.3.3 Corporate culture and change

Culture is learned, shared, tacit assumptions on which people base their behaviour. It needs purposeful attention if it is to be changed, and leadership has to fully support this change in order to make it successful.

All thirteen of the respondents were asked what their opinion of the public sector versus the private sector was. All indicated that they thought public sector was doing much better than the private sector. The reasons for success vary widely from being an issue driven by the leadership in government to, as one of the respondents stated, “Simply, appointments are being based on patronage rather than competence’.

## 5.4 Research Question 2

### **How do women get appointed to boards?**

To answer research question 2, respondents were asked nine questions. These were questions 18 to 23 as shown in the Interview Schedule (Annexure B).

#### 5.4.1 Agency theory

Agency theory describes the relationship between a principal (such as a shareholder) and the agent of the principal (such as directors and managers), often considering the costs of resolving conflicts and aligning interests across groups.

Respondents were asked how women directors on their boards had been recruited, and the responses varied from being publicly advertised positions that were open to everyone, to hand picking specific women to fulfil a certain role. Many of the women directors serving on these boards were also representing the shareholders. Those respondents that had been in a chairperson position say they deliberately focused on women's appointments.

When respondents were asked why their boards had so few women, they responded by giving similar reasons to those grouped below; and many taking the responsibility that they should have already done something about the situation. Reasons given by respondents are presented in Table 6 below.

**Table 6: Reason why there are so few women on respondents' boards**

	Women seem to be invited to comply with regulations	I should have done something about it	The focus is on race diversity not gender	It is about money only	Industry too male dominated	It is a leadership problem	Legacy issues	Women are risk averse
Respondent 1			X					X
Respondent 2			X		X			
Respondent 3		X		X				
Respondent 4	X	X						
Respondent 5	X						X	
Respondent 6	X	X	X					
Respondent 7	X		X					
Respondent 8	X	X						
Respondent 9				X		X		
Respondent 10		X		X		X		
Respondent 11			X				X	
Respondent 12	X				X			
Respondent 13	X			X				
<b>Frequency</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>

#### 5.4.2 Corporate Governance and Board appointment processes

The transformation of South Africa's workplace is driven by the need to dismantle the legacy of apartheid by transforming the basic structure, culture and core values of South African society. This will ensure equitable access to resources, opportunities and skills. The South African government has over the past few years introduced policy and legislation to address the immense imbalances in South African society.

It is evident from Table 5 that most respondents thought women were being appointed to meet the regulation requirements and many take responsibility for the situation. Some also responded that the focus has been on race diversity rather than gender, so naturally gender would get secondary consideration after race. One respondent said, "Well, South Africa has legacy issues that should be taken into consideration. Race is still the main focus where diversity is concerned, and gender follows afterwards".

The question arose of who made the final decision on board appointments and most respondents said their boards had a nominating committee that makes recommendations. Chief executive officers (CEO) and chairpersons have a major influence and shareholders seem to be getting more interested lately. Some respondents believed people with the strongest personalities had the most influence in the appointment process, and often it is the CEO.

The majority of the boards did not seem to have formal succession plans from the interviewees' understanding and only the respondents from listed entities indicated that there is a succession plan in place that is reviewed on an annual basis.

## 5.5 Research Question 3

### **Why has the public sector been more successful than the private sector on women board appointments?**

To answer research question 3, respondents were asked nine questions. These were questions 8 to 11 as shown in the Interview Schedule (Annexure B).

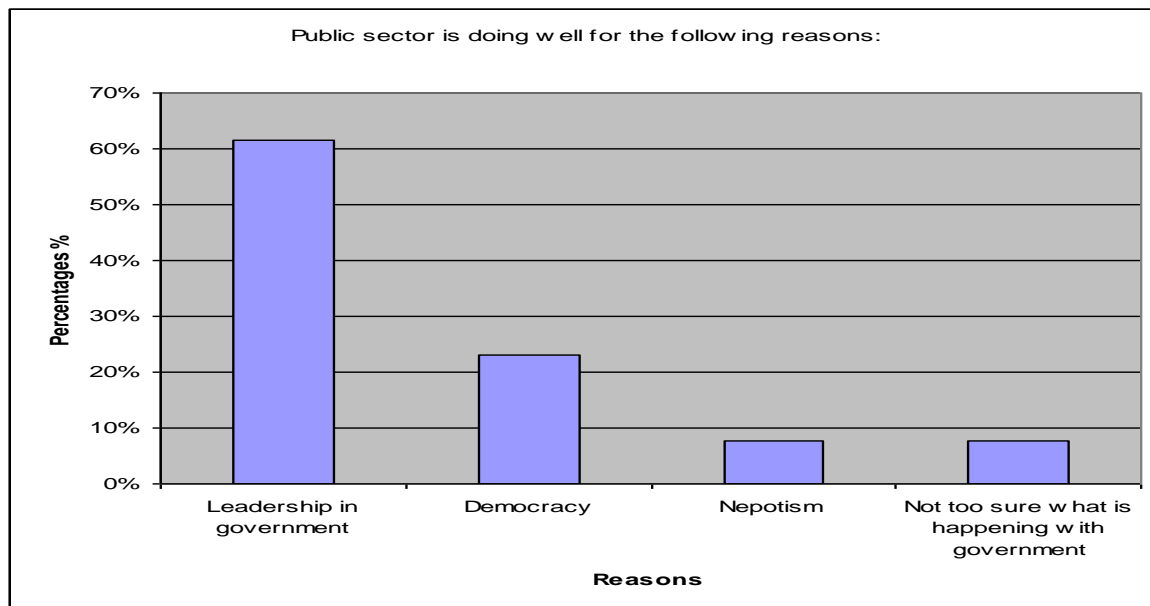
#### 5.5.1 Leadership

Some of the respondents, who thought that the numbers of women on boards was on the increase, attributed this increase to the kind of leadership on the board and the company. If the leadership believed that it was beneficial to focus on diversity then more women would be appointed, therefore there seems to be a change of mindset in some leaders. One responded further remarked that, "Under the leadership of ex President Thabo Mbeki things

were getting better; he had focus on women and made it his business to promote gender equality. For the first time we had a woman Deputy President”. Without focused effort towards gender diversity, these respondents indicated that they felt the numbers would continue to grow slowly, some indicating that the real growth numbers will start declining.

### 5.5.2 Glass ceiling

The private sector on the other hand, has no interest, or does not seem to realise the benefit of having women as part of their boards. Two respondents said that, “women still had to push through the private sector glass ceiling”. Another respondent made an example of her first board meeting where she was asked if she would be the one who would be serving tea to the rest of the board members; a remark which she felt was insulting to women in general. Responses are presented in Figure 3 below.



**Figure 3: Why South African public sector is doing better that private sector**

### 5.5.3 Policy Interventions

Respondents were asked if they thought government policies and legislation were successful. The majority said yes they thought government had done well with the policies and regulations around redressing the past imbalances, and it was now up to companies and individuals to embrace them. The respondents thought that government had been more successful in appointing more women to boards because they were implementing their own policies. However, for the private sector the policing and monitoring were weak, hence the poor implementation. One of the respondents said, “I think policy is great, legislation is great, monitoring and evaluation is a bit lacking, but I have a lot of empathy for government because there are so many other areas where we need to be delivering; to be policing people on whether they are actually appointing X percentage of women on to boards or not, is actually such a low priority area. So it is the monitoring and evaluation that is a bit lacking”. Another said, “Government policies and legislation cannot right all the wrongs. And the truth is, it can create, it can facilitate, it can put pressure, which I think it has. This is why companies are in this ticking thing. Lets quickly tick tick tick. Who can we get?”

Two respondents felt that government and its policies had not done enough. They explained that the focus was on BEE rather than gender diversity; moreover some companies take advantage of the situation and aim at scoring high on BEE while deliberately compromising other areas of diversity. One of these respondents compared South Africa to other countries like Norway where gender diversity is not just a policy, but it is legislated and aims for 40% women representation on boards. In her comment she said, “No, I don’t (think government has done enough). I think in terms of the BBBEE legislation it was a good step introducing the double point system for female representation. However, it is still not enough, because a

company can decide in terms of the way the score card is set up that it doesn't matter if we don't meet it in this area, because we might be achieving very well in some other area, and therefore we will make do with what we have got. And if you look at countries like Norway where they have legislated in terms of female representation on boards, they are doing fantastically well".

## 5.6 Research Question 4

### **What are the common reasons for the paucity of women directorships on corporate boards?**

To answer research question 4, respondents were asked nine questions. These were questions 24 to 26 as shown in the Interview Schedule (Annexure B).

Respondents were asked whether they thought enough was being done with regard to attracting and retaining women on company boards. The majority of the respondents thought private companies did not do enough to attract and retain women, because companies are driven more by financial profits, and matters of accommodating women were secondary. Many of the respondents mentioned that there was a limited pool of skills in South Africa and this exacerbated the problem, recommending that the pool of business-minded women needed to be grown.

When asked how women could position themselves better for board appointments, most of the respondents thought hard about this. The majority pointed out that networking was one of the starting points. They defined networking as joining professional bodies and identifying which sector would be of interest to the woman and following the leads. Other

respondents questioned whether as a woman one needed to start doing things that one does not necessarily enjoy just because men are doing it, such as playing golf, so as to be included in the “inner circle”. Responses are presented on Table 7 below.

**Table 7: What women can do to position themselves better for board appointments**

	<b>Educate women further</b>	<b>Networking</b>	<b>Build up confidence level</b>	<b>Women support each other</b>
Respondent 1	X	X		
Respondent 2	X		X	
Respondent 3		X		
Respondent 4	X	X	X	
Respondent 5		X		
Respondent 6	X	X		
Respondent 7	X			X
Respondent 8	X	X	X	X
Respondent 9				
Respondent 10	X		X	
Respondent 11	X	X		X
Respondent 12	X	X	X	
Respondent 13	X	X		
<b>Frequency</b>	<b>10</b>	<b>9</b>	<b>5</b>	<b>3</b>

From Table 7, it is observed that the most common recommendation is for women to get education and familiarise themselves with business. Many recommend the Institute of Directors (IOD), with one of the respondents saying that “we have all the professional bodies, for example, the SAICA, Institute of Directors, which is something I use quite a lot; we first make sure that we are members and therefore whenever they are looking for someone they go to the Institute of Directors and they have our details there so they can source us from there”. This suggestion is closely followed by networking and exposure, and then building up the confidence to pursue opportunities when they are presented.



In concluding the interviews, respondents were asked if they thought there were any questions that should have been asked or any additional comments. The salient comments are below:

- There are not a lot of professional women who have technical experience and serve on boards; their exposure is limited. Women on boards are mainly those that women who are on “social” appointments because they are assumed to be open-minded.
- Is the responsibility of women who are top executives at present, including those who are board directors, to ensure that they create opportunities for other women?
- A board membership data base of women interested in mentoring and being mentored for board position must be established.
- Currently women board directors have no forum where they can meet and discuss issues. This would be ideal as it would alleviate the frustration women currently feel about leadership positions.

## **5.7 Summary and Conclusion**

This chapter has highlighted the importance of key themes in understanding the factors that prevent women from accessing career opportunities on company boards. Issues that have emerged include wide-spread stereotyping, lack of interest in gender diversity and the impact of government policies on the paucity of women on company boards.

The majority of the respondents say that they are aware that there are too few women on company boards and they acknowledged that there is work to be done to correct the situation.

## Chapter 6

### 6. Discussion of results

#### 6.1 Introduction

This chapter is designed to provide answers to research questions raised in the study.

#### 6.2 Demographics of the respondents

Demographics are normally grouped under similar factors such as race, gender, age and professional qualifications. In this study the focus was gender-based and all participants were females. All respondents served as board members in private South African companies. An overwhelming majority of the respondents (85%) were African, Indian and Coloured, with 62% of the total sample being African. This sample profile may have otherwise been conducive for bias in the results; however, this was mitigated by the structure provided by the interview schedule attached as Appendix B.

The biggest business sector presented was professional services and consulting, comprising 31% of the respondents. While one would have expected that the majority of the respondents would hold non-executive board positions because the sample was all women, as many as 69% of the respondents were executive directors of one or more boards they served. This is in contrast to the general view that women rarely hold executive positions and are generally given the roles with 'softer' portfolios such human resources, marketing and corporate social responsibility (Huse, 2005; Zelechowski and Bilimoria, 2004; Nielsen & Huse, 2010). It seems that these 'soft' positions are reserved for women if they are to be appointed as board members.

### 6.3 Research Question 1

#### **What factors prevent women from being included in the company boards?**

Company boards remain heavily dominated by men. Transformation has not been successful with regard to gender diversity. Respondents were asked why this is the case, and the responses are analysed below.

##### 6.3.1 Stereotyping

Accepted theory around gender stereotyping is highly prescriptive. Gender stereotypes view men as being aggressive, independent, unemotional, objective, dominant, active, competitive, logical, self-confident and skilled in business, and women are typically seen as exhibiting opposite traits to their male counterparts (Oakley, 2000; Neilsen and Huse, 2010).

The responses in this study support this trend, where many respondents said that when it comes to board appointments, women were being either ignored altogether or if considered, only when the board had specifically made the decision to appoint a woman. The respondents said women were generally appointed if there had been a clear intent to get a woman for the position, and the board had to 'look' for this woman; otherwise the 'natural' appointment often goes to men.

This happens despite many studies proving that there are benefits to having a diversified board. A study by Adam and Ferreira (2009) found that female directors had better attendance records than male directors, while at the same time male directors had fewer attendance problems. The study also found that the more gender-diverse the board was,

the more likely it was that women would join monitoring committees (Adam and Ferreira, 2009). These results suggest that gender-diverse boards allocate more effort to monitoring.

Billamoria (2006) concluded that companies that strive to increase gender diversity in top management and facilitate an environment for the advancement of women, should focus their efforts on board-level representation of women. Furthermore, institutional theory focused on the social influences on organisational actions, and stressed the importance of organisational legitimacy representing the level of acceptance from the external environment (Billimoria, 2006).

Daily, Certo and Dalton (1999) found that women do not advance to board positions at the same rate as men. It has been argued that those that make the board selection have a common assumption that women lack adequate competencies for board positions and therefore women are perceived as unequal board members regardless of their values and experiences (Nielsen & Huse, 2010). There is a fear that one's behaviour will confirm an existing gender stereotype, and in this case stereotypes will adversely affect performance; similarly, gender stereotypes may limit the potential for women to exert influence and may harm women directors' contribution to the work of boards (Nielsen & Huse, 2010).

Many of the respondents pointed to the fact that women are perceived as lacking business acumen, and this continues to stifle their growth in the corporate world. The fact that South Africa as a country is so diverse presents an even more complex dynamic where the stereotypes range widely from race, gender, place of origin, type of schooling, and the list continues.

It is therefore important that stereotyping is recognised by everyone and it is critical that women challenge the status quo and persist in creating awareness around it.

### 6.3.2 Diversity

An overwhelming majority of respondents felt that women were undoubtedly underrepresented on corporate boards. The respondents felt that even though the number of women on boards had been on the increase in recent years, the increase was way too slow and skewed because the same women were being used repeatedly by various boards, a trend called recycling of women directors (Huse, 2005).

Respondents that felt that there had been an increase in numbers of women on boards, albeit very small, and felt that it was due to pressure from government through policies and regulated diversity targets. This is further supported by the number of years as directors. Seventy-seven percent of the respondents had been serving on boards for 15 years or less, a figure which coincides with the 16 years of South African democracy.

The respondents were in agreement with the view that these changes have been brought about by democracy, because they commented that on many boards they were currently the only females, or that only one more female had joined in the past two years. They felt that companies were not interested in gender diversity as much as in race diversity because companies do not seem to realise the benefit of gender diversity yet. Thomas (2003) however argues that diversity is not only a gender or racial justice issue but also contributes to better management decision-making as well as greater shareholder wealth.

Erkut, Kramer and Konrad (2007) explore three dimensions of numerical representation of women – one woman, two women, and three women, and conclude that critical mass is achieved with three women on the board. Women have a much more positive impact on many aspects of the business as they bring different views to the fore. As mentioned, many of the respondents still serve on boards where they are either the only woman or they are one of two on the company boards.

There are many views on the benefits of having a diverse board. Previous studies have assessed how women directors facilitate board appointments through top executives, especially CEOs, by influencing the system through experience as well as networks (Westphal and Milton, 2000). Subsequently other studies have examined how women directors exercise such influence and make an actual contribution to the work of boards (Terjesen et al., 2009).

The few empirical studies that investigate the impact of women's representation on boards generally test for a direct relationship between the ratio of women directors and corporate performance. These studies have provided mixed evidence. Some find a positive relationship (Carter et al., 2003), while others find no significant relationship (Tacheva, 2010).

In the current study, the respondents shared the sentiment that there was a direct relationship between women serving on a board and the performance of that company. As

noted above, empirical evidence in a study conducted by Carter, *et al.* (2003) revealed that there is a direct correlation between board diversity and improved financial value.

Table 9 below compares responses from respondents to the findings of Carter *et al* (2003) in a study on the value of board diversity.

Table 9: Comparison of diversity issues and responses

<b>Diversity Issues</b>	<b>Responses</b>
Board diversity promotes a better understanding of the market place	Respondents said that diversity is naturally occurring in other business areas except at the executive leadership level. Many noted that the customer profiles had changed drastically in the last few years, as well as those of shareholders; however the leadership female representation on boards remained stubbornly low.
Diversity improves creativity and innovation.	Some respondents observed the potential advantages that come with diversity, both race and gender. This was described by one saying that diversity helps in understanding different markets under globalisation pressure, thus fostering a much needed environment of creatively providing solutions.
Diversity produces more	Similar to the previous comment, different people

<p>effective problem solving environment</p>	<p>solve problems differently, and women have been known to have minds that work differently from men's.</p>
<p>Diversity enhances the effectiveness of leadership. At the top, homogeneity is believed to produce narrow perspective, while diversity promotes broader perspective and better understanding of the complexities of environment and more astute decision making.</p>	<p>South African society is considered to be one of most diverse, and this presents the question of business sustainability if the companies themselves are not diverse and inclusive. Many of the respondents noted that the country was healing from a legacy marred by divisions and segregation for decades and building a more inclusive business culture is the only way to go. Three of the respondents said that currently companies' leadership and boards are dominated by white males, who happen to be minorities in the South African population.</p>

While it is acknowledged that there are conflicting opinions on the benefits of gender diversity, it is notable that those that support it have empirical evidence and those opposing are rather questioning the strength of the results and did not seem to provide contradictory evidence.

In South Africa, the legacy of apartheid has left more diversity areas needing acute attention. These include race, gender, education levels and disabilities. Race seems to be receiving more attention, dominating all others and closely followed by gender. It is also evident that diversity will take time to come naturally at board levels because benefits need



to be perceived and seen by all stakeholders in the decision-making process so that the transition is smoother.

### 6.3.3 Corporate culture and change

Respondents almost unanimously concluded that change needed to come from the companies themselves, three of them citing that government had already done a lot. But Schein (1999) warns that understanding culture is critical because decisions made without awareness of the operative cultural forces could blind decision makers to cultural elements that deter entry of women to company boards.

It is however, inevitable that individuals from diverse cultures may from time to time experience challenges with basic expectations and assumptions such as communication problems, misunderstandings and stereotyping due to differences based on moral, ethical, socio-political and economic issues (Nel and Slabbert, 2003). These challenges can be better managed when there is a willingness and clear understanding of benefits.

Cummings and Worley (2009) say that social norms and globalisation support the belief that organisational performance is enhanced when the workforce diversity is embraced as an opportunity. With specific attention to gender, research has shown that many companies have been treating symptoms, as opposed to gender inequalities.

This is a challenge for companies in South Africa, especially those that have been in existence for a long time as they have established cultures that will require serious effort to dilute and start changing. This change should come from the leadership; however, if there is no buy-in from leadership in the business community then changes will not be forthcoming on board representation.

It is clear that stereotyping and corporate cultures are factors still preventing women from being included on company boards. The lack of enthusiasm by companies' leadership towards embracing diversity also remains a major stumbling block for women willing to participate on company boards.

## **6.4 Research Question 2**

### **How do women get appointed to boards?**

The board appointment process has a major bearing on the decision making of who gets appointed on boards. This is an area on governance that remains unregulated and each company board designs its own process.

#### **6.4.1 Agency theory**

Fama, (1980); Fama and Jensen, (1983); and Jensen and Meckling, (1976) proposed the agency theory, which has become the primary theoretical lens for studying corporate governance. In the context of agency theory, boards can be seen as important tools to govern the relationships between management and shareholders. Stiles and Taylor (2001) say that the board of directors is the link between the shareholder and the management running the company. For this reason, it is important to ensure that board representation is diverse, inclusive and well-managed. Building on this theory Huse (2005) took it a step further to analyse the impact of the type of directors on boards influencing its performance and found that the more diverse the board was the better it monitored its performance.

Common assumptions exist among those responsible for directors' selection and board appointments that women lack adequate competencies for board positions (Burke, 1997).

Oakley (2000) points out that gatekeepers, who are mostly male, do not offer women the same organizational rewards, such as training and development, nor promotion and pay, and this in turn stifles women's presence in 'non-soft' or technical executive leadership positions in companies (Nielsen and Huse, 2010).

Respondents noted the dominating numbers of males, especially white males on corporate boards. Respondents interpreted this as a stumbling block to achieving a more diverse representation on boards. The fact that the market and the shareholder profiles had changed considerably in the last 16 years seemed to have had little impact in the management profile of companies. This is of concern because shareholders need to play a more comprehensive role through annual general meetings and hold their agents responsible for their actions. The general profile of the shareholders needs to contribute to the general profile of the company, otherwise the danger of investor flight exists.

#### 6.4.2 Board appointment process

Terjesen, *et al.* (2009) say that a board is a privileged closed group with its own rules and ways of thinking, leaving directors to facilitate invitations to join other boards, by recommending and sponsoring colleagues like themselves, whom they know are likely to fit the existing mould.

In the corporate environment, it remains unclear who and how the board appointment process works. King II proposes some guidelines but it remains largely up to the people running the business to make the final decision as to what process will be adopted. The

respondents highlighted this as one of the biggest challenges in getting women onto company boards.

One of the respondents said, “Remember how you get to be on the board, you get approached. So if no-one approaches women, they cannot necessarily volunteer to be on boards. I think there are experienced and very capable women in SA, but they just don’t get approached, because the boards traditionally have more men and men would want to associate with like-minded people: people naturally prefer to associate with people like themselves.”

Another respondent made the comment that because there were no rules around the appointments men tend to appoint other men. She said, “It is natural for men to want to be with other men, so the first people they would approach are other men versus women, unless there is already another woman on the board; if there is another woman on the board then she is likely to say can we get another woman?”.

Literature classifies hegemony as a complex web and conceptual material forming the basis of everyday life by gaining consent and ensuring dominance of particular views (Lewis, 2010). Because this is often subconscious it is more difficult to deal with.

Nielsen and Huse (2010) state that in the process of social categorisation, individuals divide group members into in-groups and out-groups based on perceived similarities or differences of others, and naturally, in order to maintain high self-esteem, people favour

people who are similar to them who will be in the in-group, while judging and disliking the others in the out-group.

Respondents highlighted the fact that men, who are already dominating boards, naturally find it easier to find other men compared to finding women. Moreover, they find those men that are similar to themselves. The most common similarity observed by the respondents is race, such that boards remain white male dominated. One respondent said, “What makes it even more harder is that they are mainly white males and they are a minority (in the greater population)”; this implies that their network is very limited by these factors.

One of the areas of concern is that indeed there is no universal or national policy or regulation around the process of board appointments; companies are left to use their own discretion for individual policy-making which may not best serve the interest of all stakeholders equally.

Government needs to create policy directives that will govern this issue and neutralise the subjectivity on decision-makers’ part at present, such as incentives for people who suggest appropriate candidates that drive diversity for board positions.

#### 6.4.3 Board role theories

A disconnection was identified by the respondents, with regard to the board representation versus the shareholders, and the market being served by South African companies. The respondents felt that while the latter two had changed and become more diverse, the

boards had remained generally the way they have always been. The excuse given by the companies is that they do not find suitably qualified women.

Mattis (2004) identified one of the areas needing change as the definition of the eligible women candidates for board position; this should include for other women with senior management experience, and not necessarily those who already hold board positions elsewhere. This will indeed broaden the selection pool and increase the opportunities as the recycling of a small group of women means that they become extremely experienced as directors.

The King II Report (2002) also suggests that there is a need for new directors' development by means of an induction; and moreover, that inexperienced directors are developed through mentorship programmes. Added to this, the development of directors should be conducted through formal processes, including training, on an ongoing basis. This should go a long way to mitigate the existing perception that qualifying women are scarce.

As long as it remains ungoverned what the process of hiring and firing board directors is in South Africa, the situation is unlikely to change. Furthermore the propensity to appoint more men with similar characteristics will continue.

## 6.5 Research Question 3

### **Why has the public sector been more successful than the private sector on women board appointments?**

The South African Government has made strides towards more diverse leadership (Businesswomen Association, 2009). The government has introduced deliberate interventions to redress equality and diversity in the form of policies, legislations and regulations. Despite these interventions the corporate sector remains behind with 7.1% board membership positions held by women (Businesswomen Association, 2009). When the respondents were asked what they thought of women representation in the public sector versus the private sector, they all responded that they believed that government was way ahead of the private sector. Reasons for this are discussed below.

#### 6.5.1 Leadership

Renowned authors such as Cummings (2009) and Porter (2007) agree that for any meaningful change to occur in corporations, it needs not only to be supported by the most senior management, but for them to believe in the change and lead by example. Many leaders struggle to do this, and want to see the change from others, and have often failed in the past.

The majority of the respondents pointed out that when leadership is focused on gender diversity, the representation of women grows across all corporate levels, even at the top end. Two of the respondents were executive chairpersons; however, it is important to note is that both these positions are in State Owned Entities (SOE) and not in the private sector boards they serve on. Two respondents in particular referred to the leadership of the ex-

president of South Africa, Mr. Thabo Mbeki, and said the most gender advancement happened under his watch as gender diversity was one of his focal areas. Many of the corporate leaders took the cue from the then President and started seeking women to join their companies, also paying attention to those women within their ranks.

Schein (1999) warns leadership about culture, defined as shared tacit assumptions of a group which it has learned in coping with external tasks and dealing with internal relationships. Schein (1999) further says that although culture manifests itself in overt behaviour, rituals, artefacts and espoused values, its essence is in shared values, and every responsible leader will be aware of these assumptions and manage them, otherwise they overpower all the efforts made.

In summary it may therefore argued that without leadership any material changes, including gender diversity, are unlikely to be successful. For changes to materialise the leadership should be in the forefront and lead by example.

#### 6.5.2 Social environment

Despite the fact that many researchers have found that there are very few differences, if any, in the natural abilities of male and female managers (Powell, 1993), stereotypes that portray women as less capable business leaders than men. This phenomenon was aligned with the respondents' opinion in that when asked if they believed that government had been successful in policy making and implementing, they all gave a positive answer, some highlighting the only area of concern being monitoring of the private sector.



The respondents said that the private sector seemed very sluggish and seemed not to realise the benefits of gender diversity. One respondent made the comment that, “The attitude of business in SA is such that Black people and women will make a mess of it (business) and are unlikely to succeed”. This is a telling story of the mindset and perception of companies. One of the respondents highlighted the fact that it is no different in other parts of the world; she said: “I think there is actually only so much you can do with all of that kind of thing (policy) ... Unfortunately, I don’t think we are unique in this women issue; it is the same everywhere in the world; I have worked in the US and the UK; I don’t think it is particularly different; this is a global problem”.

It would seem that gender inequality with regard to board representation is a global challenge because even advanced economies do not have a significantly greater representation of women on their boards. A different, global approach may be one way to tackle gender diversity on company boards.

### 6.5.3 South African environment

South Africa is still battling its history of segregation and discrimination, which is most challenging as the majority of the population was disadvantaged. Mathur-Helm (2005) says that to date South Africa is still grappling to meet transformation; it needs to gain respect and promote the rights of all its citizens irrespective of race, gender, class, age, and disability. Women, and particularly black women, were the most disadvantaged as they suffered from both gender and race marginalisation.

Unlike other countries where the focus on diversity is mainly is on gender, South Africa is still battling with race as well. Initially, the new (1994) government policies were focused on race diversity and later more focused on gender. This resulted in a lag, where race is still more prominent than gender. Most respondents said that companies would rather correct the race diversity before gender. One respondent said that many companies are still battling with diversity at the race level and found that gender diversity stood in the secondary rank of business diversity.

It implies that there is a lot more work to do in promoting diversity in companies. The benefits need to be highlighted and companies educated about the potential that gets realised when embracing diversity. Government should also continue to play its role as champions of diversity. It should not only be a periodic issue that gets attention from time to time.

## 6.6 Research Question 4

### **What are the common reasons for the paucity of women directorships on company boards?**

A number of researchers have studied women on boards (Oakley 2000; Terjesen and Singh, 2008; Adams & Ferreira, 2009). Oakley (2000) says that studies have been done in different countries for over 30years, however the trend of paucity of women on boards continues. South Africa has representation of 7.1% women on company boards (Businesswomen Association, 2009). Factors influencing women's inclusion on boards are discussed.

### 6.6.1 Employment in South Africa

Mathur-Helm (2005) says that South African women, irrespective of their racial identity, have always stood in the secondary echelon of society. Past policies and laws deliberately favoured men, particularly white men. Studies in other countries do not reveal a very different picture. One of the respondents commented that while she did not have the latest statistics at that moment, she had worked in both UK and US, and the representation was just as biased towards males. In general the female representation in boards is at best 25%. Countries such as Norway and Spain, have taken deliberate action to legislate the female representation on boards to be 40%. South Africa could take the opportunity to learn from these countries what resulted from implementing these regulations have been. In the case of Norway, Natividad (2010) reports that quotas has worked exceptionally well achieving female board representation of 40.3% from just 6% in less than eight years, the global highest at present.

### 6.6.2 Glass Ceiling

A Glass ceiling is defined as company practices that have prevented women from advancing to executive-level positions such that they can see the top jobs, but they cannot actually reach them (Grobler *et al*, 2006).

Women are often told how they need relevant experience for certain positions. One of the respondents said that often women were not welcome in these “male dominated” roles and often the environment was made out to be hostile and more harsh than it really is. Another said that “the private sector women still have to push through the glass ceiling and it

remains unresolved; men still take women for granted. On the first board I sat on, one elderly gentleman asked me to make him tea; by then we had not even met”.

The experience that women need in areas such operations, manufacturing or marketing is often not offered to young women managers (Oakley, 2000). Burgees and Tharenou (2002) agree, saying that by providing career ladders that enable women to gain core business experience within the company, women managers can be developed and promoted.

On the other hand women are given risky tasks and often brought to leadership levels too late when there are evident problems facing the company. Female directors often outperform their male counterparts, as found empirically in the study done by (Ryan and Haslam, 2008) where they point out the existence of a “glass cliff” whereby women appointed to senior positions are given riskier tasks.

Women, from an early age, need to be given similar responsibilities and authority to their male counterparts. Men and women should be exposed to various business opportunities so that later in life lack of exposure is not used as an excuse to exclude women from opportunities.

### 6.6.3 Summary and conclusion

It can be summarised that while women encounter challenges on boards, studies are intensifying that will contribute towards understanding the paucity of women on boards. Various researchers have looked at a number of aspects affecting women on boards and some studies could not reach conclusive results.

It is clear from this study, women in South Africa still experience serious challenges where men are concerned. Trends such as stereotyping and glass ceilings are still being highlighted as top-of-mind issues that prevent women becoming directors on company boards. South African companies' leaders seem to have the focus on race diversity when compared with gender diversity. A more focused effort needs to be driven by leadership if any meaningful changes are to be achieved.

## Chapter 7

### 7. Conclusion and Recommendations

#### 7.1 Introduction

The purpose of this chapter is to consolidate the outcomes of the study in line with its objective and lead to recommendations for implementation as well as ideas for future research.

The purpose of this research study was to understand why there are so few women on company boards. This should be of interest to South African companies because diversity has been proven to bring about value in various ways (Carter et al., 2003; Huse, 2005; Terjesen et al., 2009).

#### 7.2 Findings

The study found a number of factors affecting the inclusion of women on company boards. These factors are summarised below.

##### 7.2.1 Stereotyping

It can be concluded from the study that gender stereotypes still inform many decisions in business, including board appointments. Women are still a minority on South African boards and it seems that one of the underlying assumptions is that women are not as skilled as men in business. Awareness with regard to stereotyping should be raised.

### 7.2.2 Diversity

Even though there is evidence that the gender gap is narrowing, the levels of discrimination and inequalities are ever present. While it is apparent that there are benefits in diversity (Carter et al., 2003), there seems to be a lack of enthusiasm to embrace gender diversity on company boards. Diversity value-add is being advocated by some studies (Brown, Brown, and Anastasopoulos, 2002; Erkut, Kramer, and Konrad, 2007), while others question it (Tacheva, 2010). Further studies, supported by more empirical evidence, need to be pursued in gender diversity benefits on company boards.

### 7.2.3 Corporate culture and change

This study suggests that meaningful change has to come from companies for culture changes to be implemented. Companies seem to be appointing women for board positions simply to meet the required mandate, and beyond this, not prepare to take on any significant and cultural changes.

### 7.2.4 Agency theory

In the last 16 years of democracy in South Africa, the buying power, market and shareholder profiles have changed, becoming more diverse. This has not extended to the management of companies, in particular company boards. The reluctance seems to be coming from the decision-makers for board appointments. Shareholders can, through avenues such as the annual general meetings state their desires with regard to the board profile. It therefore calls for active involvement and accountability from the shareholders through their agents and subsequently through to the management of companies.

### 7.2.5 Corporate governance

Issues governing boards, such as the board appointment process, still seem to reside predominantly within individual companies. This breeds an environment that has no control, and accountability as a result is lax, because there is no governing body. Clear quotas such as that in Norway and Spain's with a target of 40% female representation on boards (Adams and Ferreira, 2009), is necessary. When there is non-compliance there has to be clear consequences and in the Norway case companies face dissolution (Natividad, 2010). Norway's percentage of women directors is 40.3% in 2010, the highest globally; from 6.8% just eight years ago (Natividad, 2010). "The weapon for arriving at this dramatic change (in Norway) is indeed quota law enacted in 2003" (Natividad, 2010, p. 23).

### 7.2.6 Leadership

Leadership remains pivotal in environments that need change. The South African economic and business environment needs change that will address the inequalities and disparities in a positive way. This study found that if there is focus on gender diversity from the leadership of the country, then companies tend follow the trend. It is observed that most gender diversity happened under the watch of ex-President Mr. Thabo MMBeki.

## 7.3 **Conclusion**

It is evident that women on boards still face enormous challenges, many of which can be changed with effort and focus. Government, through policies and regulations have prepared for the transformation process that South Africa needs to heal the rift created by the apartheid era. Leadership, at political and more importantly at companies level, is



needed to ensure swift success for transformation. Without transformation South Africa will continue to have worst disparities and inequalities, qualities that destabilises the economy.

## **7.4 Recommendations to various stakeholders**

Bilimoria (2006); Brown, Brown, and Anastasopoulos, (2002); Erkut, Kramer, and Konrad, (2007) have carried out studies assessing the benefits of having impact of having women on company boards. The findings showed a positive correlation between the presence of women board directors and increase in issues such as monitoring, following the approved strategy, employing more women officers, ethnicity at company level and financial performance. It is therefore important to achieve diversity on boards and the following are recommended.

### **7.4.1 Private companies and company boards**

A bigger pool of skilled women should be accessed through:

- contacting universities and business schools with regard to potential leadership talent emerging. In the US for example, there is what is called the ‘hiring season’ where companies go to different business schools to meet with students who are about to qualify, and establish potential opportunities. This provides a more concentrated environment to match the skills set required by companies and those that different students possess.
- companies and boards actively seeking potential female candidates who could fill these positions, as it is believed that they are available; it is a matter of finding them. This can be achieved through expanding the scope and depth of the search for new directors. For example, board recruiters could approach women's business groups

or clubs, or solicit the recommendations of female executives, both within and outside companies.

#### 7.4.2 Government

- Countries such as Norway and Spain have taken decisive action to improve the female representation on corporate boards where they have legislated that company boards should have 40% representation of women. This could go a long way in correcting the situation as it is a clearly specified target with a set timeframe. As mentioned it has already given the desired results in Norway.
- Heavy penalties could be introduced for non-compliance with stipulated targets. At present it is unclear what the consequences are if one does not comply fully or comply at all.
- Provide a policy that addresses board appointment processes such that they remain objective while accommodating diversity.

#### 7.4.3 Shareholders

- Shareholders should get more involved in business dealings and not leave it up to the management to resolve and decide on. This will therefore naturally grow the network and pool to find the potential female directors.
- Shareholders should engage with the Institute of Directors (IOD) and make regular recommendations to businesses with regard to the board directorships of companies.
- Shareholder should demand regular feedback on the plans, implementation and monitoring of the company structures and anticipated sustainability plans, including

diversity plans of the future. Effective diversity plans should include programs to assist women and other previously disadvantaged people grow their careers into new responsibilities, through mentoring, corporate orientation and in-depth briefings on core business and industry issues. These programs will ultimately benefit all new board members.

#### 7.4.4 Women

- Women must actively seek out potential opportunities to serve at the board level. Women should not sit back and expect board appointments to come their way without any effort.
- To attract board invitations, women must promote their accomplishments, build and leverage their connections, and seek opportunities to enhance their qualifications.
- Women who have already made it into corporate boards should look out for those who still need to break the 'glass-ceiling' and facilitate smoother transition in to the corporate environment by either lobbying for them or providing coaching and mentoring to other women.
- When women join a board, they must be willing to invest their time and talent towards learning and contributing to a healthy business discussion. Women need to take charge of their own future.

#### 7.5 **Recommendations for future research**

During this study, it became clear that people are still uncertain about the value add of diversity generally. Gender diversity is a highly debated topic at present and there are

conflicting reports on the actual value brought about by women serving on a board. Neilson and Huse (2010) say that the extent to which gender predicts leadership behaviour and effectiveness is keenly debated in the literature.

Some areas of interest into further research include:

- how board composition influences board effectiveness and company performance;
- positive and negative effects brought about by introducing one, two and three women to a board;
- whether there is a certain ratio that needs to be reached for women to make a meaningful impact on board dynamics and performance;
- whether it is women *per se* that add diversity to boards, or the personal backgrounds; and
- what type of women make valuable board members.

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## **Appendix A**

### **The letter of request**

To Whom It May Concern:

I am conducting a research on why there are so few women directors on South African boards and requesting your participation in this study.

Our interview is expected to last about an hour, and it will help us understand the main reasons facilitating minority of female representation on boards. Your participation is voluntary and you can withdraw at anytime without penalty. Naturally, all data will be kept confidential.

Please respond at your earliest convenience to any of my details below and I will contact you to arrange a meeting.

If you have any concerns, please contact me or my supervisor. Our details are provided below:

**Researcher:**

Name: Mohlakore Matsaba

Email: [mohlakorem@absa.co.za](mailto:mohlakorem@absa.co.za)

Phone: 082 465 9732

**Supervisor:**

Name: Mandla Adonisi

Email: [adonisim@gibs.co.za](mailto:adonisim@gibs.co.za)

Phone: 011 771 4000

Signature of participant: \_\_\_\_\_

Date: \_\_\_\_\_

Warm regards,

Mohla Matsaba

## **Appendix B**

### **Interview Schedule**

## Interview Schedule

**Topic:**

**WHY ARE THERE FEW WOMEN DIRECTORS ON COMPANY BOARDS?**

***Demographic questions***

**1 Gender**

- Female
- Male

**2 Race Group**

- African
- White
- Coloured
- Indian

**3 What sector is your company in?**

- Information & Communications Technology
- State Owned Enterprise (SOE)
- Financial Services
- Mining
- Professional services/consulting
- Construction
- Industrial
- Retail
- Other

**4 What is/are your role/s?**

- Non-Executive Chairperson
- Executive Chairperson
- Chief Executive
- Independent Director
- Non-Executive Director
- Executive Director

**5 Would you say that women are under-represented on company boards?**


**6 Would you say women board directorships are on the increase/ decrease?**


**7 What do you think are the two main contributors to this increase/ decrease?**


**8 What is your view with regard to private sector women board representation versus public sector? Why?**

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9 Do you believe South African companies have done enough to increase the number of women in boards?


10 Do you believe government policies and legislation are successful? Elaborate please.


11 Do you believe South African Government has done enough to counter shortage of women in boards? Why?


12 How long have you been serving as a board member? \_\_\_\_\_

13 How many boards do you serve in? \_\_\_\_\_

14 What sector is/are these company boards in?  
 1st \_\_\_\_\_  
 2nd \_\_\_\_\_  
 3rd \_\_\_\_\_  
 4th \_\_\_\_\_

15 How many members are on your board(s)? \_\_\_\_\_

16 How many of them are women? \_\_\_\_\_

17 What are their roles in these boards?  
 1st \_\_\_\_\_  
 2nd \_\_\_\_\_  
 3rd \_\_\_\_\_  
 4th \_\_\_\_\_



18 How were these women recruited?


19 Why would you say there are so few women on this board(s)?


20 Who generally has the final say in board appointments? Why?


21 Does this board have a succession plan for executive boards members?


22 How does the appointment process work?


23 Does the company have internal processes to create opportunities for women to participate in their boards?


24 Do you believe enough is being done with regard to attracting and retaining women on company boards?






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**25 How can women position themselves better for corporate board positions?**


**26 Is anything else that you would like to contribute towards understanding why females remain under-represented in company boards?**


***THANK YOU FOR YOUR TIME AND PARTICIPATION.***



## **Appendix C**

### **Self Administered Questionnaire**

**Questionnaire for self administration**

**Topic:**

**WHY ARE THERE FEW WOMEN DIRECTORS ON COMPANY BOARDS?**

***Demographic questions***

Indicate by using a tick where applicable

**1 Gender**

- Female
- Male

**2 Race Group**

- African
- White
- Coloured
- Indian

**3 What sector is your company in?**

- Information & Communications Technology
- State Owned Enterprise (SOE)
- Financial Services
- Mining
- Professional services/consulting
- Construction
- Industrial
- Retail
- Other

**4 What is/are your role/s?**

- Non-Executive Chairperson
- Executive Chairperson
- Chief Executive
- Independent Director
- Non-Executive Director
- Executive Director

*Please fill out the answer in the space provided:*

**5 Would you say that women are under-represented on company boards?**

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**6 Would you say women board directorships are on the increase/ decrease?**

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**7 What do you think are the two main contributors to this increase/ decrease?**




8 What is your view with regard to private sector women board representation versus public sector? Why?

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9 Do you believe South African companies have done enough to increase number of women in boards?


10 Do you believe government policies and legislation are successful? Elaborate please.

---

---

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11 Do you believe South African Government has done enough to counter shortage of women in boards? Why?


12 How long have been serving as a board member? \_\_\_\_\_

13 How many boards do you serve in? \_\_\_\_\_

14 What sector is/are these company boards in?  
1st \_\_\_\_\_  
2nd \_\_\_\_\_  
3rd \_\_\_\_\_  
4th \_\_\_\_\_

15 How many members are on your board(s)? \_\_\_\_\_

16 How many of them are women? \_\_\_\_\_

17 What are their roles? 1st \_\_\_\_\_

2nd

3rd

4th

**18 How were these women recruited?**

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**19 Why would you say there are so few women on this board(s)?**

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**20 Who generally has the final say in board appointments? Why?**

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**21 Does this board have a succession plan for executive boards members?**

---

---

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**22 How does the appointment process work?**


**23 Does the company have internal processes to create opportunities for women to participate in their boards?**

---

---

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**24 Do you believe enough is being done with regard to attracting and retaining women on company boards?**

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25 **How can women position themselves better for corporate positions?**

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---

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26 **Is there anything else that you would like to contribute towards understanding why females remain under-represented in company boards?**

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***THANK YOU FOR YOUR TIME AND PARTICIPATION.***

## **Appendix D**

### **Consistency Matrix**